2010

Annual Report
Volume I

25 YEARS

Millennium
bcp

2010
Annual Report
Volume I

The Annual Report 2010 is merely a translation of the Relatório e Contas 2010 document delivered by the Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), according to the Portuguese law.

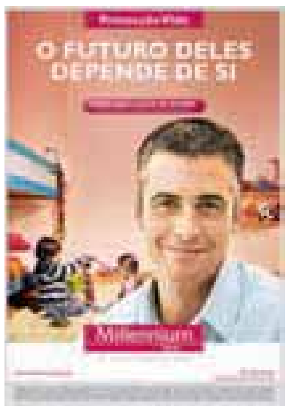
Being the sole purpose of such English version to simplify consultation of the document to English speaking Shareholders, Investors and other Stakeholders, in case of any doubt or contradiction between both documents the Portuguese version of the Relatório e Contas 2010 prevails.

Millennium
bcp


25
ANOS

INDEX

Banco Comercial Português, S.A.


O FUTURO DELES
DEPENDE DE SI
Millennium

FINANCIAL HIGHLIGHTS

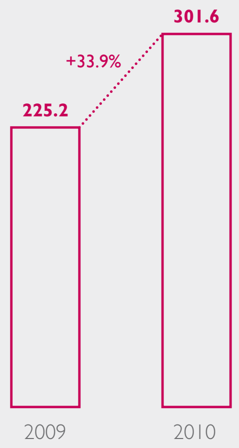
Million euros

	'10	'09	'08	'07	'06	Change % '10/'09
BALANCE SHEET						
Total assets	100,010	95,550	94,424	88,166	79,045	4.7%
Loans and advances to customers (net) (1)	73,905	74,789	74,295	64,811	55,945	-1.2%
Total customer funds (1)	67,596	66,516	65,325	62,719	55,972	1.6%
Shareholder' equity and subordinated debt	8,789	9,108	8,559	7,543	7,562	-3.5%
PROFITABILITY						
Net operating revenues	2,892.0	2,493.2	2,602.0	2,791.9	2,874.7	16.0%
Operating costs	1,603.3	1,540.3	1,670.8	1,748.6	1,725.5	4.1%
Impairment and Provisions	930.9	657.4	589.2	355.1	155.3	41.6%
Income tax						
Current	54.2	65.6	44.0	73.0	87.9	
Deferred	(57.2)	(19.4)	40.0	(3.5)	66.9	
Non-controlling interests	59.3	24.1	56.8	55.4	52.0	146.2%
Net income attributable to Shareholders of the Bank	301.6	225.2	201.2	563.3	787.1	33.9%
Cost to income	56.3%	63.6%	58.6%	60.3%	61.6%	
Return on average shareholders' equity (ROE)	6.1%	4.6%	4.5%	14.9%	23.4%	
Return on average total assets (ROA)	0.4%	0.3%	0.3%	0.7%	1.1%	
CREDIT QUALITY						
Overdue loans (>90 days)/Total loans	3.0%	2.3%	0.9%	0.7%	0.8%	
Overdue loans (>90 days) + doubtful loans/Total loans	4.5%	3.4%	1.3%	1.0%	1.1%	
Total impairment/Overdue loans (>90 days)	109.4%	119.0%	211.6%	251.8%	284.8%	
Cost of risk	93 b.p.	72 b.p.	71 b.p.	39 b.p.	21 b.p.	
SOLVENCY (*)						
Tier I	9.2%	9.3%	7.1%	5.5%	6.6%	
Core Tier I	6.7%	6.4%	5.8%	4.5%	4.9%	
Total	10.3%	11.5%	10.5%	9.6%	11.0%	
BCP SHARE						
Market capitalisation (ordinary shares)	2,732	3,967	3,826	10,545	10,112	-31.1%
Adjusted basic and diluted earnings per share (euros)	0.043	0.034	0.034	0.128	0.184	27.8%
Market values per share (euros)						
High	0.933	1.075	2.646	4.30	2.88	-13.2%
Low	0.555	0.556	0.685	2.57	2.14	-0.2%
Close	0.582	0.845	0.815	2.92	2.80	-31.1%
BRANCHES						
Activity in Portugal	892	911	918	885	864	-2.1%
International activity	852	898	886	744	615	-5.1%
CLIENTS						
Clients (thousands)						
Activity in Portugal	2,500	2,570	2,618	2,632	2,724	-2.7%
International activity	2,664	2,486	2,299	1,941	1,591	7.2%
Interest paid on deposits and interbank funding	1,166	1,330	1,922	1,454	1,086	-12.3%
Global satisfaction index (2)	78.9	79.8	79.0	77.7	78.5	
EMPLOYEES						
Activity in Portugal	10,146	10,298	10,583	10,742	10,808	-1.5%
International activity	11,224	11,498	12,006	10,380	8,517	-2.4%
Staff costs	891.3	865.3	915.3	1,006.2	1,034.7	3.0%
External training costs	2.9	2.9	3.3	3.5	3.4	-1.9%
Global satisfaction index	69.3	72.4	67.1	71.9	72.9	
DONATIONS	3.8	2.4	3.9	5.6	3.2	59.8%
SPONSORSHIPS	4.7	3.9	5.8	4.0	4.2	21.5%

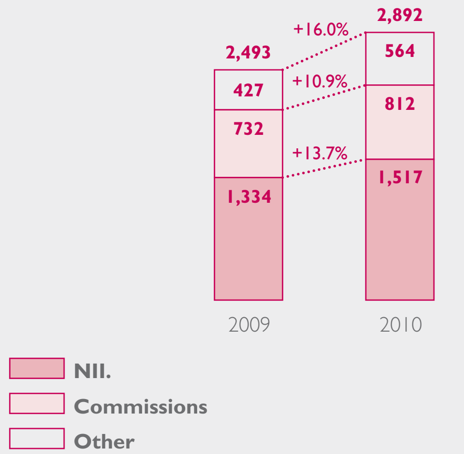
(1) Adjusted from companies partially sold – Millennium bank Turkey (2006 to 2008) and Millennium bcpbank USA (2006 to 2009).
(2) Satisfaction and motivation survey in Portugal, Poland and Greece.
(*) Capital ratios based on the IRB approach in 2010 and in accordance with the standard approach in 2009 to 2006 (detailed information in the section "Capital Management").

HIGHLIGHTS

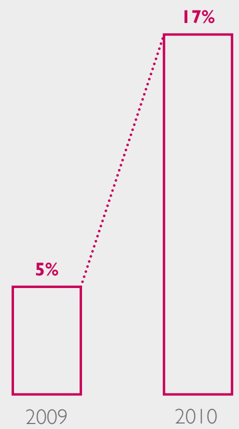
NET INCOME
Million euros



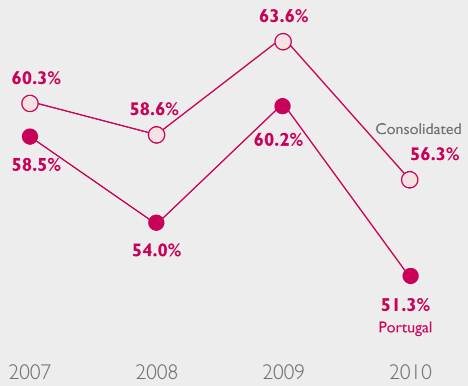
NET OPERATING REVENUES
Million euros



INTERNATIONAL OPERATIONS CONTRIBUTION TO NET INCOME

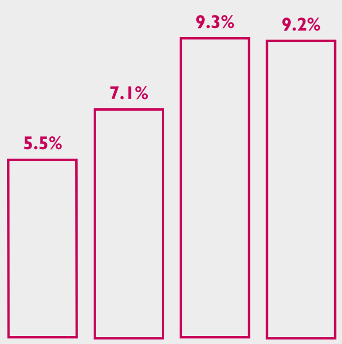


COST TO INCOME RATIO (*)



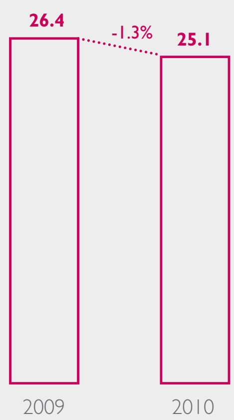
(*) On a comparable basis, excluging specifc items.

TIER I



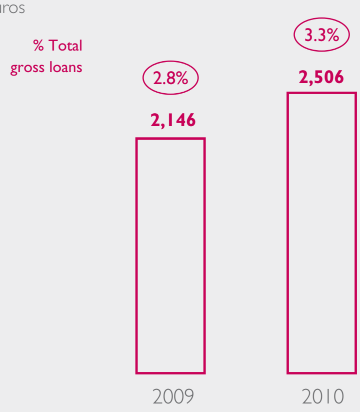
	2007	2008	2009	2010
	Standard	**Standard**	**Standard**	**IRB**
RWA (M€)	61,687	67,426	65,769	59,564
Total ratio	9.6%	10.5%	11.5%	10.3%

COMMERCIAL GAP
Billion euros



BALANCE SHEET IMPAIRMENT CHARGES (*)

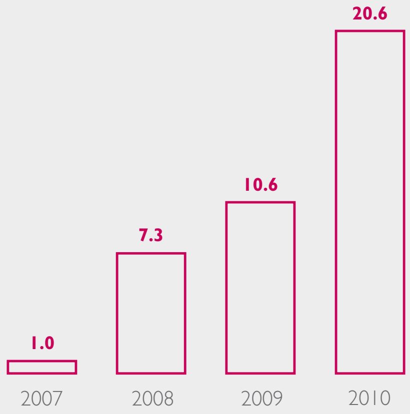
Million euros



(*) Excludes USA and Turkey.

ELIGIBLE ASSETS IN CENTRAL BANKS

Billion euros



OVERALL CUSTOMER SATISFACTION LEVELS (*)

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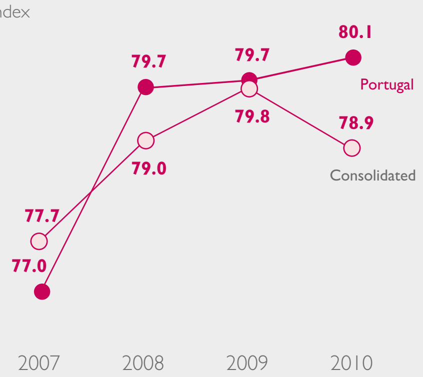

(*) Satistaction and motivation survey in Portugal, Poland and Greece.

OVERALL EMPLOYEE SATISFACTION LEVELS

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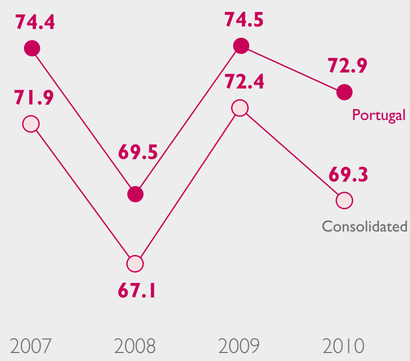
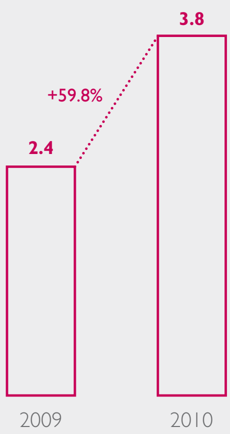


DONATIONS

Million euros



GREENHOUSE GAS EMISSIONS

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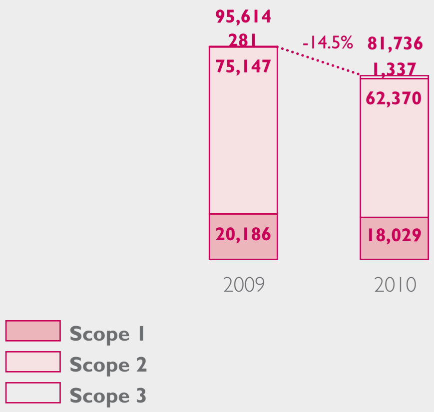


MESSAGE FROM THE CHAIRMAN OF THE SUPERVISORY BOARD

Esteemed Shareholders,

Considering that in 2010 we commemorated the 25th anniversary of the incorporation of Banco Comercial Português, I feel the need to draw your attention to the path that has been undertaken and the many successes achieved by a project underpinned by the resolve of all those who, with their determination, work and competence, built an innovative Bank, well ahead of its time, and which in a few years gave rise to what is today the largest private Portuguese financial group.

A new, different Bank, with a totally disruptive mission and offer that unequivocally contributed to the modernisation, development and current configuration of the Portuguese financial system.

The success of Banco Comercial Português can only be understood in light of the growth strategy set out, which involved the launch of innovative banking concepts, with Nova Rede being the most paradigmatic example, and the acquisition of other financial institutions of significant relevance in the sector.

More than limiting itself to merging with other competitors, the Bank succeeded in capitalising on the prestige, culture, processes and synergies of institutions such as Banco Português do Atlântico, Banco Mello and Banco Pinto & Sotto Mayor, which enabled it to establish a presence in 20 countries, spread over five continents, serving 5.2 million Customers.

Today, just as it did 25 years ago, the Bank builds its history on a culture of innovation, technical competence and service excellence, continuing – now, with the Millennium brand – to prepare its future.

In the final year of its current mandate, and in accordance with its legal and statutory obligations, the Supervisory Board focused on strategic and development aspects of the Company, within the scope of its general supervisory function and, in particular, assessed the correctness of the Company's accounts and the adequacy of the methods used and monitored the activities of the Executive Board of Directors, within a context of ongoing dialogue and close cooperation, essential for the pursuit of the interests of Millennium, its Shareholders and other Stakeholders.

The year of 2010, despite signs of moderate recovery, continued to develop in the atypical environment that has characterised the international economy since 2008, marked by the difficulty in accessing international financing markets, which led to direct repercussions on the banking system and the management of the Bank. Over the course of 2010, the Supervisory Board pursued information on a regular basis, issued opinions on all the matters that required its attention or fell within its supervisory capacity and closely monitored studies and debates regarding governance models, elaborated in accordance with the best international practices, with a view towards the optimisation, modernisation and amendment to the legal, regulatory and recommended rules of the supervisory entities, continuing to guarantee, namely, an effective degree of independence between the bodies that hold management powers and those that hold supervisory powers.

The Supervisory Board also supervised and supported the Executive Board of Directors in the management of the Group's strategic priorities, within an adverse environment, from both a macroeconomic and financial market conditions viewpoint, with a specific focus on risk control and capital and liquidity management. It also monitored the implementation process of the Basel II principles, the activity of the bank subsidiaries abroad and evaluated the adequacy and efficiency of the supervision model relative to the Internal Control System.

I must highlight the correct and advantageous institutional relationship between the Supervisory Board and its Specialised Committees and the Executive Board of Directors, enabling a constructive approach to the complex issues that were assessed over the course of 2010. The Supervisory Board monitored the most recent corporate events and assessed most thoroughly, within the scope of the programme designed to enhance a correct professional behaviour, the code of conduct, the regulation on financial intermediation and the compliance policies, applicable to all Group Employees.

It is also worth mentioning the work undertaken by the Specialised Committees of the Supervisory Board, with emphasis on the Audit Committee, which, together with the External Auditors, Internal Audit, Compliance Office and Risk Office, maintained a permanent and strict supervision, including a high quality regular reporting to the Supervisory Board.

Given the level of expertise demanded from the Executive Board of Directors and Group Employees, as well as the assessment made over the course of the mandate, I believe that the Bank has qualified, motivated and dedicated people that uphold and embody the commitment to improve profitability, strengthen the Institution's equity and adequately manage the risks inherent to the activity.

I thus wish to express, to all in general and, in particular, to the Chairman of the Executive Board of Directors, Mr. Carlos Santos Ferreira, my gratitude and recognition for the professionalism and dedication with which, during such a difficult period for Portugal and for the Group, they performed their duties.

I conclude with a word of appreciation to each of my colleagues of the Supervisory Board, for the immense availability, loyalty and independence with which they supervised and monitored the Bank's activities according to the Law, articles of association and recommendations.

Luís de Mello Champalimaud
Chairman of the Supervisory Board

MESSAGE FROM THE CHAIRMAN OF THE EXECUTIVE BOARD OF DIRECTORS

In the year in which Banco Comercial Português commemorated 25 years, it continued to focus its efforts on the innovation and pioneering vectors in the Portuguese financial system, having adopted for the first time the concept of integrated reporting in the preparation of the 2010 Annual Report. This is in compliance with the best and most recent international practices of communication with Stakeholders. The integrated report allows communicating the alignment between the strategy of Millennium bcp and the obtained results in a transparent manner. At the same time, it facilitates access to information on the main risks and opportunities of a financial, social and environmental nature. The preparation of an annual report is also intended to fulfil the information needs and expectations of a wider range of Stakeholders, aimed at supporting their systemic evaluation processes of the overall performance of the Bank and to justify decision making in a rigorous, comprehensive and specialised manner.

2010 was very challenging for Portugal, for banking in general and for Millennium bcp in particular. The year was marked by an uncertain and unfavourable economic climate, as well as by the aggravation of sovereign risk in the peripheral countries of the Euro Area. This environment strongly conditioned the activity of Portuguese financial institutions, as a result of the deterioration of the credit risk of the Portuguese Republic – with negative repercussions on the credit risk of national banks –, and due to the restrictions on funding in bond and monetary markets. In this demanding context, Millennium bcp always sought to respond adequately to the challenges inherent to the new macroeconomic conditions and to the increased complexity of the financial environment. Particular attention was paid to the regulatory changes in the banking sector, the discussion of future capital and liquidity requirements, the pressure on the profitability of the business and the increased competitiveness in the financial sector.

Given the economic, financial and regulatory framework in force, the Bank of Portugal recommended that Portuguese banks reinforce their own funds, with a view to meeting the stricter targets defined within the scope of Basel III, in terms of minimum requirements and quality of capital. In this regard, it is important to highlight the efforts of Millennium bcp in adopting a rigorous liquidity and capital management policy and culture. The implementation of specific plans, which contemplated various measures that will continue to allow the capital and liquidity position of the Bank to be strengthened, are also noteworthy. Another point worth highlighting is the authorisation obtained from the Bank of Portugal for Millennium bcp to adopt the IRB method in the evaluation of credit risk. As at 31 December 2010, the Core Tier I and Tier I ratios came to 6.7% and 9.2% respectively, corresponding to the highest values recorded in the last decade.

In 2010, banking activity in Portugal was clearly conditioned by the sovereign crisis, particularly following the requests for international aid from Greece and Ireland. This situation contributed to the increase in funding costs in the national financial sector and reinforced the need for banks to deleverage. Among the various measures implemented by Millennium bcp, aimed at mitigating the adverse effects caused by the crisis, the adoption of a strict funding management and prudent capital management policy, the reduction of the commercial gap, the efforts in adjusting the price to the risk of the credit operations and the increase in value and quality of their collaterals, with a view to optimising the risk-weighted assets and aimed at improving the solvency ratios, are worthy of mention.

The strategic vision of Millennium bcp for the three-year period 2011-2013 was adjusted, resulting in the "Profitability and Focus" initiative. It is the intention of the Bank, on the one hand, to remain focused on European operations that ensure a competitive presence and a significant position in the medium and long-term and in markets with a close connection to Portugal and, on the other, to strengthen the commitment to increase the profitability of the operation in Portugal. During 2010, multiple initiatives were implemented aimed at fulfilling the strategic vision of the Bank and which had an impact on the improvement of net income and on the increased contribution of the international operations to consolidated earnings.

In 2010, in the midst of an extremely harsh economic environment, Millennium bcp succeeded in: i) recording an improvement of 33.9% in net income, underpinned by the increase in net interest income and commissions, both in Portugal and in international operations, with emphasis on Poland, Mozambique and Angola; ii) carrying out two credit securitisation operations, three covered bond issues and two senior unsecured debt issues, in a total amount of 8.7 billion euros; iii) increasing the portfolio of eligible assets for discounting with Central Banks to more than 20 billion euros; iv) reducing the commercial gap, as a result of the 1.6% increase in on-balance sheet customer funds and the contraction in loans granted to customers of 0.7%; v) maintaining the improvement trend over the last few years of the cost to income ratio; vi) continuing to expand the branch network in Angola and Mozambique; vii) obtaining an on-shore licence to operate in Macao, bringing about the strategy aimed at reinforcing the Bank's presence in the Asia-Pacific region and to serve as a crucial link in exploiting business opportunities in the strategic triangle linking China/Macao, Portuguese-speaking Africa and Europe; viii) launching an innovative bank based on the Activobank platform; ix) simplifying the international portfolio, by concluding the sale operation processes in Turkey and the USA; x) obtaining the highest Customer satisfaction index in Portugal since the creation of the single brand in 2004 and xi) preserving the last years high Employee satisfaction index in Portugal.

Within the scope of the Master Plan for Sustainability 2010-2012, several initiatives were implemented that reinforced the Bank's proximity to its Stakeholders. The programmes and initiatives developed for and with Employees, created conditions to strengthen the values, culture and principles of Millennium bcp, promoting individual motivation and a greater proximity and communication with Customers. In 2010, the Autonomous Microcredit Network of Millennium bcp also commemorated five years of activity and continued to focus on innovation as a mean of relating to entrepreneurs and supporting value added entrepreneurial projects, disseminating information on this financial solution to an increasing number of potentially interested parties. In 2010, as a result of the work developed by the Microcredit network, loans of a total amount of 2.2 million euros were approved, increasing its contribution to 3,195 jobs created since the launch of microcredit operation, reflecting once again the Bank's commitment to social responsibility. In addition to Portugal, initiatives were also organised, in the several geographies in which the Group operates, to support education, culture and social solidarity, which contributed to an improved quality of life for the populations involved.

The next few years will not be any less complex or challenging and will continue to be based on the issues related to capital and liquidity. With some degree of certainty, we shall witness a generalised need to reinforce the solidity and solvency of the international and, in particular, the European financial system, involving the recapitalisation process of financial institutions, in line with the new capital requirements established by Basel III. In view of its strategic priorities of growth and increased profitability, Millennium bcp shall seek to ensure the sustainable improvement of its consolidated earnings, based on the evolution of core revenues and on the strong potential of its international operations.

We are confident, not only in light of our history, but in particular due to the dimension achieved in such a demanding environment, that Millennium bcp will build a successful future, based on greater involvement and commitment to its Stakeholders. We shall seek to continuously overcome the challenges that we set ourselves, thereby renewing our ambitions of leadership and innovation. The involvement of Employees, the openness towards society, the support of innovation and rigour as differentiating factors and the simplification, transparency and focus on the Bank's business areas and strategic markets, allow us to project a new Millennium and challenge us to reinforce the relationship of trust with our Customers.

To all our Stakeholders, with emphasis on the more than 170,000 Shareholders and to the approximately 20,000 Employees in the several operations and governing bodies of the Group, I would like to express my gratitude for your support in 2010, which we expect to remain worthy of in the future.

Carlos Santos Ferreira
Chairman of the Executive
Board of Directors

EXECUTIVE BOARD OF DIRECTORS

António Ramalho | José João Guilherme | Luís Pereira Coutinho | Paulo Moita Macedo (Vice-Chairman)

Carlos Santos Ferreira
(Chairman)

Vítor Lopes Fernandes
(Vice-Chairman)

Nelson Machado

Miguel Maya


I ♥ Millennium
AGORA
É MAIS
FÁCIL
MUDAR
PARA O
MILLENNIUM

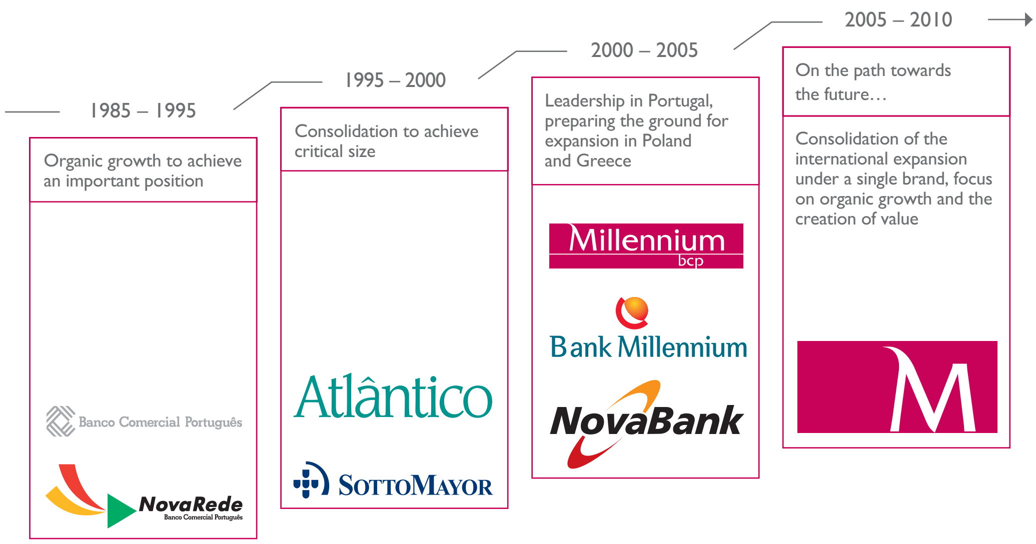
MILLENNIUM GROUP

Banco Comercial Português, S.A., a limited liability company (abbreviated reffered as "BCP", "Millennium bcp" or "Bank"), is Portugal's largest privately owned bank, with its decision making centre located in Portugal and with a prominent position within the Portuguese financial market: it is the second bank in terms of market share, both in loans to customers (about 21%) and in total customer funds (about 19%), and it has the country's largest banking distribution network, with a total of 892 branches, serving more than 2.5 million Customers in Portugal.

In 2010 Banco Comercial Português celebrated its 25th anniversary since its foundation. Its life to date represents a story of success over the course of a quarter of a century, during which it became Portugal's largest privately owned bank and a reference institution in various areas in the different markets where it operates, under the Millennium brand: Portugal, Poland, Greece, Romania, Switzerland, Mozambique, Angola and Macao.

These 25 years can be divided into four development phases:

SINCE ITS FOUNDATION...



... until leadership in Portugal and international presence through growth in selective retail markets

The first phase of the Bank's development was essentially characterised by organic growth and by the increase of its presence and market share in the Portuguese financial services market, taking advantage of the opportunities resulting from the deregulation and liberalisation of the banking sector in Portugal, through the offer of high quality, innovative products and services.

The second phase began in 1995, with the intensification of competition in the domestic banking market, following the modernisation of the existing financial institutions and the arrival of new foreign banking and financial institutions. During this period, the Bank based its growth on the acquisition of domestic banks so as to complement its business and to gain and consolidate its market share in the banking, insurance and other related financial services markets. Hence it acquired, in 1995, Banco Português do Atlântico, which was at the time Portugal's largest privately owned bank and, in 2000, Banco Mello and Banco Pinto & Sotto Mayor.

After the consolidation of its reference position in the Portuguese market, the Bank initiated its third development stage, focused on the expansion of the retail business into new geographies, with the aim of assuming in emerging markets in Europe and in Africa a reference role in the development of the banking sector, namely through its banking operations in Poland, Greece and Mozambique.

The fourth and last phase is based on the consolidation of the international expansion with the creation of a single brand ("Millennium"), focused on organic growth and on the creation of value, founded on the values that have characterised the Bank since its foundation: innovation, dynamism, competitiveness, profitability and financial strength.

Millennium bcp is in good position to build the future, having defined a new Strategic Vision for the period of 2011-2013, named "Focus and Profitability". The Bank elected as main objective the "Profitability" of the operation in Portugal, in the several business segments, supported by a sustained effort in cost contention, risk control, efficiency, innovation and service provided to the Customer. The strategy of "Focus" and affinity in the international operations is reflected in the focus on the European markets that ensure a competitive presence and a significant position in the medium and long term and in the investment in affinity markets. According to its strategy to continue investing in affinity markets, Millennium bcp has currently an expansion plan in Angola and Mozambique. In Macao, region where it has been present since 1995, BCP in 2010, with the transformation of its off-shore branch into an on-shore branch, took an important step in order to explore the opportunities associated with the growing financial flows between China and the markets where it has a presence: Europe and Portuguese speaking African countries. At the end of 2010, Millennium bcp signed a memorandum of understanding with the Industrial and Commercial Bank of Chinese (ICBC), with the objective of reinforcing cooperation between the two banks, which is extended to others countries and regions, besides Portugal and China, aiming to cover the strategic triangle linking China/Macao, Portuguese speaking African Countries and Europe.

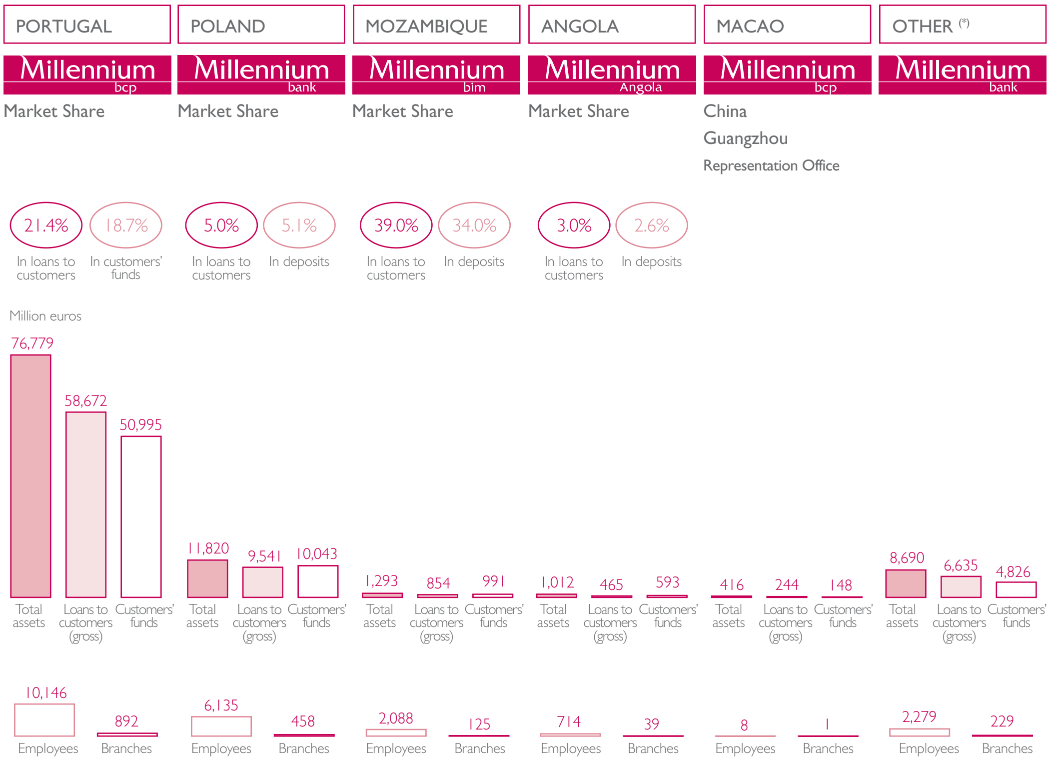
MILLENNIUM BCP'S VISION

Millennium bcp aspires to be the reference bank in Customer service, based on innovative distribution platforms, in which more than two thirds of the capital will be allocated to Retail and Companies, in markets with high potential, which are projected to have an annual growth turnover of more than 10%, and to reach a superior level of efficiency, reflected in a commitment to cost to income at reference levels for the sector and improved discipline in capital and cost management.

MILLENNIUM BCP'S MISSION

To create Customer value through top quality banking financial products and services, observing strict, high standards of conduct and corporate responsibility, growing with profitability and sustainability, in order to provide Shareholders with an attractive profit, which supports and strengthens the strategic autonomy and corporate identity.

A LEADING GROUP FOCUSED ON THE RETAIL BUSINESS IN PORTUGAL, POLAND, MOZAMBIQUE AND ANGOLA



(*)Includes operations in Greece, Romania, Switzerland and Cayman Islands.
Source: Market Shares in Portugal are based on Bank of Portugal and Portuguese bank's public data. Market shares in Poland are from the Polish Banks Association and Polish Asset data. Market shares in Angola are based on National Bank of Angola public data.

The Bank remains focused on Retail distribution in Portugal and on the international markets that will allow a competitive presence and a significant position in the medium and long term, with special emphasis on Poland, Mozambique, Angola and Macao (China).

Its business in Portugal accounts for 77% of total assets, 77% of loans to customers (net) and 76% of total customer funds and is responsible for 83% of net income in 2010. A boost from the contribution of international operations to the Group's net income is expected over the next few years. These operations already account for 51.1% of the total 1,744 branches and 53% of the 21,370 Employees of the BCP Group. Emphasis is given to the growth of Bank Millennium in Poland, with 458 branches and a market share of about 5.1% in customers funds and of 5.0% in loans to customers, Millennium bim's leadership of the Mozambican market, Banco Millennium Angola, which continued its expansion plan and increased its distribution network to 39 branches and its Customer base by 145%, and the creation of the onshore branch in Macao, with the aim of becoming an international business platform connecting China/Macao, Portuguese Speaking African Countries and Europe.

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

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

MILLENNIUM NETWORK

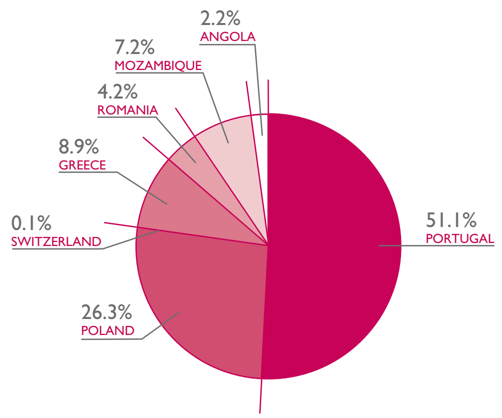
DISTRIBUTION NETWORK

NUMBER OF BRANCHES

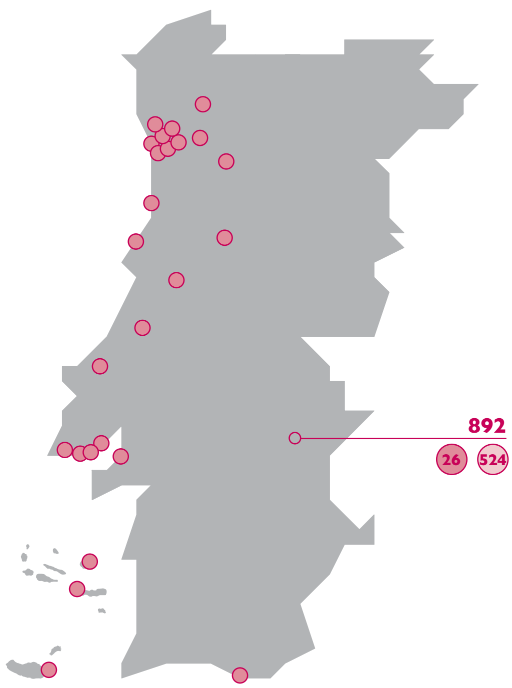
	'10	'09	'08	Change % '10/'09
TOTAL IN PORTUGAL	892	911	918	-2.1%
POLAND	458	472	490	-3.0%
SWITZERLAND	1	1	1	0.0%
GREECE	155	177	178	-12.4%
ROMANIA	74	74	65	0.0%
MOZAMBIQUE	125	116	100	7.8%
ANGOLA	39	23	16	69.6%
TURKEY	-	18	18	-
USA	-	17	18	-
TOTAL OF INTERNACIONAL OPERATIONS	852	898	886	-5.1%
TOTAL	**1,744**	**1,809**	**1,804**	**-3.6%**

1,744 MILLENNIUM BRANCHES

BRANCHES BREAKDOWN



PORTUGAL



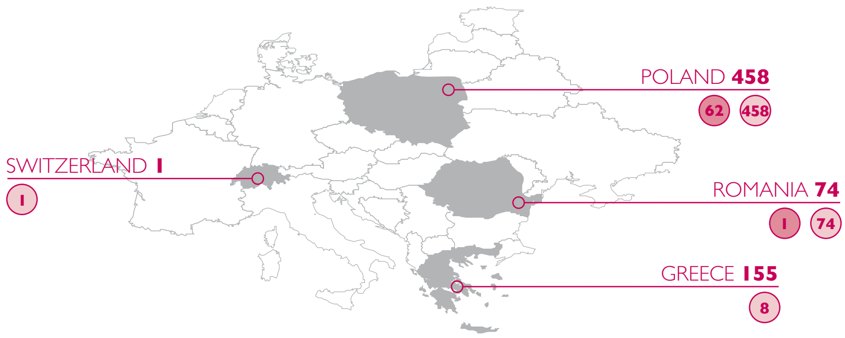
TOTAL OF BRANCHES

BRANCHES OPENED ON SATURDAY

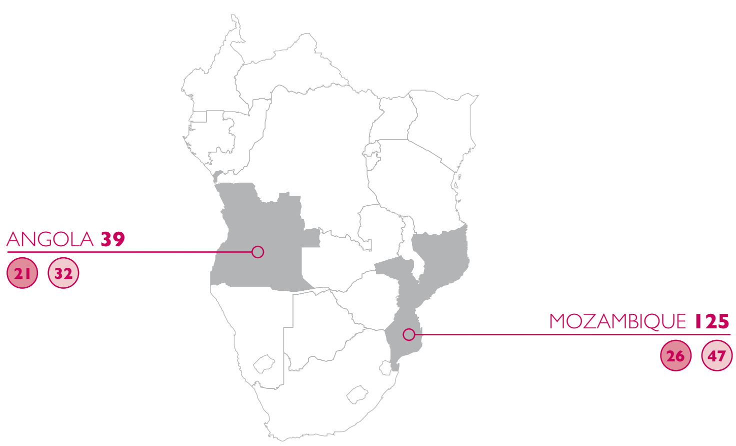
BRANCHES WITH ACCESS CONDITIONS TO PEOPLE WITH REDUCED MOBILITY

INTERNATIONAL

POLAND, SWITZERLAND, GREECE AND ROMANIA



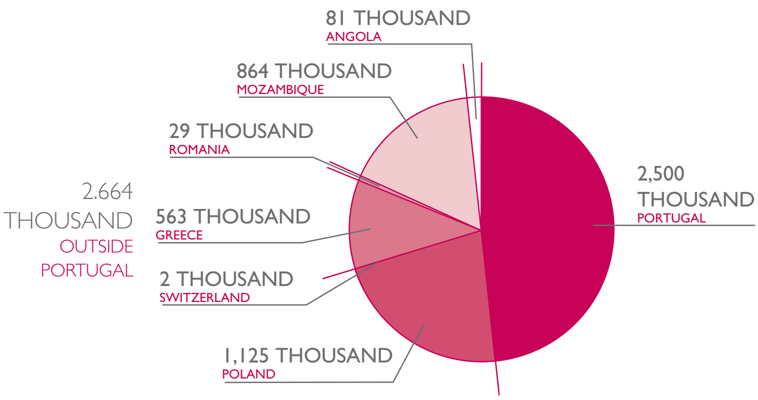
ANGOLA AND MOZAMBIQUE



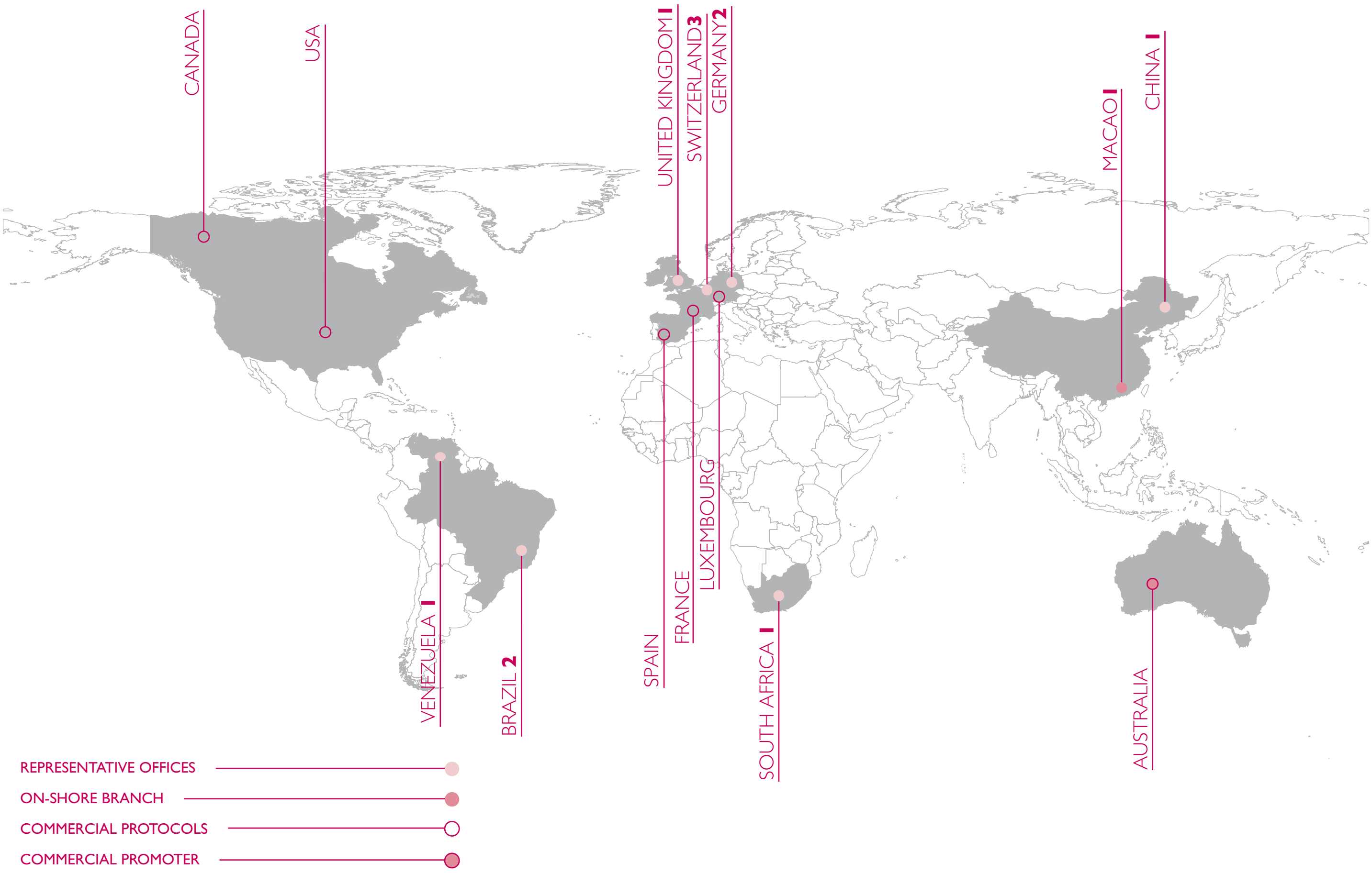
REMOTE CHANNELS AND SELF-BANKING 5.2 MILLION CUSTOMERS

	Internet	Call Centre	Mobile banking	ATM (*)
TOTAL IN PORTUGAL	537,843	110,213	27,197	2,618
POLAND	525,079	73,809	13,071	570
GREECE	14,230	20,680	-	266
ROMANIA	7,342	3,354	-	76
MOZAMBIQUE	13,446	17,532	62,639	322
ANGOLA	2,257	-	-	52
TOTAL OF INTERNACIONAL OPERATIONS	562,354	115,375	75,710	1,286
TOTAL	**1,100,197**	**225,588**	**102,907**	**3,904**

Note: in Portugal, there are considered Customers/active users those who used Internet, call centre or mobile banking at least once in the last 90 days (30 days in the case of the Corporate site and in the case of Poland and Mozambique). Respects the recommendations issued by the Web Accessibility Initiative.
(*) Automated Teller Machines.



REPRESENTATIVE OFFICES, BRANCHES, COMMERCIAL PROTOCOLS AND COMMERCIAL PROMOTER




A FESTA DA MÚSICA
COMEÇA AQUI
COMPRA AQUI O TEU BILHETE
LISBOA
Millennium
PATROCINADOR PRINCIPAL

MILLENNIUM BRAND

The Millennium brand reflects a promise of value for delivery to Customers and differentiates the Bank and its service from the competition, by personifying, in a clear manner, the principles and values assumed by the Bank and perceived by the market, with emphasis on Innovation, Dynamism, Excellence and Quality, in accordance with independent studies conducted by Marktest (BASEF) and Brandscore. The Millennium brand is also a fundamental part of the commercial strategy of the Bank, with a direct impact on its results, positioning Millennium bcp in the mind of its Customers and projecting credibility, reinforcing the relationship of confidence in the Bank and creating a sense of loyalty.

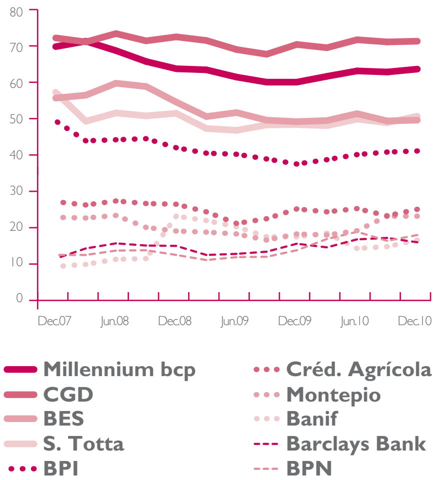
By adopting the brand signature "Life inspires us", Millennium bcp expresses not only the *raison d'être* for its business, but also its commitment and action programme. In addition to a strong visual identity, Millennium bcp assumes its brand personality with the love for live, taking pleasure in being useful, remaining open to the new, with seriousness and transparency, and with ongoing respect for the communities in which it does business.

The value of the brand, as an intangible asset, is largely dependent on the effectiveness of communication – both advertising and institutional – and of its level of notoriety, playing a crucial role in contributing to the value of the bank as a whole. An example of this effectiveness is the fact that Millennium bcp presents the best indices in the banking sector in Portugal in terms of Brand ("Top of Mind") and campaigns ("Spontaneous Add Recall") notoriety, according to the latest available study from Brandscore. This result assumes even greater importance due to the fact that the Bank was ranked third in terms of advertising investment in the banking market in Portugal during the previous year. Also noteworthy is the fact that Millennium bcp was ranked first, among private banks operating in Portugal, in terms of "Total Spontaneous Notoriety", in the last BASEF study published by Marktest.

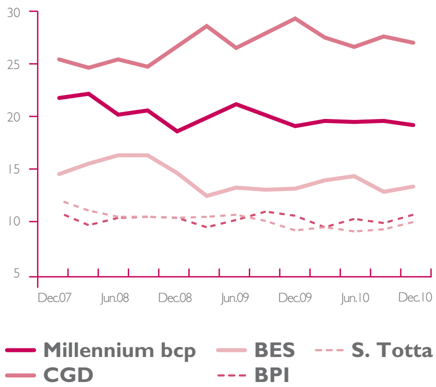
In general, the process of international rebranding, concluded in 2006, allowed the single brand to be adopted, with a multi-domestic nature and a supranational identity, and, in compliance with a common communication code, to foster conditions for the sharing of creative ideas, of motivating concepts based on a unified sense of belonging and of perception in relation to the brand. The communication activity of the Bank, in addition to contributing to the notoriety of the Millennium brand, has also contributed to reinforcing Customer confidence. According to a study by the Brand Finance consultancy firm, known as the "Global Banking 500", which evaluates the value of the brand of the 500 most valuable banking institutions in the world, published in February 2011, the Millennium brand was considered the second most valuable among the brands of the financial sector in Portugal and the 196th in the global ranking, with a value of 673 million US dollars.

The franchise value of the Millennium brand, which today is the visible symbol of eight banks spread over different countries, and which combines under the same name a set of business entities is, however, much more than a set of graphic characteristics and usage rules. The value of the asset represents mainly Millennium bcp's core business – Retail Banking – whose common base is progressively enriched through the experiences of the various operations. The BCP Group is perceived as a modern bank, characterised by professionalism, personalised relationships, the excellence of its service, dynamic in its communication and offering top quality products and services.

TOTAL SPONTANEOUS REPUTATION
References above 10%



TOP OF MIND OF BANKS – 1ST REFERENCE
References above 10%



Base: all individuals (total).
Source: BASEF Banca – Marktest.

The ongoing adverse economic and financial environment in 2010 continued to severely condition the nature of the communication strategy developed, especially in Portugal, by the Bank. Without losing sight of the strategy and values that have continually guided the advertising campaigns and institutional actions of Millennium bcp, greater emphasis was placed on a balance between the commercial and business side and a conscious discourse in line with the economic environment, conditioning factors and current market challenges.

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, remained a priority during the previous year. This communication effort affected all campaigns that were organised, always following best market practices and ensuring conformity with the requirements imposed by the supervisory authorities relative to transparency, equilibrium, equity and relevance of information provided, contributing to greater clarity in the commercial measures directed at the market.

The main challenges for 2011 involve reinforcing the communication of the values of the Millennium brand in the market and to its Customers, strengthening the confidence of Customers in Millennium bcp, fostering creativity to maintain leadership in the sector in Portugal, despite a lower level of investment relative to its main competitors, and contributing to the communication, encouragement and motivation of its Employees.

MAJOR CAMPAIGNS

In 2010, the objective of the main commercial campaigns was to attract new Customers ("Extra Income" and "Save More") and customer funds ("Salary Advantage", "Prestige Programme" and "Frequent Customer").

Within the context of the celebration of the 25th anniversary of the Bank, the communication strategy during the second half of 2010, at both a commercial and institutional level, was based on a brief history of the evolution of the Bank during these years, combined with a series of commemorative actions for Customers and Employees, as well as for the public in general. With the headline "25 years sharing the future with you", the campaign focused on a strong visual impact – with the image of a parcel ready to be opened – inviting all Customers to find out about the various offers specifically designed to commemorate the 25th anniversary of the Bank.

25 YEARS SHARING THE FUTURE

The success of the 2010 commercial campaigns in Portugal owes much to the association of the Millennium brand to celebrities with a relevant impact on society and recognised as endorsers of the brand, such as Jorge Gabriel, Bárbara Guimarães and Ricardo Pereira, as well as the choice of background music for the advertisements, with the objective of being recognised as Millennium music.

MAIN SPONSORSHIPS

ROCK IN RIO

In May 2010, the fourth edition of Rock in Rio was held in the city of Lisbon. As the main sponsor since its first edition, Millennium bcp has always considered this support as very important, given the social component associated with this music festival. In 2010, in association with the festival, the "Rock in Rio Solar School" initiative was also held with the objective of fostering creativity, innovation and good practices in terms of sustainable development, through the participation of schools in the design and execution of social and environmental projects in the local communities to which they belong.

MILLENNIUM PORTUGAL CUP

The Bank continued to support the most all-inclusive and popular Portuguese football competition, which permits all football clubs in the country to participate, regardless of their division. 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.

SALARY ADVANTAGE
January 2010

EXTRA INCOME
February 2010

MORTAGE CREDIT
March 2010

PRESTIGE PROGRAMME
May 2010

EXTRA INCOME
June 2010

FREQUENT CUSTOMER
September 2010

25 YEARS
September 2010

SAVE MORE
December 2010

MAIN AWARDS IN 2010

PORTUGAL	
"Millennium" brand awarded as the most valuable one among the private financial banking sector	Brand Finance
Best Portuguese bank in the relationship with Analysts and Investors	Institutional Investor
Best Commercial Bank in Real Estate	Euromoney
Classification as Top Rated Bank in the Leading Clients segment	Global Custodian
"Management Report", for the 2008 Annual Report & Accounts, and "Formation Promotion", for the "Changing IT" programme, within the scope of the Excellence in Communication 2010	APCE
Best Annual Report & Accounts in 2009 – Financial sector within the 24th edition of the Investor Relations & Governance Awards	Deloitte and Diário Económico
Latin America Power Deal of the Year for the transaction "Central Termoeléctrica a Carvão no Brasil (Porto do Pecém I)", where Millennium investment banking acted as Mandated Lead Arranger	Project Finance Magazine from Euromoney Group
European Lawyer award, in the Regulation category (financial services), to the lawyer Ana Pina Cabral, company secretary of BCP	Association of Corporate Counsel Europe
Distinction to the "One Thousand Ideas" programme as Best Demonstrated Practice in the involvement of the Employees in the organization	Corporate Executive Board
ASSOCIATED COMPANIES	
Best Life Insurer in 2009 to Ocidental Vida, insurance company of Millenniumbcp Ageas Group	Exame Magazine
POLAND	
Best Consumer Internet Bank, for the fifth time, for individual Customers and Best Online Deposits Acquisition for the Central and Eastern Europe regions	Global Finance
Third place for the "Bank Millennium" brand in the Power of the Brand ranking for bank sector (fourth in the financial sector)	Rzeczpospolita newspaper
Credit card "Millennium Visa Impresja" distinguished as the most innovative in the "Innovative Cards" category	Publi-News Trophees
GREECE	
2009 EUR Straight – Through Processing Excellence Award for the third consecutive year	Deutsche Bank
MOZAMBIQUE	
Biggest Bank in Mozambique, for the third consecutive year, within the eighth edition of the "Research of Bank Sector in Mozambique"	Mozambique Banks Association and KPMG
Best Bank in Mozambique in 2010	Global Finance
Best Bank in Mozambique, for the second consecutive year, within the African Banking Achievement Awards 2010	Emeafinance
Corporate Social Responsibility Award, within the African Banking Achievement Awards 2010	Emeafinance
Millennium bim distinguished as one of the five best national banks in Africa	IC Publisher of African Banker Magazine
Best Brand in Banking & Insurance, for the second consecutive year	GfK
ANGOLA	
Bank of the Year – Angola 2010	The Banker (Financial Times)
Excellence Brand in Angola 2009/10	Superbrands
Best Foreign Bank within the African Banking Achievement Awards 2010	Emeafinance


2010
Um ano premiado.
Ser uma marca global é um desafio. Diariamente, damos o nosso melhor para conquistar a preferência de milhões de Clientes em todo o mundo. Ver o nosso trabalho reconhecido leva-nos a querer ir ainda mais longe.
PORTUGAL
Melhor Relatório e Contas 2009
da IRG Awards da Deloitte
Millennium bcp
PORTUGAL
Best Private Bank em Portugal
pela Euromoney
Millennium bcp
PORTUGAL
Best Commercial Bank in Real Estate em Portugal
pela Euromoney
Millennium bcp
PORTUGAL
Banco Top Rated no Segmento Leading Clients
pela Global Custodian
Millennium bcp
PORTUGAL
Melhor Acção Formação "Programa Changing IT"
Grande Prémio APCE
Millennium bcp
PORTUGAL
Marca de Excelência 2009
pela Superbrands
Millennium bcp
POLÓNIA
Melhor Site para Clientes Particulares
pela Global Finance
Millennium bank
ANGOLA
Marca de Excelência 2009 / 2010
pela Superbrands
Millennium Angola
ANGOLA
Melhor Banco Estrangeiro em Angola 2010
pela emeafinance
Millennium Angola
ANGOLA
Bank of The Year Angola 2010
pela The Banker
Millennium Angola
MOÇAMBIQUE
Melhor Banco em Moçambique em 2010
pela Global Finance
Millennium bim
MOÇAMBIQUE
Melhor Banco em Moçambique
pela emeafinance
Millennium bim
MOÇAMBIQUE
Melhor Programa de Responsabilidade Social
pela emeafinance
Millennium bim
MOÇAMBIQUE
Um dos Cinco Melhores Bancos Nacionais em África,
pela IC Publications Publisher of African Banker Magazine
Millennium bim
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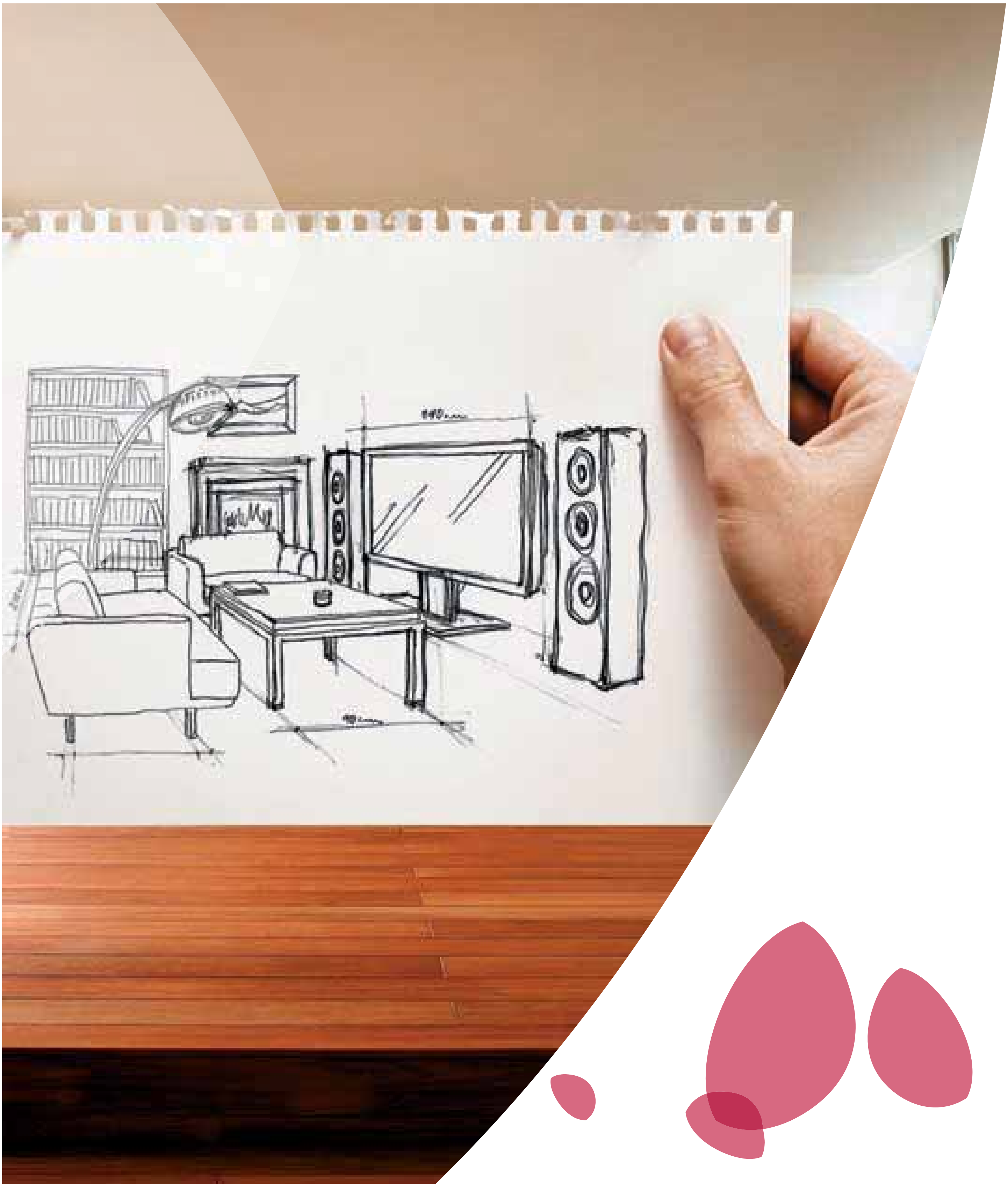



ANO NOVO.
PROJECTO NOVO.
Millennium

BUSINESS MODEL

As at 31 December 2010, the organisational model is based on six Business Areas – Retail Banking, Companies & Specialised Credit Banking, Corporate and Investment Banking, Private Banking & Asset Management, European Banking, Other International Business, and two support units: Banking Services and Corporate Areas.

BUSINESS AREAS AND SUPPORT UNITS

Business Area	Units
RETAIL BANKING	• Retail Banking (South, Centre South, Centre North, North) • Madeira Regional Department and Azores Regional Department • Cards Department • Network Support Department • Direct Banking • Marketing Department • ActivoBank
COMPANIES BANKING & SPECIALIZED CREDIT	• Companies Banking (South, North) • Microcredit • Specialized Credit Department • Real Estate Business Department
CORPORATE & INVESTMENT BANKING	• Corporate I and II • Investment Banking Department • Tax Advisory Services – Investment Banking • Treasury & Markets Department • International Department
PRIVATE BANKING & A.M.	• Private Banking • Asset Management • Banque Privée BCP (Switzerland) • Millennium bcp Bank and Trust (Cayman)
EUROPEAN BUSINESS	• Bank Millennium (Poland) • Millennium Bank (Greece) • Banca Millennium (Romania)
OTHER INTERNATIONAL BUSINESS	• Millennium bim (Mozambique) • Millennium Angola • Asian Desk

Support Unit	Units
BANKING SERVICES	• IT Department • Operations Department • Credit Department • Credit Recovery Department • Litigations Department • Administrative & Logistics Department • Prevention and Safety Office
CORPORATE AREAS	• Compliance Office • Planning & Budget Control Department • Research Office (includes the Strategic Projects Unit) • Management Information Department • Accounting & Consolidation Department • Investors Relations Department • Audit Department • Legal Department • Tax Advisory Department • General Secretariat • Millennium bcp Foundation • Communication Department • Company Secretary's Office • Office of the Chairman of the EBD • FBSU – Foreign Business Support Unit • Staff Management Support Department • Risk Office • Rating Department • Financial Holdings and Valuation Department • Quality Department • Assets and Liabilities Management Dept.

Five of these eight Business Areas have coordination committees, where the aim is to simplify the articulation of day-to-day management, involving the top management of the units included in each Business Unit and in the Banking Services Unit, whose mission is to align perspectives and to provide support to the Executive Board of Directors (EBD) in decision-taking.

Retail Banking Committee – divisions, which integrate this Committee, coordinate the retail business in Portugal, being responsible for the execution of the commercial strategy and for its implementation within the several distribution channels.

Companies Banking Committee – the responsibility of the divisions that constitute this Committee is 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 Committee is also responsible, across the BCP Group, for fostering the offer of leasing, renting and factoring products, real estate development and protocol credit and/or refinancing, as well as for the management of the relations established with the several Chambers of Commerce and other Public Entities.

Private Banking & Asset Management Committee – evaluates aspects related with the management of the areas within its responsibility, with emphasis on business analysis, the valuation of the assets managed and the results obtained, together with the analysis of the sales and performance of investment funds.

European Business Committee – oversees, coordinates and articulates the management of the subsidiary companies in Europe, implementing activity reporting procedures and financial development that enables 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.

Banking Services Coordination Committee – serves the Business Areas in Portugal and in other countries, contributing in a sustained manner to the reduction of costs and improvement of service quality, assuring an innovation level compatible with the Bank'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, and it presents, for appraisal and decision, proposals on themes related to the following departments: Credit, Credit Recovery, Operations, Administrative and Logistics, Prevention and Safety Office and Information and Technology. To ensure that the risk inherent in all the Bank's Customers is properly assessed, the Rating Department was set up in July 2009.

Regarding the Corporate and Investment Banking areas and Other International Business area, a different approach was adopted.

Corporate & Investment Banking – monitoring of the activity of this segment and management of the international area were not integrated into a Coordination Committee, having been taken over directly by the Millennium bcp Board Directors responsible for those business areas.

Other International Business – the overall coordination of operations in Africa has been taken over directly by the Millennium bcp Board 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, seven commissions report to the EBD, whose duties are of an overall and transverse nature, involving the study and evaluation, for each area of intervention, of the policies and principles governing the activities of the Bank. These Commissions are as follows: Capital Planning and Asset Allocation and Liability Management Commission; Risk Commission; Pensions Fund Monitoring Commission; Pensions Fund Risk Sub-Commission; Stakeholders Commission; Credit Commission and Sustainability Coordination Commission. The members of the Committees and Commissions are appointed by Millennium bcp's EBD. Thus:

Capital Planning and Asset Allocation and Liability Management Commission (CALCO) – ensures the monitoring and management of and the allocation of capital, being responsible for establishing adequate policies for the management of liquidity and market risks in terms of the Bank's consolidated balance sheet.

Risk Commission – is responsible for monitoring the global risk levels incurred (credit, market, liquidity and operational risks), ensuring that they are compatible with the objectives and strategies approved for the development of the Bank's activities.

Pension Fund Monitoring Commission – the responsibilities of this Commission are defined in the Pension Fund Law, namely issuing of opinions on the alterations introduced in the Fund's statutes and monitoring the fund's financial management.

Pension Fund Risk Sub-Commission – is responsible for monitoring and managing the risk of the Bank's Pension Fund and for establishing the appropriate hedging strategies and investment policies.

Stakeholders Commission – created in 2005, to establish relations with the Bank's Stakeholders. It functions as a privileged channel for disclosure of the Company's internal information and as a debate and strategic counselling forum for the EBD. Its members result from "elections" through panels of Stakeholders (Employees and Shareholders) or by invitation to individuals of recognized merit and prestige.

Credit Commission – body responsible for issuing opinions on the granting of credit to customers of economic groups with an overall high level of exposure to risk, namely transactions involving the renewal or review of credit lines and limits that represent a considerable increase in exposure to risk. The responsibilities of this Commission also cover other types of credit operations, namely project finance operations, collateralised operations with financial assets from the sales networks of the Bank, real estate funding operations, real estate leasing operations, factoring operations and operations involving the restructuring of current liabilities at the Bank.

Sustainability Coordination Commission – responsible for defining and carrying out the Bank's initiatives and programmes, submitting for decision, within the scope of its responsibilities, proposals on topics related to the action plan for the sustainability policy.

TALENT MANAGEMENT

PERSONNEL MANAGEMENT

Personnel management is a foundational framework and one of the strategic pillars of the competitiveness and sustainability of the Millennium bcp. The ability to attract and retain talent, encourage and foster the potential of individuals, listen to and give advice, and recognise merit are all fundamental for the individual motivation that is reflected in the provision of a service of excellence to all that have a relationship with the Bank.

The Millennium Group is dedicated to providing its Employees with fair treatment and equal opportunities in all phases of their respective professional lives, independent of race, nationality, religion, gender, age, sexual orientation or physical condition. Employee remuneration is based exclusively on performance criteria relative to the objectives, their professional path and level of responsibility of the function performed, with a salary ratio of 1:1 being practised between men and women who perform equivalent functions.

The principles of action of the Millennium Group establish a series of values and benchmarks, applicable to all Employees of all operations, which include unequivocal guidance so that: i) independently of the respective hierarchical or responsibility level, all Employees act in a fair manner, refusing any situation of discrimination and ii) the commitment to the 10 Global Compact Principles, proposed by the United Nations, is reaffirmed, under which the Group recognises the freedom of association and the right to collective work agreement negotiation, and rejects the existence of any form of forced and compulsory labour, as well as child labour.

ATTRACT AND RETAIN TALENT

The attraction, selection and mobility of people comprise activities that guarantee that Millennium bcp recruits (externally or internally) the most appropriate person for each function.

Within the current context of globalisation and competitiveness, in which objectives are increasingly ambitious and results that make a difference are required, it is essential to be close to the new generations of talent, precisely where they begin to prepare their professional future: at the universities.

PROGRAMMES TO ATRACT NEW GENERATIONS OF TALENT

Initiatives in 2010	Actions developed	Country	What the participants say...
COME AND GROW WITH US	Summer In-house Training	Portugal	"People really care about us and in terms of career is fantastic because we have a chance to interact with people with experience and to rotate in different areas" – email
	Banking Game 2010	Portugal	"It was an enriching experience that I would certainly repeat and gives us a clear and objective idea of what is the management of a bank branch" – Evaluation Report for the 2010 Banking Game
	Millennium Banking Seminar	Portugal	"I learned what being Millennium means. Far exceeded my expectations" – Satisfaction Survey March 2010
	Participation in events and workshops at Universities	Portugal	
EXPERT START-UP	Internship in risk, credit decision-making and collection units	Poland	
SCOLARSHIP PROGRAMMES	External	Angola	
	Employees	Angola	

The development programmes directed specifically at high potential Employees provide: i) recently recruited Employees with a transversal view of the business and the best practices of the Organisation and ii) Employees with experience with the possibility of assuming management or highly complex functions.

On addition to on-the-job and classroom training, specific activities were developed within the scope of these programmes, with emphasis on:

- Grow Together Forum: about 60 participants from the Grow Fast, People Grow and Leadership in Retail programmes, organised into 6 teams presented proposals, to improve processes and for distinctive products offer, to their Mentors and the Members of the Executive Board of Directors (EBD). Social interaction and team building activities, which strengthen and foster the sharing spirit were also conducted;
- Young Specialist Forum: opportunity for interaction and development of skills outside of the organisational context, whose main topic this year was the Bank's values and good practices;
- Executive Coaching: part of the Leadership in Retail programme, a pilot action at the Bank was conducted in 2010, which consisted of the participation of the Employees in personal development and leadership skills development sessions.

DEVELOPMENT PROGRAMMES

Initiatives in 2010	Actions developed	Number of participants	Country
RECENTLY RECRUITED EMPLOYEES	People Grow	14 18	Portugal Poland
	Young Specialist	74	Portugal
EMPLOYEES WITH EXPERIENCE	Grow Fast	32 8	Portugal Poland
	Grow Plus	5	Poland
RETAIL EMPLOYEES	Grow in Retail	47	Portugal
	Master in Retail	32	Portugal
	Leadership in Retail	15	Portugal

ENCOURAGE AND FOSTER THE POTENTIAL OF INDIVIDUALS

The internal programme for the generation of ideas – **Mil Ideias ("One Thousand Ideas")** – was distinguished, in 2010, by the Corporate Executive Board, through its human resources and leadership management practice (CLC Human Resources), as "Best Demonstrated Practice" regarding involvement of human capital in the Organisation.

This programme, based on the recognition of Employees as a creative force bringing valuable ideas, allows direct participation, via presentation of a new idea, or indirect participation, via comments or votes, thereby improving internal processes and increasing the value of the products and services offered to Customers.

PROGRAMMES ENCOURAGING THE GENERATION OF IDEAS (1)

	'10	'09	'08
Employees who presented ideas	886	921	1,274
Ideas presented	1,437	1,472	2,142
Approved ideas	32	59	34

(1) Includes 'Mil Ideias' in Portugal, 'Call 2 Action' in Poland, 'Mega Ideas' in Greece and 'MilleIdeas' in Romania (launched in 2010).

Among the ideas implemented in 2010, the following are worthy of mention:

- In Portugal – i) a lower price for Customers who concentrate their Insurance Portfolio at Ocidental; ii) the possibility of load in the computer system more than two guarantors in Leasing operations and iii) access to French Jaunes/ Blanches Pages (*), simplifying the updating of data for French emigrant Customers.
- In Greece – the development of a tool to simulate interest receivable and the respective penalty when withdrawals are made prior to the maturity of the term deposits;
- In Romania – the implementation of an integrated database, available in all branches, to consult Customer data, monitor commercial activity and carry out simulations.

Qualifying Employees in order to improve their performance and ensure greater alignment with the strategic objectives of the Bank constitutes, once again, the development guideline of the **training plan for 2010**.

TRAINING (1)

	'10	'09	'08	Change % '10/'09
THROUGH PHYSICAL ATTENDANCE				
Nr. of participants (2)	28,569	22,079	30,569	29.4%
Nr. of hours (3)	376,517	281,162	613,690	33.9%
E-LEARNING				
Nr. of participants (2)	61,006	77,445	78,453	-21.2%
Nr. of hours (3)	168,380	165,143	150,463	-2.0%
DISTANCE LEARNING				
Nr. of participants (2)	42,799	42,344	21,180	1.1%
Nr. of hours (3)	118,599	119,624	156,980	-0.9%
NR. OF TRAINING HOURS PER EMPLOYEE	**32**	**27**	**29**	**16.6%**

(1) Excludes Angola and Switzerland in 2008 and 2009.
(2) Corresponds to the total number of participants in the training course. The same Employee could have attended various training courses.
(3) Excludes Mozambique in 2008.

In Portugal, the training plan involved all Employees and the provision of a total of 357,367 training hours.

Emphasis continued to be placed on the elaboration of integrated training plans by business area, targeted to the general and specific skills of Employees. Following the Retail Network, the Operations Department and the Information Technology Department (IT), in 2010 programmes were developed and implemented for the Specialised Credit Department, Specialised Recovery Department, Credit Department and Companies Marketing Department, involving all the Employees of each department.

The IT training plan, which promoted the direct involvement of all Employees of the IT areas and of their hierarchies around a series of actions that resulted in cultural and behavioural changes, as well as changes in management practices, received an award from the Portuguese Corporate Communications Association (APCE) in the category of "Training Course".

In Portugal, investment was also made in training in the following areas: i) behavioural – leadership, communication, change management, teamwork and work organisation and ii) in the strengthening of sales and negotiation skills. In these two major training areas, close to 45 thousand training hours were provided to 6,444 participants.

Training was also carried out in the financial area – Corporate and Banking Accounting, Accounting Standardisation and Economic and Financial Analysis – in a total of 55,185 hours involving 4,406 participants.

(*) Telephone directory.

Within the scope of the continuity programmes, the following were maintained: i) the strategic certification programmes for commercial network managers, which in 2010 involved 13 Commercial Assistants and 9 Private Bankers and ii) English courses involving 501 Employees distributed over 60 classes.

Mobility constitutes an opportunity for professional development for Employees and enhancement of their skills, and the advantages of mobility are widely recognised. The mobility processes mainly result in interunit rotations, previously agreed between senior managers and Employees. The self-application process regarding internal advertisements implemented in 2007, registered, in 2010, an increase of 74% of rotations undertaken, in comparison to the previous year.

INTERNAL MOBILITY RATE

Rotations in percentage

	'10	'09	'08
Activity in Portugal	19%	19%	23%
International Activity (1)	11%	26%	19%
TOTAL	**15%**	**23%**	**21%**

(1) Excludes Angola and Switzerland in 2008 and 2009 and Romania in 2008.

The programmes of attraction and retention of talent also have a strong mobility component, with the objective of providing new Employees with a broad-based knowledge of the Bank, a good network of contacts, as well as exposure to different challenges.

In addition to these mobility processes and within a context of major restrictions in terms of increasing the number of Employees, the following programmes in Portugal continue to be very important: Commercial Skills Development Programme (PDCC), New Paths Programme and Management Staff Programme (PQD), which fully promote the internal talent in line with the Bank's strategic objectives of strengthening Customer service.

In order to minimise the impacts that mobility represents in the day-to-day life of Employees, timely communication of the changes in function, in full compliance with the legislation in force, is guaranteed. This rule also applies to any operational changes in the Organisation.

LISTENING AND ADVISING

The hierarchies are mainly responsible for Employee management – management of satisfaction, motivation, career and professional development – of the teams they lead, with continuous feedback contributing to the development of Employees, helping them to permanently seek new performance levels and professional development.

The individual performance appraisal models reinforce this continuous dialogue process, with the moment of appraisal constituting a space of formal debate on the performance of Employees.

In Portugal, 99.2% of Employees were evaluated, with disagreements registered in about 1% of the evaluations. At the end of the evaluations, a survey was conducted among Evaluators and Appraisees, to collect opinions on specific aspects of the appraisal system and improvement suggestions, with a broad convergence on the replies to the survey. A total of 1,549 replies from Evaluators and 8,154 replies from Appraisees were collected.

MERIT RECOGNITION

In 2010, the EBD approved an incentive system applicable to the entire Bank, designed to calculate the individual distribution amount of the consolidated net income of the Group that is to be annually allocated for distribution among Employees. This system combines the results of the individual performance of Employees with the performance of the organic units, in which they are integrated, distinguishing the best performances.

Within the scope of the incentive system of the business areas in Portugal, quarterly and/or annual incentives were calculated for the Retail, Corporate, Companies and Private Banking networks, as well as for Investment Banking, Treasury and Markets and the International Division.

In the Annual Objectives Meeting in Portugal, 46 Employees were distinguished, with the Excellence Award, considered as those which most stood out for their commitment, dedication, skills and results achieved.

ENCOURAGING MOTIVATION

Programmes such as "Being Millennium", "We Value Experience" and "One day with the Customer" reflect the main values of the Bank, namely in the areas of respect for people and institutions, vocation for excellence, confidence and focus on the Customer.

Within the scope of the specific motivation programme **"Being Millennium"**, an internal website was made available to disseminate the programme and its activities. An internal competition was also held – "The Peak Contest" – which awarded the ten Employees who wrote the best slogan on the ten advantages of being a Millennium bcp Employee, whose prize was an expedition to the highest point of Portugal – Pico Island, in the Azores – led by the renowned mountaineer João Garcia.

The sharing of knowledge and the strengthening of team spirit generate a positive attitude and foster a culture of performance, with the programme **"A day with the Customer"** having promoted closer proximity between the Central Services and the Commercial Network, thus contributing to a globally more coherent and effective performance. 959 Employees participated in this initiative in 2010.

The programme **"We value Experience"** falls under the need of the Bank and of the Employees to rethink career management within the context of a longer working life. The workshops undertaken, in which 449 Employees participated, enabled an action plan to be defined, with various components primarily geared towards fostering individual development and the sharing of knowledge at the departmental, interdepartmental, and Bank level.

EMPLOYEE EVOLUTION

The number of Millennium Group Employees decreased 2.0% in 2010 compared to the previous year (-426 Employees), reaching a total of 21,370 Employees at the end of 2010.

The largest decrease took place in the Foreign Businesses, with a 2.4% decline to 11,224 Employees (-274 Employees than in 2009), accounting for 52.5% of the total Group Employees.

EMPLOYEES (END OF THE YEAR)

	'10	'09 (1)	'08 (1)	Change % '10/'09
Retail	6,540	6,666	6,890	-1.9%
Companies & Specialised Credit	450	419	463	7.4%
Corporate	146	142	156	2.8%
Investment Banking	159	165	192	-3.6%
Private Banking & Asset Management	214	235	244	-8.9%
Banking Services	1,842	1,889	1,876	-2.5%
Corporate Areas	645	637	577	1.3%
Associated and Others	150	145	185	3.4%
TOTAL IN PORTUGAL	**10,146**	**10,298**	**10,583**	**-1.5%**
Millennium bank in Poland (2)	6,135	6,245	7,049	-1.8%
Millennium bank in Greece	1,470	1,527	1,554	-3.7%
Millennium bank in Turkey	0	303	320	-100.0%
Millennium bank in Romania	731	700	691	4.4%
Banque Privée BCP in Switzerland	71	65	66	9.2%
Millenium bim in Mozambique	2,088	1,936	1,762	7.9%
Banco Millennium Angola	714	499	311	43.1%
Millennium bcpbank in the USA	0	208	235	-100.0%
Millennium bcp Bank & Trust in the Cayman Islands	15	15	18	0.0%
TOTAL OF INTERNATIONAL OPERATIONS	**11,224**	**11,498**	**12,006**	**-2.4%**
TOTAL OF EMPLOYEES	**21,370**	**21,796**	**22,589**	**-2.0%**

(1) The allocation of Employees in 2008 and 2009 was reformulated in order to reflect the restructuring of business areas, as well as the changes that took place in the framework of the organization streamlining in 2010.
(2) Number of Employees corresponds to Full Time Equivalent.

In Portugal, Employee numbers continued to fall, with a decrease of 1.5%, reflecting the efforts directed at rationalisation and improving efficiency, taking into account the unchanged branch network. The number of Employees in Portugal stood at 10,146 in 2010 (-152 Employees than in 2009), representing 47.5% of the Group total. The highest decrease was in the Private Banking and Asset Management Area (-8.9%) and in Investment Banking (-3.6%). In contrast to previous year, in 2010, the Companies and Specialised Credit and the Corporate Areas registered an increase in the number of Employees of 7.4% and 2.8%, respectively. The Corporate Areas also registered an increase in the number of Employees of 1.3%.

In the foreign business the largest variations were registered in Turkey and in the USA, following the discontinuation of these operations. These two operations were responsible for the reduction of 511 Employees.

In Poland and Greece, the number of Employees decreased 1.8% and 3.7% to 6,135 and 1,470 Employees, respectively, through the development of programmes aimed at obtaining superior levels of efficiency through the strict monitoring of costs and improvement of processes.

In Romania, an increase in the number of Employees was registered (+31 Employees) reaching a total of 731 Employees, while in Switzerland the number of Employees increased 9.2% to 71 Employees.

The operation in Mozambique continues its branch network expansion plan and is now the Group's second highest in terms of Employee numbers (2,088) up 7.9% in 2010. Angola had a 43.1% increase in Employee numbers, the highest increase in absolute terms (+215 Employees compared to 2009), to stand at a total of 714 Employees. These two operations were the only ones where the Bank made a significant external recruiting effort with a view to meeting Employee requirements as a result of the expansion plans.

EMPLOYEES INDICATORS (1)

	'10	'09	'08	Change % '10/'09
Average age (years)	38.2	37.2	36.7	2.8%
Employees by contract category				
Managers and Senior Managers	11%	10%	10%	
Other categories	89%	90%	90%	
Ratio men/women				
Managers and Senior Managers	1.8	1.8	1.8	0.9%
Other categories	0.9	0.9	0.9	-1.0%
Employees with contract				
permanent	92%	93%	89%	
temporary	8%	7%	11%	
trainees	0%	0%	0%	
Employees under Collective Work Agreements (2)	14,245	13,584	12,193	4.9%
Union syndicated Employees (3)	10,158	10,096	9,482	0.6%
Part-time Employees	166	194	123	-14.4%
Disabled Employees	118	119	107	-0.8%
Employees assessed formally	20,860	20,059	n.a.	4.0%
Net employment creation (4)	107	-889	1,244	
Annual rate of absenteeism	5%	5%	4%	
Proportion of Senior Managers contracted locally (5)	92%	93%	90%	
Fixed and variable salaries and benefits (million euros)	891	865	915	3.0%
Ratio between the lowest Company salary and minimum national salary (6)	1.4	1.2	n.a.	17.5%
Hygiene and safety at work (HSW)				
HSW visits (7)	673	695	242	-3.2%
work accidents	89	88	116	1.1%
death victims	2	0	1	

(1) Excludes insurance activity. 2008 and 2009 values report only Portugal, Poland, Greece, Romania and Mozambique and in 2010 it only excludes Cayman Islands.
(2) Includes Portugal and Mozambique in 2008, Portugal, Mozambique and Greece in 2009 and Portugal, Greece, Mozambique and Angola in 2010.
(3) Includes Portugal and Mozambique in 2008 and 2009 and Portugal, Mozambique and Angola in 2010.
(4) Includes Portugal, Poland, Greece, Romania and Mozambique in 2008 and 2009 and Portugal, Poland, Greece, Romania, Mozambique, Angola and Switzerland in 2010.
(5) Excludes Mozambique in 2010.
(6) Excludes Mozambique in 2009 and Switzerland in 2010.
(7) Includes Portugal and Poland in 2008 and Portugal, Poland, Greece and Romania in 2009 and 2010.

CHANGES IN CORPORATE GOVERNANCE

On 12 April 2010, it was held the Annual General Meeting of Shareholders of Banco Comercial Português, S.A., resulting in the following resolutions:

- Ratification of the appointment by the Supervisory Board of Miguel Maya Dias Pinheiro as member of the Executive Board of Directors to exercise functions during the period of suspension of Armando António Martins Vara;

- Ratification of the appointment of Vítor Manuel Lopes Fernandes, made by the Executive Board of Directors, to exercise the position of Vice-Chairman during the period of suspension of Armando António Martins Vara;

- Approval of the alteration of the number of the Executive Board members from seven to eight and the election of Miguel Maya Dias Pinheiro and António Manuel Palma Ramalho as new Members of this corporate body, until the end of the current three-year term;

- Approval of several amendments to the Bank's Articles of Association, aimed at updating those Articles of Association due to changes in the Companies Code; include in the statutory text the pension scheme for Executive Board Members as a result of old-age or disability, as well as, at the suggestion of several shareholders, an increase of the voting rights from 10% to 20% of the Bank's share capital.

Following the changes in the Executive Board of Directors (EBD), approved at the Annual General Meeting, the members of the Committees and Commissions appointed by the EBD were also updated. In parallel, the areas of responsibility of each Board member, the direct lines of reporting and the Alternate Board members in each of those areas of responsibility were redefined. The following coordination committees were retained: Private Banking and Asset Management, European Banking and Banking Services. The changes involved the split of the Retail and Companies coordinating committees. The coordination comittee of Corporate and Investment Banking was eliminated and the overall coordination of the activities previously included in that committee are managed by the EBD Members responsible for those areas. Similarly, the overall coordination of operations in Africa continues to be undertaken directly by EBD Members responsible for these operations.

Detailed information on the scope of action of each coordination committee and each committee reporting to the EBD is included in the chapter on the business model.

COORDINATION COMMITTEES

Its objective is to facilitate the current management decisions, involving the top Management of the units integrated in each Business Areas and in the Banking Services Unit, with the mission of aligning perspectives and support the management decision making process by the Executive Board of Directors.

RETAIL

- Vítor Fernandes (*)
- José João Guilherme
- Nelson Machado

- Rui Manuel Teixeira (**)
- Pedro Álvares Ribeiro
- Rui Teixeira
- Vasco Rebello de Andrade
- Manuel Marecos Duarte
- Diogo Campello
- António Bandeira
- João Sales Luís
- Miguel Magalhães Duarte

COMPANIES

- Vítor Fernandes (*)
- Nelson Machado

- Rui Manuel Teixeira (**)
- Paulo Azevedo
- Manuel Lupi Bello
- Virgílio Repolho
- Jorge Góis
- Diogo Campello

PRIVATE BANKING & ASSET MANAGEMENT

- Luís Pereira Coutinho (*)
- António Ramalho

- Carlos Álvares (**)
- Diogo Campello
- José Salgado
- Acácio Piloto
- Nuno Botelho

BUSINESS IN EUROPE

- Luís Pereira Coutinho (*)
- Nelson Machado

- José Toscano (Romania) (**)
- Boguslaw Kott (Poland)
- João Brás Jorge (Poland)
- Rui Coimbra (Greece)

BANKING SERVICES

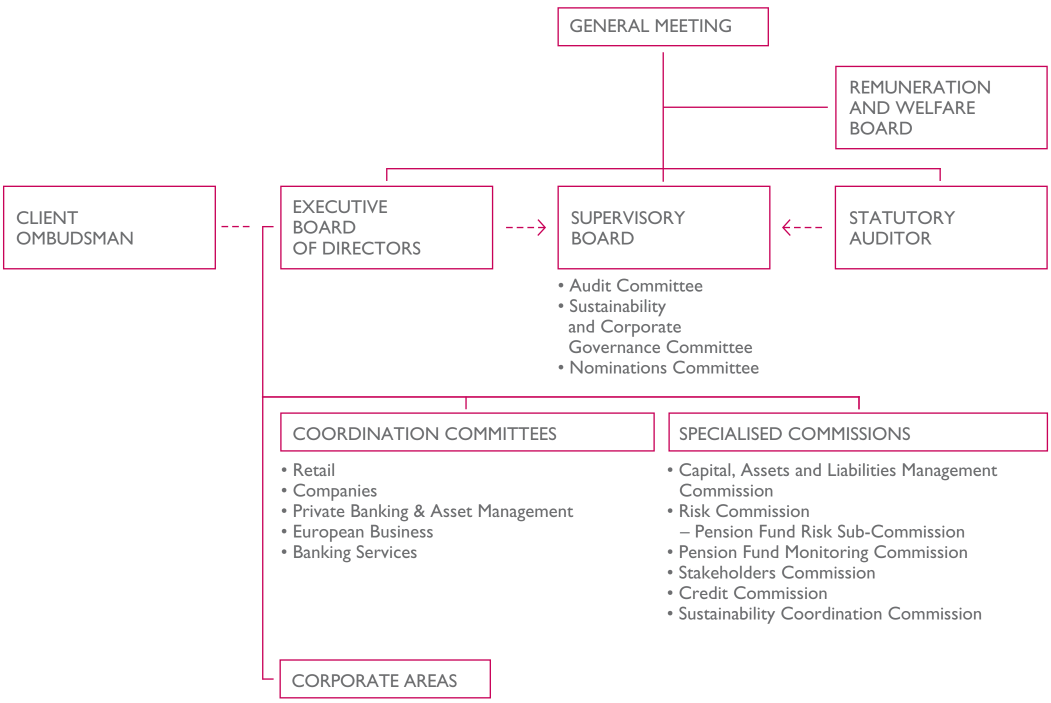
- Vítor Fernandes (*)
- Miguel Maya

- Artur Luna Pais (**)
- Fernando Maia
- Carlos Alves
- Robert Swalef
- Manuela Reis
- Nicolau Romão
- Paulo Amaral
- Carlos Rocha
- Pedro Rocha
- Rui Pedro
- Jorge Octávio
- Julianna Boniuk
- Vasconcelos Guimarães

(*) Coordinator, who has the responsability of appointing the Committee Secretary.
(**) Secretary appointed by the Coordinator.
Note: The members of the Committees and Commissions are mandatorily appointed by the EBD of BCP (Articles 13 and 14 of the EBD Regulations).

The following diagram represents the Corporate Governance Model of Millennium bcp:

CORPORATE GOVERNANCE MODEL



CORPORATE BOARDS

BOARD OF THE GENERAL MEETING

CHAIRMAN:	António Manuel da Rocha e Menezes Cordeiro
VICE-CHAIRMAN:	Manuel António de Castro Portugal Carneiro da Frada
SECRETARY:	Ana Isabel dos Santos de Pina Cabral

EXECUTIVE BOARD OF DIRECTORS

CHAIRMAN:	Carlos Jorge Ramalho dos Santos Ferreira
VICE-CHAIRMAN:	Paulo José de Ribeiro Moita de Macedo Vítor Manuel Lopes Fernandes
MEMBERS:	José João Guilherme Nelson Ricardo Bessa Machado Luís Maria França de Castro Pereira Coutinho Miguel Maya Dias Pinheiro (1) António Manuel Palma Ramalho (1)

(1) Election of Miguel Maya Dias Pinheiro and António Manuel Palma Ramalho as the new Members of the Executive Board of Directors, for the remainder of this term of office (2008/2010), in the Annual General Meeting of Shareholders of 12 April 2010.

SUPERVISORY BOARD

The Supervisory Board is composed of 13 full members. The current Supervisory Board was elected by the General Assembly of Shareholders on 30 March 2009 for the 2009-2010 period. The majority of the elected members of the Supervisory Board should, in addition to possessing adequate training and competence, fulfil independence requirements.

CHAIRMAN:	Luís de Mello Champalimaud (Independent)
VICE-CHAIRMAN:	Manuel Domingos Vicente (Non-Independent)
	Pedro Maria Calaínho Teixeira Duarte (Non-Independent)
MEMBERS:	Josep Oliu Creus (Non-Independent)
	António Luís Guerra Nunes Mexia (Non-Independent)
	Patrick Huen Wing Ming, representing Sociedade de Turismo e Diversões de Macau, S.A., exercising office in his own name (Non-Independent)
	António Vítor Martins Monteiro (Independent)
	João Manuel de Matos Loureiro (Independent)
	José Guilherme Xavier de Basto (Independent)
	José Vieira dos Reis (Independent)
	Manuel Alfredo da Cunha José de Mello (Independent)
	Thomaz de Mello Paes de Vasconcelos (Independent)
	Vasco Esteves Fraga (Independent)

STATUTORY AUDITOR

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

FULL:	Vítor Manuel da Cunha Ribeirinho (ROC nr. 1081)
ALTERNATE:	Ana Cristina Soares Valente Dourado (ROC nr. 1011)

REMUNERATION & WELFARE BOARD

CHAIRMAN:	José Manuel Rodrigues Berardo
MEMBERS:	Luís de Mello Champalimaud
	Manuel Pinto Barbosa

BCP SHARE

The year of 2010, which was expected to be a year of recovery from the financial crisis felt over the previous years, was marked by the outbreak of the sovereign debt crisis cast a dark shadow over European markets, especially the so-called peripheral countries. During most part of 2010, Financial markets were negatively affected by investor concerns regarding the sustainability of the public finances of some European countries, with emphasis on Greece, Ireland, Portugal and Spain. There was an increase in the credit spreads implicit in the public debt securities of the majority of the peripheral countries of the Euro Zone relative to the German debt securities of the same maturity. At the same time, there was a generalised reduction of the credit ratings, issued by the credit rating agencies, for these countries and respective banks.

Over the year as a whole, the peripheral European stock markets registered a negative performance with decreases in Greece (-41.1%), Spain (-17.4%), Italy (-13.2%) and Portugal (-10.3%).

The European banking sector was strongly penalised by the sovereign debt crisis, as well as by the disclosure of the new regulatory rules for the sector within the scope of the Basel Committee, more strict in terms of capital and liquidity. In addition, in 2010, as a result of the financial crisis felt all over the world, legislation was set up to create a special tax on the financial sector. On the other hand, the results of the stress tests for each bank were published, showing that the majority of European banks would be able to stand up quite well to extreme scenarios.

European banking sector indices fell in 2010, with the index of the domestic financial sector, the PSI Financials, having registered a decline of 29.9%.

BCP SHARE INDICATORS

	UNITS	'10	'09
PRICE			
Maximum price (October 19, 2009 and January 11, 2010)	(€)	0.933	1.075
Average annual price	(€)	0.688	0.810
Minimum price (March 5, 2009 and April 28, 2010)	(€)	0.555	0.556
Last price	(€)	0.582	0.845
SHARES AND EQUITY			
Number of ordinary shares	(M)	4,694.6	4,694.6
Shareholders' equity attributable to the Group	(M€)	6,750.0	6,876.5
Shareholders' equity attributable to ordinary shares (1)	(M€)	4,814.7	4,942.9
VALUE PER SHARE			
Adjusted net income (EPS) (2) (3)	(€)	0.043	0.034
Gross dividend (DPS) (8)	(€)	scrip	0.019
Book value (2)	(€)	1.032	1.058
MARKET INDICATORS			
Price earnings ratio (3)	(P/E)	13.5	24.9
Price to book value	(PBV)	0.6	0.8
Earnings yield (4)	(%)	7.4	4.0
Market capitalisation (last)	(M€)	2,732.3	3,966.9
LIQUIDITY			
Annual turnover	(M€)	4,703.1	3,514.7
Average daily turnover	(M€)	18.2	13.7
Annual volume	(M)	6,842.9	4,281.4
Average daily volume	(M)	26.5	16.7
Capital rotation (5)	(%)	146.0	92.0
DIVIDENDS			
Net income	(M€)	301.6	225.2
Adjusted net income (3)	(M€)	201.3	156.6
Pay out ratio of ordinary shares (6) (8)	%	-	39.6
Gross dividend of ordinary shares (8)	(M€)	-	89.2
Dividend yield (7) (8)	%	-	2.3

(1) Shareholders' equity attributable to the Group – preferred shares – "Valores Mobiliários Perpétuos Subordinados" issued in 2009 + treasury stocks related to preferred shares.
(2) Considering the average number of shares deducted by the number of treasury shares.
(3) Adjusted net income considers the net income for the year after deduction of the dividends of preferred shares and the "Valores Mobiliários Perpétuos Subordinados" issued in 2009.
(4) EPS divided by the closing price.
(5) Annual turnover divided by annual average market capitalization.
(6) Dividends divided by the net income attributable to Shareholders.
(7) DPS divided by the closing price.
(8) Related to 2010, it will be proposed in the Annual General Meeting of Shareholders on April 18, 2011, the payment of a scrip dividend through the issue of new shares and their proportionate distribution to Shareholders of the Bank's share capital, amounting to 120.4 million euros.

ABSOLUTE AND RELATIVE PERFORMANCE

During the period from 31 December 2009 to 31 December 2010, BCP shares recorded a minimum price of 0.555 euros, a maximum of 0.933 euros and an average price of 0.688 euros, having reached at end of 2010 a price of 0.582 euros, corresponding to an annual devaluation of 31.1%.

During 2010, BCP shares fell more than the main market indices, but less than the main domestic bank shares.

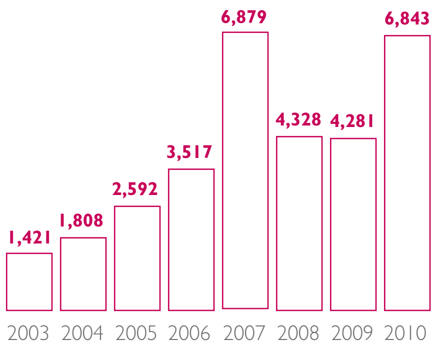
Index	Total change in 2010
BCP shares	-31.1%
PSI20	-10.3%
IBEX	-17.4%
ASE20	-41.1%
MIB	-13.2%
CAC	-3.3%
DAX	16.1%
FTSE	9.0%
Euronext PSI Financial Services	-29.9%
Bebanks	-9.5%
DJ Eurostoxx Banks	-26.8%
DJ Eurostoxx	-5.9%
Dow Jones	11.0%
Nasdaq	16.9%
S&P500	12.8%

Source: Reuters and Bloomberg.

LIQUIDITY

In 2010, BCP shares registered a significant increase in liquidity. BCP shares continue to be among the most traded in the Portuguese market and the most liquid of the financial sector. During 2010, 6,843 million BCP shares were traded, which represents an increase of 59.8% versus the previous year and corresponds to an average daily volume of 26.5 million shares (16.7 million in the previous year). The annual turnover of BCP shares was the highest of all shares listed in Portugal, corresponding to 146% of its average market capitalisation (92% in 2009). In turnover terms, the BCP shares accounted for 11.8% (4.7 billion euros) of the total turnover of the PSI 20.

EVOLUTION OF LIQUIDITY
Annual basis
Million shares



Source: Euronext.

INDICES IN WHICH BCP SHARES ARE INCLUDED

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

INDEX	WEIGHT (%)	RANKING
Euronext PSI Financial Services	32.23%	2
PSI20	9.35%	5
Lisbon General	4.20%	9
DJ Eurostoxx Mid 200	0.62%	90
DJ Eurostoxx Banks	0.62%	21
DJ Stoxx Mid 200	0.30%	182
DJ Stoxx Banks	0.28%	35
Bebanks	0.21%	47
Euronext 100	0.17%	100
DJ Eurostoxx	0.08%	210
BE500	0.03%	429

Source: Reuters and Bloomberg.

In addition to these indices, Millennium bcp reinforced its presence in sustainability indices during the past year. In 2009, BCP share became part in the ECPI Ethical Index, which selects the 150 largest companies in the Economic and Monetary Union (EMU), eligible according to the ECPI Screening methodology, which monitors the evolution of 4,000 companies from a social, environmental and governance viewpoint. In April 2010, it was included in the Ethibel EXCELLENCE Investment Register. In September 2010, BCP share was included in the ASPI Eurozone, which selects the 120 companies of the Euro Area with the best performance in terms of sustainability.

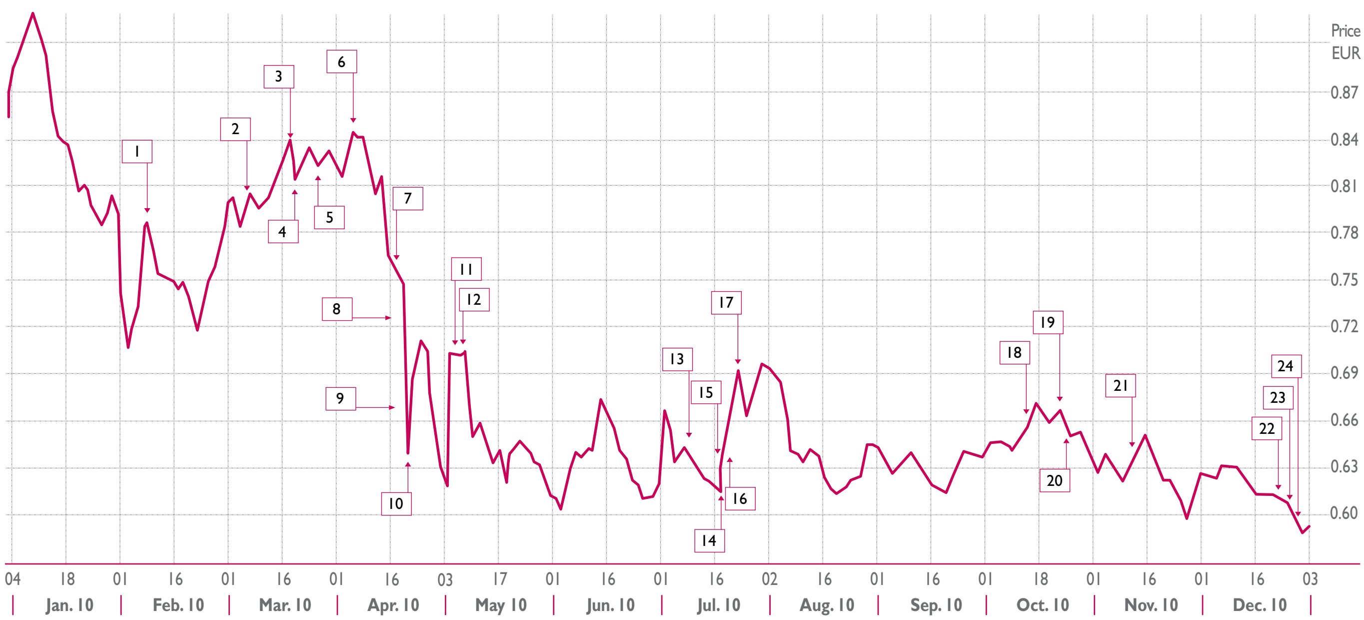
INDEX
ECPI Ethical Index EMU ECPI Ethical Index Euro
Ethibel Excellence Europe Ethibel Excellence Euro
ASPI Eurozone

MAIN EVENTS AND IMPACT ON THE SHARE PRICE

The following table summarises the main events of 2010, the change of the share price both the next day and five days later, as well as the relative evolution compared to the leading benchmark indices for those periods.

Nr.	Date	Event	Change +1D	Change vs. PSI20 (1D)	Change vs. DJS Banks (1D)	Change +5D	Change vs. PSI 20 (5D)	Change vs. DJS Banks (5D)
1	10-02-2010	Conclusion of Bank Millennium (Poland) capital increase	-1.8%	-3.6%	-4.4%	-4.5%	-5.0%	-7.5%
1	10-02-2010	Bank Millennium (Poland) 4th quarter earnings	-1.8%	-3.6%	-4.4%	-4.5%	-5.0%	-7.5%
1	10-02-2010	Agreement to sell Millennium Bank A.S. in Turkey	-1.8%	-3.6%	-4.4%	-4.5%	-5.0%	-7.5%
1	10-02-2010	Full year 2009 Consolidated Earnings	-1.8%	-3.6%	-4.4%	-4.5%	-5.0%	-7.5%
2	10-03-2010	Proposals submitted to AGM	0.0%	-1.5%	-1.2%	5.5%	3.5%	3.8%
3	17-03-2010	Amendment to the AGM Agenda	-2.0%	-3.9%	-3.6%	-3.9%	-4.7%	-4.4%
4	24-03-2010	Change in the Republic of Portugal rating by Fitch	1.5%	2.5%	1.5%	1.5%	0.7%	0.7%
5	30-03-2010	Fitch ratings	-0.5%	-0.3%	0.1%	0.2%	-0.1%	-0.6%
5	30-03-2010	Decision to leave the USA market	-0.5%	-0.3%	0.1%	0.2%	-0.1%	-0.6%
6	12-04-2010	AGM deliberations	-0.6%	-1.3%	-1.4%	-4.3%	-2.7%	-4.5%
7	22-04-2010	Change in hybrid debt ratings by Moody's	0.8%	3.4%	2.7%	-6.9%	4.9%	-1.4%
8	26-04-2010	Bank Millennium (Poland) 1st quarter earnings	-7.6%	-4.4%	-9.0%	-4.3%	0.8%	-1.0%
9	27-04-2010	Standard and Poor's rating decision	-1.9%	3.4%	2.5%	-2.8%	-0.9%	1.7%
10	28-04-2010	1st quarter 2010 Consolidated Earnings	6.1%	8.0%	7.3%	-2.9%	-2.1%	2.1%
11	12-05-2010	Bank of Portugal decision (application of a fine)	-3.6%	-6.5%	-4.5%	-9.4%	-7.8%	-6.1%
12	13-05-2010	Change in Moody's ratings	-5.7%	-4.9%	-5.0%	-9.3%	-3.1%	-1.8%
13	14-07-2010	Change in Moody's ratings	-1.4%	-0.7%	-1.0%	-2.4%	-0.1%	2.8%
14	21-07-2010	Change of ratings by Fitch	5.2%	5.5%	4.2%	12.7%	9.4%	1.4%
15	23-07-2010	Stress tests results	3.9%	4.4%	3.7%	4.9%	3.3%	-1.1%
16	27-07-2010	1st semester 2010 Earnings of Bank Millennium (Poland)	1.2%	-0.1%	-3.5%	1.9%	-1.1%	-5.3%
17	28-07-2010	1st semester 2010 Consolidated Earnings	-4.8%	-5.8%	-4.8%	0.0%	-2.0%	-2.3%
18	16-10-2010	Sale of the banking operation in the USA	1.8%	1.1%	2.2%	0.6%	-1.4%	-0.4%
19	26-10-2010	3rd quarter 2010 Earnings of Bank Millennium (Poland)	-2.8%	-3.4%	-2.3%	-5.7%	-7.4%	-3.5%
20	27-10-2010	3rd quarter 2010 Consolidated Earnings	-0.3%	0.9%	-0.2%	-4.0%	-5.2%	-2.5%
21	08-11-2010	Ratings change by Fitch ratings	-0.6%	-0.2%	-0.9%	0.3%	2.3%	1.3%
22	23-12-2010	Fitch rating decision	-0.3%	-0.1%	-0.2%	-4.4%	-3.0%	-3.1%
23	27-12-2010	Sale of 95% of Millennium Bank A.S. in Turkey	0.0%	1.2%	1.2%	-1.7%	1.8%	1.3%
24	31-12-2010	Sale of 2.7% stake in the share capital of Eureko BV	1.4%	2.2%	1.9%	-7.2%	-7.0%	-10.2%

The following chart illustrates the performance of BCP shares in 2010:



DIVIDEND POLICY

Maintaining the principles of prudence that characterise the profit distribution policy adopted by Millennium bcp, and taking into account the macroeconomic environment, a decision was taken not to pay an interim dividend for 2010, as in the previous year.

Notwithstanding this decision not to pay an interim dividend in 2010, the Bank reiterated its dividend distribution policy, the aim being to pay out about 40% of net income.

Taking into consideration, on the one hand, the principles of prudent capital management and, on the other, the calendar for the implementation of the new capital rules as defined by Basel III, EBD has decided to submit a proposal, to the Annual General Meeting of Shareholders, for a capital increase, exclusively through incorporation of reserves, of 120.4 million euros, equivalent to the distribution of a scrip dividend. The purposed scrip dividend reflects, in the opinion of the Executive Board of Directors of Millennium bcp, the effort to find a balance between Shareholder interests, on the one hand, and the priority of preserving the Group's capital and liquidity.

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	scrip (6)	n.a.	n.a.	n.a.	n.a.
2001	2002	0.150	0.120	0.105	61.05%	3.30%
2002	2003	0.100	0.080	0.070	49.22% (4)	4.39%
2003	2004	0.060	0.051	0.045	44.66%	3.39%
2004						
Interim Dividen	2004	0.030	0.026	0.023		
Final Dividend	2005	0.035	0.030	0.026		
Total Dividend		0.065	0.055	0.049	41.27%	3.44%
2005						
Interim Dividen	2005	0.033	0.028	0.025		
Final Dividend	2006	0.037	0.031	0.028		
Total Dividend		0.070	0.060	0.053	31.89%	3.00%
2006						
Interim Dividen	2006	0.037	0.030	0.030		
Final Dividend	2007	0.048	0.038	0.038		
Total Dividend		0.085	0.068	0.068	39.36%	3.04%
2007						
Interim Dividen	2007	0.037	0.030	0.030		
Final Dividend	2008	0.000	0.000	0.000		
Total Dividend		0.037	0.030	0.030	23.72%	1.27%
2008	2009	0.017	0.014	0.014	39.67%	2.09%
2009	2010	0.019	0.015	0.015	39.61%	2.25%
2010 (3) (5)	2011	scrip (7)	n.a.	n.a.	n.a.	n.a.

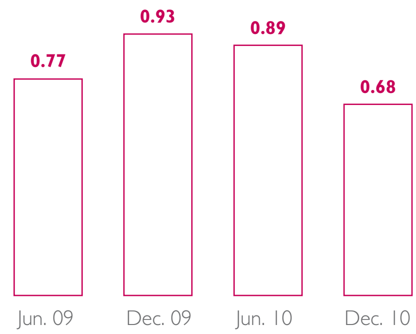
(1) The Payout Ratio is the percentage of net profit distributed to Shareholders in the form of dividend.
(2) The Dividend Yield represents the annual return as a percentage, calculated by dividing the amount of gross dividend by share price at the end of the corresponding year.
(3) Paid as scrip dividend, through the issue of new shares and their proportional distribution to Shareholders holding shares representing the Bank's equity capital.
(4) Based on net profit calculated before setting aside general banking risk provisions in the sum of 200 million euros.
(5) Proposal to be submitted to the Annual General Meeting to be held on 18 April 2011.
(6) The scrip dividend corresponds to 0.150 euros per share, 62.36% of net income and 2.65% of the share price at the end of 2000.
(7) The scrip dividend corresponds to 0.026 euros per share, 39.79% of net income and 4.39% of the share price at the end of 2010.

RELATION WITH INVESTORS AND ANALYSTS

BCP shares are covered by the leading domestic and foreign investment houses, which regularly issue investment recommendations and price targets for the Bank. In 2010, the coverage by a series of new analysts was initiated or reinitiated. The average price target of the investment houses that monitor the Bank showed a negative trend over the course of the year, as shown in the chart, reflecting the impact of the deterioration of the sovereign debt crisis.

At the end of the year, 12 financial intermediaries had active coverage of BCP shares. In 2010, BCP had more than 200 contacts (meetings and conference calls) with investors. The Bank did several roadshows and participated in the main conferences of the European and Portuguese Banking sector, of which we highlight the conferences organised by HSBC, Morgan Stanley, BPI, Nomura, KBW, Merril Lynch, Euronext Portuguese Day and JP Morgan Iberian Corporate Access Days.

PRICE TARGETS
Average for BCP
Euros



TREASURY SHARES

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

As at 31 December 2009, Banco Comercial Português, S.A. held 12,583,354 treasury shares in portfolio. During 2010, the Bank purchased and sold 46,201,159 treasury shares, corresponding to 0.98% of its share capital.

	Purchases			Sales			Total traded	
	Quantity	Value	Average unit price (€)	Quantity	Value	Average unit price (€)	Quantity	% Share Capital
BANCO COMERCIAL PORTUGUÊS, S.A. (*)	19,575,672	13,275,452	0.679	26,625,487	19,613,428	0.737	46.201.159	0.98%

As at 31 December 2010, Banco Comercial Português, S.A., directly and indirectly held 5,533,539 treasury shares, or 0.12% of the Bank's share capital.

	31/12/2009	31/12/2010	% Share Capital
BANCO COMERCIAL PORTUGUÊS, S. A. (*)	12,583,354	5,533,539	0.12%

(*) As at December 2010, this heading excludes 23,261,904 shares (31 December 2009: 10,366,667 shares) held by Customers, the acquisition of which was financed by the Bank and, considering that there is evidence of impairment with respect to these Customers, in the light of IAS 32/39, their shares in the Bank are considered treasury shares, merely for accounting purposes and in observance of this standard.

SHAREHOLDER STRUCTURE

According to the file received from the Securities Centre (CVM) the number of Banco Comercial Português shareholders stood at 170,903 as at 31 December 2010. The Bank's shareholder structure continues dispersed, since no Shareholder has more than 15% of the share capital, only 10 hold qualified shareholdings (over 2% of the share capital) and one holds a shareholding of more than 10%. It should be noted that the limitation to the counting of votes from 10% to 20% was approved by the General Meeting of Shareholders of April 2010. Also worth noting is the increase of the weight of other individual shareholders, now accounting for 27.3% of the share capital (up from 24.6% in 2009).

Shareholder structure	Number of Shareholders	% Share capital
Group Employees	3,555	0.54%
Other individual Shareholders	162,847	27.32%
Companies	4,059	29.04%
Institutional	442	43.09%
TOTAL	**170,903**	**100.00%**

Shareholders with more than five million shares represent 67.1% of the share capital (70.3% at the end of 2009).

Number of shares per Shareholder	Number of Shareholders	% Share capital
> 5,000,000	68	67.12%
500,000 a 4,999,999	321	9.48%
50,000 a 499,999	3,991	9.82%
5,000 a 49,999	34,692	10.11%
< 5,000	131,831	3.46%
TOTAL	**170,903**	**100.00%**

In 2010, there was an increase in the percentage of share capital held by nationals shareholders to 59.0% (56.4% at the end of 2009).

	National Shareholders		Foreigner Shareholders	
Number of shares per Shareholder	Number	% Share capital	Number	% Share capital
> 5,000,000	35	29.79%	33	37.33%
500,000 a 4,999,999	256	6.78%	65	2.70%
50,000 a 499,999	3,806	9.26%	185	0.56%
5,000 a 49,999	33,826	9.84%	866	0.27%
< 5,000	127,572	3.36%	4,259	0.10%
TOTAL	**165,495**	**59.04%**	**5,408**	**40.96%**

SHAREHOLDER DISPUTE RESOLUTION

Until 31 December 2010, thirty-four legal actions were brought against the Bank pursuant to the "Shareholders Campaigns" carried out in 2000 and 2001. The amount of the claims made by the shareholders or former shareholders totalled 49,096,303.00 euros.

In 2010, the Bank settled two legal actions through an agreement established between the parties. In the first legal proceeding ruled by a court decision related to the abovementioned legal actions, the Bank was absolved of all the claims presented against it.

QUALIFIED SHAREHOLDERS

December 31, 2010

Shareholder	Nr. shares	% Share capital	% Voting rights
Sonangol – Sociedade Nacional de Combustíveis de Angola, EP	685,138,638	14.59%	14.61%
Members of the Management and Supervisory Bodies	1,000	0.00%	0.00%
TOTAL OF THE SONANGOL GROUP	**685,139,638**	**14.59%**	**14.61%**
Teixeira Duarte – Sociedade Gestora de Participações Sociais, S.A.			
Teixeira Duarte – Gestão de Participações e Investimentos Imobiliarios, S.A. (2)	305,000,000	6.50%	6.50%
Arenopor – Investimentos SGPS, S.A.	27,000,000	0,58%	0,58%
Tedal – Sociedade Gestora de Participações Sociais, S.A.	19,900,000	0.42%	0.42%
Members of the Management and Supervisory Bodies	14,882,340	0.32%	0.32%
TOTAL OF THE TEIXEIRA DUARTE GROUP	**366,782,340**	**7.81%**	**7.82%**
José Berardo Foundation			
José Berardo Foundation	198,324,440	4.22%	4.23%
José Berardo Foundation (equity swap with Banco Espírito Santo)	29,710,526	0.63%	0.63%
Metalgest – Sociedade de Gestão, SGPS, S.A.			
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%
Members of the Management and Supervisory Bodies	19,572	0.00%	0.00%
TOTAL OF THE BERARDO GROUP	**292,141,503**	**6.22%**	**6.23%**
Bansabadell Holding, S.L.	208,177,676	4.43%	4.44%
Members of the Management and Supervisory Bodies	13,000	0.00%	0.00%
TOTAL OF THE EDP GROUP	**208,190,676**	**4.43%**	**4.44%**
EDP – Imobiliária e Participações, S.A	123,509,341	2.63%	2.63%
EDP Pensions Fund	52,285,541	1.11%	1.12%
Members of the Management and Supervisory Bodies	121,182	0.00%	0.00%
TOTAL DO GRUPO EDP	**175,916,064**	**3.75%**	**3.75%**
Caixa Geral de Depósitos, S.A. (investment portfolio)	100,281,441	2.14%	2.14%
Companhia de Seguros Fidelidade-Mundial, S.A.	22,211,915	0.47%	0.47%
Caixa Geral de Depósitos, S.A. (trading book)	166,174	0.00%	0.00%
Companhia de Seguros Império-Bonança, S.A.	105,716	0.00%	0.00%
CGD Pensions Fund	3,283,218	0.07%	0.07%
TOTAL OF THE CAIXA GERAL DE DEPÓSITOS GROUP	**126,048,464**	**2.68%**	**2.69%**
SOGEMA SGPS, S.A	**124,427,917**	**2.65%**	**2.65%**
EUREKO BV	**118,251,417**	**2.52%**	**2.52%**
Sociedade de Diversões e Turismo de Macau, S.A.	76,112,854	1.62%	1.62%
Stanley Hung Sun Ho	30,142,080	0.64%	0.64%
TOTAL OF THE STANLEY HO GROUP	**106,254,934**	**2.26%**	**2.27%**
SFGP – Investimentos e Participações, S.G.P.S., S.A.	43,574,742	0.93%	0.93%
IPG – Investimentos, Participações e Gestão S.G.P.S., S.A.	58,488,113	1.25%	1.25%
TOTAL OF THE GOES FERREIRA GROUP	**102,062,855**	**2.17%**	**2.18%**
TOTAL QUALIFIED SHAREHOLDINGS	**2,305,215,808**	**49.10%**	**49.16%**


INVESTE MAIS
CRESCE MAIS
Millennium

STAKEHOLDERS

The objective of Millennium bcp is to understand and incorporate in its strategy the expectations of the Stakeholders, maintaining a permanent and transparent dialogue, using different communication channels, sharing information and identifying the subjects considered material by each Stakeholder.

COMMUNICATION CHANNELS

Millennium bcp promotes different and complementary communication channels that allow identifying and understanding the needs and expectations of the Stakeholders.

COMMUNICATION CHANNELS WITH THE STAKEHOLDERS

CUSTOMERS

- Branches
- Website
- Call centre
- Telephone
- E-mail
- Millennium TV
- Newsletters
- M Magazine
- Millennium Meetings
- Seminars
- Ombudsman
- Customer Support Centre
- Satisfaction surveys

SHAREHOLDERS, INVESTORS AND ANALYSTS

- Investors Day
- General Meeting of Shareholders
- Roadshows
- Millennium Meetings
- Press conferences
- Conferences call
- One-to-one meetings
- Specific e-mail
- Website
- Responses to questionnaires and reports

MEDIA

- Website
- Press conferences
- Interviews
- E-mails

REGULATORY ENTITIES

- Periodic meetings
- Regular reports
- E-mail
- Website
- CMVM website
- Bank of Portugal website

Millennium bcp

CIVIL SOCIETY

- Website
- E-mail
- Branches
- Millennium Meetings

EMPLOYEES

- Website
- Employees' branch
- Intranet
- Millennium TV
- E-mail
- Newsletters
- M Magazine
- Millennium Meetings
- Meetings of objectives
- Structural meetings
- Satisfaction surveys
- Evaluation system
- Internal Customer surveys
- Workers Committee
- Syndicate structures
- Whistleblowing

SUPPLIERS

- Website
- Periodic meetings
- Annual evaluations
- Technical centres
- E-mail

NON-GOVERNMENTAL ORGANISATIONS

- Website
- Meeting
- E-mail
- Conferences and seminars

SHARING INFORMATION

STAKEHOLDERS COMMISSION

Since 2005, the Stakeholders Commission, a privileged forum for dialogue and interaction with the main Stakeholders of Millennium bcp, where the matters of greatest relevance to the relationship between the Stakeholders and the Bank are debated, has supported the Executive Board of Directors (EBD). During 2010, this commission met twice, to debate different issues, namely: i) the activities developed within the scope of the sustainability strategy; ii) the national and international economic and financial situation; iii) the net income of the Bank; iv) the results of the Behavioural Supervision report of the Bank of Portugal and v) the amendments to the Bank's Articles of Association approved at the General Meeting of Shareholders.

MILLENNIUM ENCOUNTERS

The main objective of Millennium Encounters, conducted in district capitals, is to increase the proximity of the Bank to the regions where it is present, by enabling direct contact between the EBD and the main Customers, Employees and Local Authorities. The Millennium Conference, focal point of these meetings, included an invited speaker – Professor Daniel Bessa, former Minister of Economic Affairs and currently General Manager of COTEC Portugal – who presented topics of national and international interest, providing a debate regarding the paths to economic development.

During 2010, Millennium Encounters were held in the districts of Viseu (10 and 11 March), Portalegre (19 and 20 April), Beja (4 and 5 May), Vila Real (5 and 6 July), Guarda (29 and 30 September) and Viana do Castelo (15 and 16 November). A total of 2,909 Customers and 711 Employees took part in the six events. In 2010 the objective of visiting all the Portuguese districts was achieved.

EVEN CLOSER TO THE CUSTOMER

Within the scope of the initiative "Even closer to the Customer", 12 seminars were held at various locations in the country (Braga, Coimbra, Guimarães, Oporto/Paredes, São João da Madeira, Leiria, Viseu, Famalicão, Barcelos, Viana do Castelo, Covilhã and Aveiro), in which about 700 Customers participated.

In these sessions, in addition to the overview of the Portuguese and international economic environment, the main consequences of the implementation of the Basel II criteria, the main economic and financial and behavioural indicators used in the credit risk analysis of companies by banks, the new accounting standardisation system and investment and export support solutions were presented, ending with a presentation on the commercial policy of Millennium bcp made a Member of the Bank's EBD. The events held registered a high level of Customer satisfaction, with more than 90% considering them "useful" or "very useful". The topics presented incorporated information that was obtained from interviews conducted with Customers at the seminar organisation phase, which enabled to meet their expectations regarding issues to be discussed about business activity support.

OPEN DOOR WORKSHOP

Millennium bcp is recognised by the market as a leading innovator. With the goal of exchanging experiences and sharing best practices, Millennium bcp organised the "Open Door" workshop in March. This event included the participation of 10 companies and professors from the Portuguese Catholic University and Instituto Superior Técnico, who were invited to share and debate initiatives on the topic of innovation. The "Open Door" workshop reinforced Millennium bcp's commitment to a transversal culture of innovation.

COMMUNICATE WITH STAKEHOLDERS

CUSTOMERS

Measuring satisfaction and analysing situations that give rise to complaints contributes to the adjustment of internal processes, of the commercial offer and of the service levels of the Bank, enabling the quality of the relationship with Customers to be increased.

Satisfaction surveys

The satisfaction management system of the Bank allows for surveying Customers about the service provided and the global offer. In 2010, in Portugal, the rate of surveys conducted was maintained, via post to Retail Network Customers, and via email to Companies, with a total of 23 studies having been undertaken. The monitoring process allows: i) quantitative objectives to be set and ii) definition of action plans to improve the service provided to Customers.

RETAIL NETWORK CUSTOMERS OVERALL SATISFACTION EVOLUTION

Activity in Portugal

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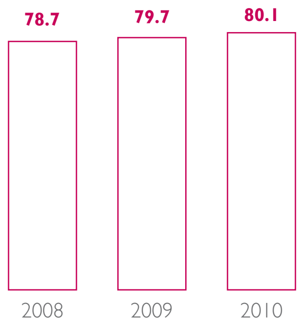

BREAKDOWN OF THE RETAIL NETWORK CUSTOMER SATISFACTION LEVEL

Activity in Portugal

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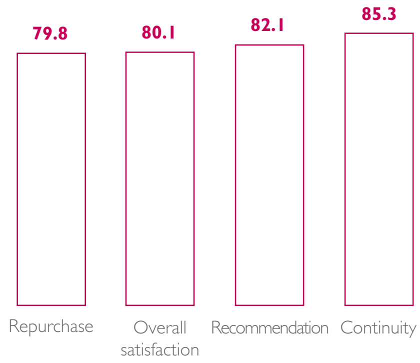

In addition, specific studies were conducted to improve the knowledge of products, services and distribution channels:

- In Portugal, the studies conducted on credit products indicate that Customers value the quality of Customer service and rapid decision making at Millennium bcp, having achieved in the following products: i) mortgage loans: 84 index points (i.p.) of satisfaction and 87 i.p. of recommendation and ii) personal credit: 87 i.p. of satisfaction and 86.6 i.p. of recommendation.

- The Retail Network in Portugal (as a result of the consistent effort to improve the aspects highlighted by the analyses conducted, namely: i) quality of the relationship with Customers; ii) clarity of the communication and information and iii) adaptation of offer) maintained an upward trajectory of Customer satisfaction index, reaching the highest value since the Group initiated operations under the Millennium brand: 80.1 index points, obtained in the 2nd semester.

In 2010, Millennium bank in Greece launched a satisfaction survey for its Mass Market Customers, with a global satisfaction level of 79 i.p.

In Angola a market survey was conducted, called "Mystery Customer", with the aim of obtaining a more detailed knowledge about the quality of Customer service at Bank branches. Each one of the 14 analysed branches was visited twice and 31 Employees were surveyed.

In Poland, 35 studies were conducted, with a global satisfaction level of 76 i.p.

Claims

In 2010 there was a general decline in the number of claims received, with the exception of Romania.

In Portugal, this declining trend may be explained by:

- Publication, over the last few years, of a significant set of legal frameworks which, having overcome the difficulties of implementation and the subsequent clarification of doubts that had led to a significant increase in demands for explanations in previous years, clarified and eliminated areas of tension between the Bank and Customers;

- Maintenance of low reference interest rates for loans in the portfolio;

- Preventive effect against recurring occurrences, which resulted in the sending of 30 initiatives and alerts to the Commercial Network, Central Areas and Process Owners responsible for the various business processes.

The analysis of the Behavioural Supervision Activities Report of the Bank of Portugal enables to conclude that Millennium bcp is, in weighted number of claims by operation, below the average of the Banking System in three of the four products analysed.

In Romania, new legislation on taxation of deposits and new procedures for the delivery of credit cards to customers were the main reason for the increase in the number of claims. Both processes are being analysed so that, through better communication between Employees and Customers, any doubts or eventual errors in procedures may be eliminated.

CUSTOMER CLAIMS

	'10	'09	'08	Change % '10/'09
CLAIMS REGISTERED				
Activity in Portugal	25,682	32,284	36,913	-20.4%
International Activity (1)	51,303	65,666	28,074	-21.9%
CLAIMS RESOLVED (2)				
Activity in Portugal	25,521	33,250	35,970	
International Activity (1)	50,169	69,158	27,861	
AVERAGE CLAIMS RESOLUTION TIME (DAYS)				
Activity in Portugal	7	8	12	-12.5%
International Activity (3)	17	33	20	-47.6%

(1) Excludes Greece in 2008, Angola in 2008 and 2009 and Switzerland in 2008, 2009 and 2010.
(2) Includes all claims resolved in the reporting year, regardless of the date of registration.
(3) Includes Poland and Romania.

Within Customer communications made through the Client Ombudsman, 56 were considered as appeals. With respect to those matters against which complaints were lodged, the most contested during 2010 were current accounts, mortgage loans, cards, cheques and insurance policies, which represent 70% of the appeals presented.

OMBUDSMAN OF MILLENNIUM BCP

Activity in Portugal

	'10	'09	'08	Change % '10/'09
APPEALS PROCESSED BY THE OMBUDSMAN	56	83	80	-32.5%
TOTAL APPEALS CONCLUDED	**52**	**81**	**77**	
Appeals concluded successfully	11	13	14	
Appeals concluded with dismissal	41	68	63	
Average response time (days)	12	16	17	-25.0%

The Portuguese Consumer Defence Association (DECO) delivered to the Bank requests for information on: i) interest rates practiced and characteristics of new products launched by the Bank; ii) the product "Fundo Millennium Rendimento Mensal" (interest rates and periods until availability) and iii) confirmation of data for the barometer study (interest rates practiced and main characteristics of Mortgage Credit and Personal Credit products).

ENQUIRIES ANSWERED BY MILLENNIUM BCP TO DECO

Portugal

	'10	'09	'08	Change % '10/'09
Enquiries answered	73	82	71	-11.0%
Average response time (days)	1	5	7	-80.0%

EMPLOYEES

The satisfaction and motivation surveys, the internal communication model, the annual objectives meetings and the area meetings allow sharing of information and a mutual alignment between the expectations and objectives of the Organisation and of the Employees.

Satisfaction and motivation survey

The Annual Employee Satisfaction and Motivation Survey conducted at the start of 2010 registered a participation rate of 79%, with emphasis on the high participation of Employees from Greece with a response rate of 90%. The generalised decline in satisfaction and, above all, motivation, naturally associated to the current economic situation, was mainly reflected in the commercial networks of the Bank.

Following the results obtained, in addition to the specific analyses conducted and discussed with the Bank areas with the worst levels of satisfaction and motivation which resulted in individual action plans, actions and programmes were developed, whose description is in the Talent Management chapter of this report, with the objective of improving the levels of Employee satisfaction and motivation.

RESULT OF THE ANNUAL EMPLOYEE SATISFACTION SURVEY

Activity in Portugal

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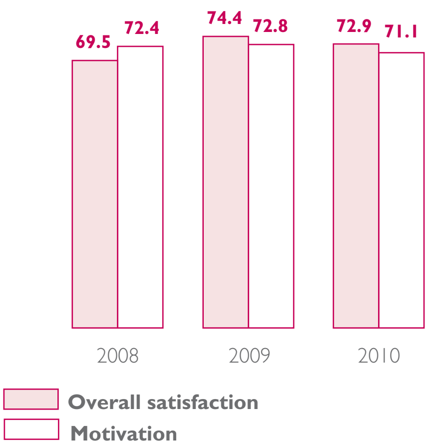

RESULTS OF THE ANNUAL EMPLOYEE SATISFACTION SURVEY

Internacional Activity

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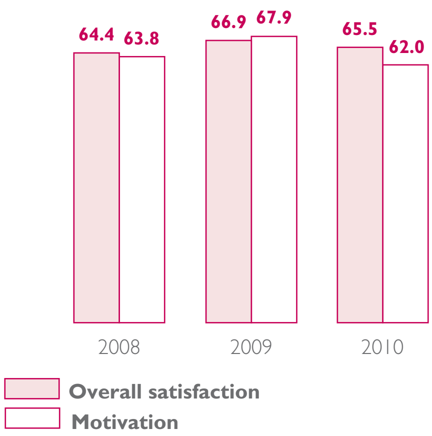


Internal Customer Satisfaction

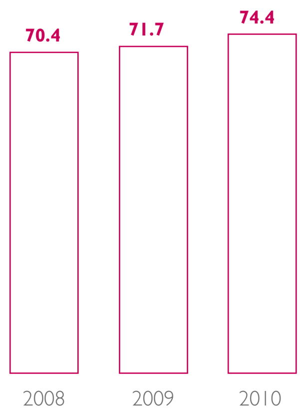
The evaluation process of the satisfaction levels with the service provided by the Central Services of the Bank was, in 2010, extended to 117 internal areas in Portugal (75 in 2009), with two global surveys and 46 specific studies having been conducted. There has been an improvement in the participation level and satisfaction index since 2007, which reflects not only the concern that each Bank area has in providing a quality service to the other areas with which it relates (Internal Customers), but also interest in giving feedback on the way in which that service is provided.

The quality of the service provided by the Central Services is considered a fundamental factor of a Customer service of excellence, such that the result of these surveys has become part of the key performance indicators of the areas evaluated.

SATISFACTION OF THE INTERNATIONAL CUSTOMERS

Activity in Portugal (Overall satisfaction)

Index



Internal Communication Model

In the pursuit of the efforts that have been made to continually improve communication with Employees, 2010 featured greater standardisation of the topics communicated by the different media, as well as closer dialogue.

- Intranet: updated on a daily basis, millenniumnet is the platform par excellence for internal communication, discussing topics of a commercial and institutional nature. In 2010, a system to measure the reading habits of the millenniumnet news was implemented, allowing the evaluation of the Employees' level of interest regarding the information, permitting a dissemination strategy based on the information needs of the recipients.

- Millennium tv: in addition to the daily "Millennium News" programme with the highlights of the day, Millennium tv regularly produced training and analysis programmes, as well as live programmes, where Employees are invited to phone in and participate, asking questions of the guests in the studio. The television contents produced are available via television and intranet to all Employees.

- Newsletters: "About Us", a bilingual, electronic weekly Newsletter, of international scope, is produced for Employees to remain updated on everything that happens in the Millennium world. Still within the scope of electronic newsletters, other internal intra-departmental and international editions have been standardised.

The annual objective meetings, held in all operations, and the Area meetings are a space for sharing information and of alignment with the objectives of the Bank, where strategic issues for the Organisation and Employees are presented and debated.

SHAREHOLDERS AND ANALYSTS

In complying with its legal and regulatory reporting obligations, the Bank discloses quarterly information on its results and business activity, holds press conferences as well as conference calls with Analysts and Investors, all involving members of the EBD.

During 2010, the Bank took part in several events and organised three roadshows in two major global financial markets – London and Paris. The Bank also took part in eight investor conferences organised by other banks, such as HSBC (London), Morgan Stanley (London), Santander (Lisbon), BES (New York), Nomura (London), KBW (London), Bank of America / Merrill Lynch (London) and JP Morgan (New York) at which it undertook institutional presentations and held one-to-one meetings with investors. In 2010, 202 meetings with investors were held. It should be noted that there was a significant increase in contacts with investors holding Millennium bcp's debt in 2010, representing more than 10% of the total.

In 2010, Millennium bcp also replied to national and international surveys on social and corporate responsibility and participated in several national initiatives to analyse the social and environmental practices of Portuguese companies.

SUPPLIERS

In all Group operations, emphasis continues to be placed on purchasing from local Suppliers. With the objective of incorporating environmental and social responsibility concerns, mainly in relation to labour practices, Millennium bcp in Portugal included, in 2007, an annex to the supply contracts – Principles for Suppliers – which establishes activity practices whose compliance has been evaluated since 2009, within the scope of the Supplier evaluation process.

SUPPLIERS

	'10	'09	'08	Change % '10/'09
NUMBER OF SUPPLIERS				
Activity in Portugal	6,388	6,204	6,258	3.0%
International Activity (1)	7,452	6,302	7,053	18.2%
PURCHASES FROM LOCAL SUPPLIERS (%)				
Activity in Portugal	93%	94%	81%	
International Activity (1)	95%	92%	90%	
NUMBER OF ASSESSED SUPPLIERS				
Activity in Portugal	217	309	447	-29.8%

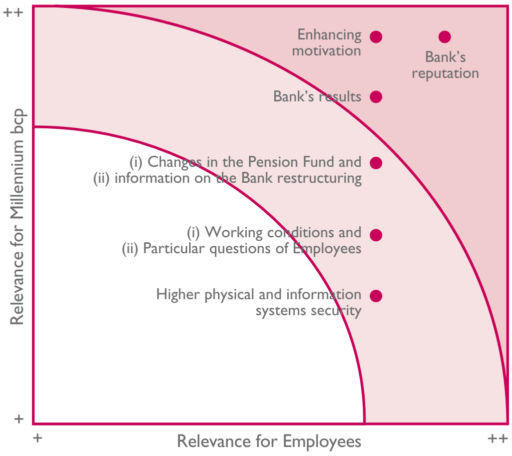
(1) Excludes Angola and Switzerland in 2008 and 2009.

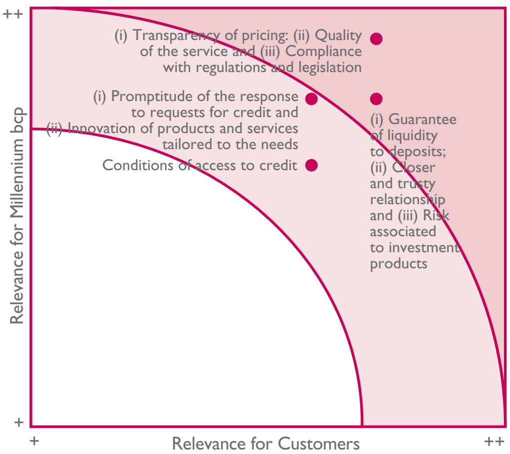
KNOW EXPECTATIONS

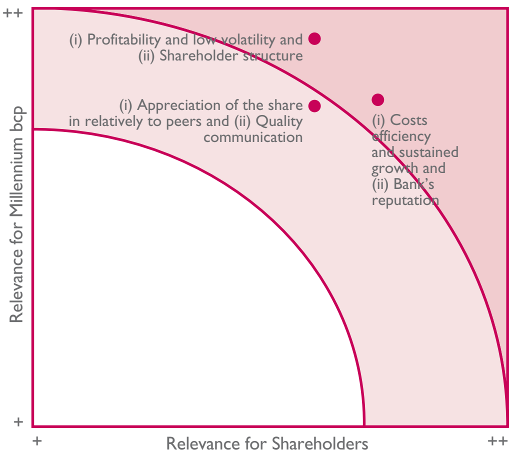
Following the work, undertaken in 2009, with the mapping updating of the Stakeholders subgroups and identification of the material issues for each one, published in the 2009 Sustainability Report, in 2010 a detailed questionnaire was sent to the Stakeholders whose involvement had been identified as focus and inform – Employees, Customers, Shareholders, Suppliers, Media and Analysts.

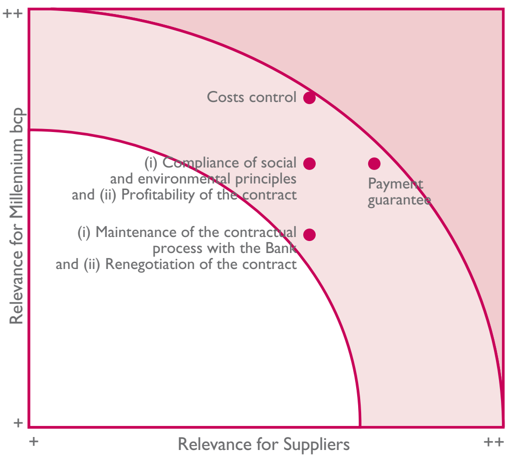
The objectives of this survey were to: i) give priority to the issues that had been identified as material in 2009, ii) identify the strengths and improvement opportunities perceived by the Stakeholders and iii) obtain feedback on how the actions developed within the context of sustainable development are perceived.

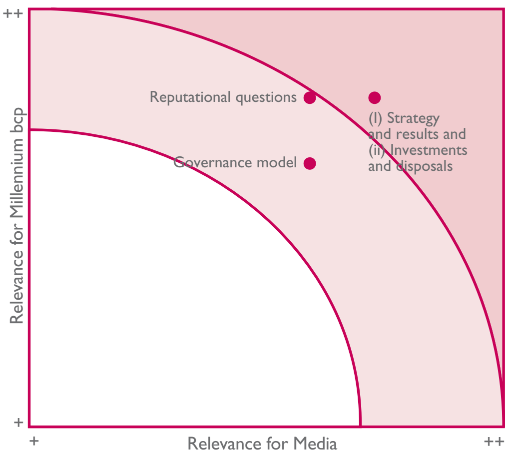
The results systematise the prioritisation of the material issues for the Stakeholders and for the Bank.











The 2011-2013 strategic vision presented in the following chapter, as well as the main initiatives implemented in 2010, namely the response of Millennium bcp to the market crisis and the adjustment of the 2010 strategic agenda, aims to respond to the main expectations identified in the survey conducted among the main Stakeholders.


Millennium
bcp
Millennium
bcp


O PAR IDEAL
Millennium

STRATEGY

STRATEGIC AGENDA FOR 2010: MAIN MEASURES

In 2010, the deepening of the international financial crisis, particularly intense in Europe, combined in the Portuguese case with the need for adjustment of structural imbalances, namely the worsening of the budgetary situation and the continuous and significant deterioration of the economy's external position, within a context of high levels of public and private debt and of low GDP growth in the last decade, in addition to the deteriorating expectations of the participants in international financial markets regarding the sustainability of the public finances in Portugal, has been reflected in a strong increase of the sovereign debt risk premium, reaching historically high levels, which have compromised the funding capacity of Portuguese banks in the wholesale funding market, highlighting the urgent need to deleverage their balance sheets.

However, the effects of the international financial crisis and of the sovereign risk crisis, in particular, are not only reflected in the activity levels of banks, they also affect the income statement, through the deterioration of the financial condition of companies and individuals, the latter due to the rise in unemployment and the implementation of measures with a significant impact on the level of household disposable income, reflecting on the level of non-performing loans, with an impact on the cost of risk that exceeds initial estimates. It should also be mentioned that the difficulties of the Portuguese financial institutions in obtaining funding in markets has made it more difficult for Customers to access credit, in spite of banks having continued to ensure the regular financing of economic operators.

Millennium bcp reacted to the crisis in sovereign debt markets primarily through: i) a defensive positioning in funding management; ii) the increase in eligible assets for discount with the European Central Bank; iii) the deceleration of growth in the loan portfolio along with an effort to increase customer funds, to control the commercial gap; iv) an effort to reprice and increase commission fees, in order to improve the revenue base, which together with the cost control initiatives resulted in the improvement of results and v) to optimise the risk weighted assets, seeking to reach a Tier I ratio of around 10%. Millennium bcp's strategic agenda for 2010 was therefore adjusted, with the implementation of initiatives under the following three vectors:

MILLENNIUM BCP INITIATIVES IN 2010

INCREASE TRUST	OVERCOMING FINANCIAL AND ECONOMIC CRISIS	FOCUS AND SUSTAINABILITY
• Reinforce Customers relationship • Strengthening capital ratios through the reduction of RWA • Commercial gap control • Improved results	• Credit repricing • Expand customer funds • Reinforcing collateral in credit operations • Significant increase in ECB eligible Assets • Launch of an innovative Bank based on the ActivoBank platform	• Organisational simplification • Cost containment • Effective collection of services commissions • Focus on the international portfolio – Sale of the Turkish and USA operations – License to operate on-shore in Macao

The initiatives implemented in 2010 within the scope of the three vectors previously referred to are summarised below.

I. INCREASE TRUST

Reinforce Customers relationship

- Reinforcement of the proximity and relationship policy with Customers, aimed at increasing the number of contacts and regularly monitoring activity, seeking to identify new business opportunities and also detect signs of impairment, so as to allow the Bank to act preventively. Promotion of events with Customers for sharing of information.

- Continued investment in Employee training in order to promote a culture of rigour, transparency and service of quality to Customers.

- Strengthening of Customer satisfaction evaluation processes, allowing overall satisfaction analysis and specific analysis of product and distribution channels.

- Consolidation of Millennium bcp microcredit by promoting this solution among the greatest possible number of eligible people, participating in entrepreneurship events, conducting protocols with entities that interact directly with the population and promoting meetings and media reports.

Improved capital ratios through reduction of RWA

- Implementation of measures aimed at reducing the concentration of exposures and decreasing the weight of the twenty largest Customers/groups in terms of gross credit and exposure at default (EAD) in 2010, resulting in the decrease, relative to the previous year, of 1 p.p. and 0.8 p.p., respectively.

- Sale of non-strategic assets, namely the Bank's operations in Turkey and in the USA and an increase of the collaterisation level of credit operations.

Maintenance of commercial gap control

- Adoption of more restrictive credit granting policies, resulting in a reduction of 2.8% in gross credit in Portugal relative to 2009 (-0.7% on a consolidated basis), in addition to measures to attract customer funds, up 0.7% in 2010 relative to the previous year (+1.6% on a consolidated basis).

Improvement of results

- Increase in income, on a consolidated basis, namely net interest income (+13.7%) and net commissions (+10.9%), including the stabilisation of operating costs, which increased 4.1% on a consolidated basis, with an increase of only 0.7% in Portugal.

II. OVERCOMING FINANCIAL AND ECONOMIC CRISIS

Credit repricing

- Indepth analysis of the Bank's loan portfolio with the objective of evaluating and identifying the repricing base and defining the targets for a first approach/wave, which came to about 17 billion euros (loan portfolio excluding mortgage loans, syndicated loans and other loans, namely past due loans). In 2010, within the scope of the first wave, the pricing was adjusted to the increase in the cost of risk in credit operations amounting to 5.6 billion euros, i.e. 33% of the target and about 8% of the Bank's total loans, with an estimated positive impact in excess of 112 million euros on the Bank's revenues by the end of 2011.

Expansion of customer funds

- Adoption of a commercial policy focused on funds attraction, favouring the attraction of balance sheet funds, with a preference for longer term maturities. Additionally, the offer of bancassurance products was strengthened in terms of both capitalisation products and savings and retirement products, by promoting these products through specific campaigns to attract customer funds.

- Priority will be given to the commercialisation of products associated to small savings, characterised by contributing to the increase in Customer loyalty, given the creation of planned savings habits.

Reinforcing collateral in credit operations

- Launch of a real estate database (mortgages) on December 2009 and the subsequent work to screen and validate the data collected and transferred. Reinforcement and alignment of collaterisation policy of credit operations by means of eligilibility criteria relative to the mitigation of risk within the scope of the capital requirements (effects on the solvency ratio) and by eligibility criteria relative to the Bank's financing operations (covered bonds, ECB).

- Specific and selective validation of data and classification of collateral in operations with a relevant impact on the calculation of risk-weighted assets (RWA), and greater awareness of the importance of commercial networks in obtaining more and better collateral in credit operations.

Significant increase of assets eligible for the European Central Bank

- Pursued a policy to increase eligible assets for discounting with Central Banks, with specific emphasis on the ECB, whose portfolio increased by 10 billion euros relative to 2009, and amounted to 20.6 billion euros (total consolidated, after haircuts) as at December 2010.

Launch of an innovative Bank based on ActivoBank platform

- Given the considerable importance of innovation, as a distinctive factor in terms of competitiveness and of excellence, enabling capitalisation of commercial capabilities and of Customer service, it was launched a new banking concept, based on the ActivoBank platform and on the simplicity of Customer service, convenience, transparency and presence in emerging communication and distribution channels.

SUMMARY OF STRATEGIC BUSINESS INITIATIVES IN 2010

PROFITABILITY AND FOCUS – BUSINESS

PROFITABILITY IMPROVEMENT	• Net income increased 33.9% to 301.6 million euros in 2010, boosted by international operations and recovery in Portugal. • Banking income increased 16%, with core income increasing 12.7%. • Maintenance of cost control, despite the expansion in Africa and the recovery in Poland. • Refocus in customer funds: customer funds increase 1.6% in 2010, showing strong recovery of balance sheet customer funds, which increased 2.4 billion euros in the 2nd semester.
FOCUS AND AFFINITY IN INTERNATIONAL OPERATIONS	• Portfolio focus: sale of Turkey and USA operations, with negative contribution to income and refocus in Poland, Mozambique and Angola operations. • Improvement in the international operations contribution: – success in Poland's turnaround – net income increased from 0.3 million euros to 81.3 million euros, with the recovery of operating income, cost reduction plan and cost of risk improvement; – profitable expansion in Africa: acceleration of expansion plan in Angola and Mozambique, maintaining a high profitability. • Opening of an on-shore branch in Macao, creating a new base for the strategic triangle China/Macao, Portuguese speaking Africa and Euroue.
TRANSFORMATION AND PROFITABILITY IN PORTUGAL	• Repricing and initiatives to increase income: net interest margin increased 7.2% and commissions 9.7%. • Costs increased only 0.7% in 2010, after a reduction of 14.5% in 2008 and 5.1% in 2009. Cost to income improved to 51.3%. • Refocus on customer funds: customer funds increased 0.7% in 2010 and balance sheet customer funds recovered 1.5 billion euros in the 2nd semester. Loans decreased 2.8%. • New distribution model in Retail. • Launching of an innovative concept of banking – ActivoBank by Millennium.

III. FOCUS AND SUSTAINABILITY

Organisational streamlining

- Continuation of the organisational restructuring initiatives, in particular the restructuring of the Credit Recovery Department and the implementation of a new distribution model for the Retail Network. Conclusion of the Private Banking restructuring process, with a view to strengthening the structural principles for developing the business in this area, namely more and better commercial monitoring, safeguarding the quality of the loan portfolio, focus on relevant markets aiming to reinforce the compliance monitoring with applicable internal, regulatory and legal rules, as well as the improvement of the contribution to the Bank's results.

Cost containment

- Maintenance of cost control and containment efforts, namely with reference to Third Party Suppliers and Services, focusing on costs associated with cash transport (-10.7% relative to 2009), travel expenses (-8.6%) and communications (-2.4%).

- Continuation of the plan to introduce eco-efficient measures with the dual objective of reducing costs and the consumption of natural resources.

Effective collection of commissions for services provided

- Implementation of initiatives to align the price of the Bank's commissions with the competition, research of new forms of commissions and adoption, without exception, of the principle of charging commissions whenever a service is provided by the Bank, in terms of the price list.

Focus on international portfolio

- Focus on European markets that ensure a competitive presence and a significant position in the medium and long-term (Poland), and continued investment in affinity markets (Angola and Mozambique), accelerating the business plan/expansion and modernisation investments. It should be noted that in Angola, as a result of the strategic partnership with the Sonangol Group and Banco Privado Atlântico, the Bank is now particularly well positioned to grow organically, expand the branch network and increase its coverage in the various provinces.

- Authorization granted by the Government of the Special Administrative Region of Macao to provide banking services in this region by converting Millennium bcp operations from an off-shore branch to an on-shore branch, as part of the Bank's strategy to connect the China/Macao, Portuguese speaking Africa and Europe triangle, seeking to be a privileged partner in transactions associated with the financial flows between China and some of the markets in which BCP operates (Portugal, Poland, Angola, Mozambique), in particular those associated to direct foreign investment, foreign trade and transfers by Chinese immigrants.

- Divestiture of assets classified as non-strategic through the sale of the Bank's operations in Turkey and in the USA.

SUMMARY OF STRATEGIC SUSTAINABILITY INITIATIVES IN 2010

FOCUS AND PROFITABILITY – SUSTAINABILITY

LIQUIDITY MANAGEMENT	• Reduction of commercial gap in 2010. • Medium and long-term refinanced in 2010 though refunding, issues and commercial gap reduction. • Reinforcement of eligible assets with Central Banks to 20.6 billion euros in 2010. • Reinforcement of liquidity plan: – deleveraging plan and reduction of loan to deposits ratio to continue until 2013; – commitment with wholesale market refinancing; – diversification of funding sources; – reinforcement of eligible assets with Central Banks to 25 billion euros in 2011; – coverage of refinancing needs until 2011.
CAPITAL MANAGEMENT	• Core Tier I increases to 6.7% and Tier I to 9.2%, using the IRB method. • Sale of Eureko, Turkey and USA operations. • RWA reduction by optimization and deleveraging. • Mitigation of risk in the Pension Fund: transfer of future liabilities of current workers for Social Security, excluding disease, disability and death. • Clear and defined capital plan to top the new Basle III Agreement requirements. • Strong capital discipline.
RISK MANAGEMENT	• Reinforcement of provisions to 3.3% of loans: coverage ratio of overdue loans from more than 90 days stays at 109.4% (113.3% in Portugal). • Recognition of impairment for the goodwill of 147.1 million euros from Millennium bank in Greece. • Portugal: overdue loans from more than 90 days of 2.9% in 2010 increased less than in 2009 and shows an improvement compared with 3Q10 . – loans to companies portfolio is diversified and without high sector concentration (construction 7.6%, real estate 4.6%), low weight in consumer loans and good quality of mortgage portfolio; – no house price boom in Portugal. • Promotion of a Culture of Rigor.

STRATEGIC VISION 2011-2013: PROFITABILITY AND FOCUS

The Bank adapted its vision for the 2011-2013 period, naming it "Profitability and Focus".

Millennium bcp elected as main objective the "Profitability" of the operation in Portugal, within the various business segments, supported by an ongoing effort to contain costs. Simultaneously, the Bank is also focused on risk control, efficiency, innovation and Customer service.

The "Focus" strategy and investment in markets with affinity is reflected in the attention to European markets that ensure a competitive presence and a significant position in the medium and long-term and the commitment to affinity markets (Angola and Mozambique).

The Bank's vision for 2011-2013 includes a third pillar: "Sustainability", which is based on the optimisation of capital management and liquidity and in the reinforcement of risk control, seeking to improve prevention, review credit granting and boost recovery.

STRATEGIC VISION FOR 2011-2013: PROFITABILITY AND FOCUS

PROFITABILITY AND FOCUS:
PROFITABILITY IN PORTUGAL AND FOCUS ON THE EUROPEAN AND AFFINITY MARKETS

PROFITABILITY IN PORTUGAL	FOCUS AND AFFINITY IN INTERNATIONAL OPERATIONS
• Ensure the profitability and efficiency in all segments in Portugal. • Sustain cost cutting effort in Portugal.	• Focus in European markets that sustain a competitive presence and meaningful medium and long-term position. • Continue investing in a affinity markets.

SUSTAINABILITY

• Optimize capital and liquidity management.
• Strict rick control: reinforce prevention, review credit granting, strengthen recovery.

MOBILIZE THE ORGANISATION

STRATEGIC GUIDELINES FOR 2011-2013

In the 2011-13 period, the main strategic guidelines to be implemented form part of three guiding vectors:

- **Financial:** to maintain the growth trend of the Bank's consolidated income initiated in 2008;
- **Organisational:** to maintain Employee engagement, focus on innovation and on rigour as a competitive advantage in the market;
- **Business:** to streamlining and align the business model, focusing on business areas and on the Bank's strategic markets.

STRATEGIC VISION FOR THE MEDIUM-TERM
STRATEGIC GUIDELINES FOR 2011-13: PROFITABILITY AND FOCUS

FINANCIAL	• Sustain recovery of net interest income and commissions. • Maintain costs contention efforts. • Reinforce capital and liquidity positions.
ORGANISATIONAL	• Strengthen rigorous culture and image. • Motivate and involve Employees. • Promote innovation as a main competitive advantage. • Maintain information disclosure and transparency.
BUSINESS	• Organization streamlining. • Retail reorganizational. • Business model alignment. • Focus on core international markets.

I. FINANCIAL

This vector encompasses the sustained recovery of net interest income and commissions, in addition to the effort to contain costs.

In relation to the increase in net interest income, the following should be highlighted: i) the focus on attracting customer funds in Portugal, with adequate spreads, namely small planned savings products for individuals and treasury products for SME and Corporate; ii) the continuation of the repricing process; iii) gains in market share in international operations, particularly in emerging markets where the potential GDP growth is converging to its potential output level (Angola and Poland) and the maintenance of leadership in Mozambique and iv) the leverage of the Customer base and of the internal capacities to obtain additional growth in value added products and services.

The sustained recovery of commissions will focus on commission generating areas with reduced liquidity needs, on increased cross-selling, associated to leasing, life insurance, real estate and pension funds, hedging instruments, cards and others subject to commissioning and, in addition, on the reduction of leakage.

In addition to the efforts to increase income, Millennium bcp will continue to focus on controlling operating costs.

The Bank will continue to prepare its regulatory ratios for a more demanding regulatory framework, underpinned by the reduction of the commercial gap, reinforcement of the relationship with correspondent banks, increase of eligible assets to around 25 billion euros by the end of 2011, and it will seek to obtain refinancing in the market when it opens.

II. ORGANISATIONAL

This vector focuses on the reinforcement of the Bank's culture and image, on the motivation and engagement of Employees, on promoting Innovation as a main competitive advantage and in maintaining transparency in terms of information disclosure.

As such, regarding the reinforcement of the Bank's culture and image, proximity with Customers will be increased and the importance of the Bank's compliance function, the Bank's culture and values and the conservative risk management policy will be strengthened.

In order to encourage the participation of Employees, the Bank will focus on Employee skills development programmes, on an internal ideas generation programme and on the participation of Employees in initiatives outside the scope of the Bank's daily activity.

Developing ActivoBank, which intends to serve Customers who use social networks with the aim of facilitating the relationship of them with the Bank, in addition to promoting events with Customers, are among the initiatives designed to promote innovation.

The Bank will also strengthening disclosure and promoting the participation of some Stakeholders in the Bank's social responsibility initiatives. Continuing to promote the initiatives undertaken by the Millennium bcp Foundation in the education, culture and social welfare area.

Increasing the level of disclosure in its public reports. The Bank is committed to complying with all information requirements, based on the new regulatory framework, and to increasing the level of information and transparency for all Stakeholders.

III. BUSINESS

The main initiatives within this scope are related with the Organisation streamlining, the reorganisation of Retail Banking and the alignment of business models.

With regards to organisational streamlining, the programme "Lean D.O." is noteworthy. It intends to promote a change in behaviour, combined with the increase in efficiency and productivity in the Operations Department, and the analysis of the operational role of the Standardised Recovery Department, focusing on the efficiency of processes, on the capacity and responsibility of teams, on the business model and on the relationship with external lawyers.

Within the scope of the reorganisation of Retail Banking, the project "MP4" should be highlighted. It aims to recover net operating revenues, increase efficiency and boost recovery. This project comprises a new organisational model, improved tools to reach the Customer, a new sales paradigm and the acknowledgment that the recovery is also a business opportunity.

Regarding the realignment of the business model, it is important to highlight the conclusion of the reorganisation of the Private Banking model and the adjustment of the business model in Greece, with the incorporation of the Business Banking activity into the Retail Banking business, and in Romania. Millennium bcp is focused on developing the business in the other international operations – Poland, Mozambique and Angola – within the scope of its Strategic Vision for 2011-2013, focusing on European markets that ensure a competitive presence and a significant position in the medium and long-term, and the commitment to markets with affinity. Another highlight is the strategic importance of the inauguration of the Millennium bcp branch in Macao, with a full on-shore license, aimed at establishing itself as an international business platform linking China/Macao, Portuguese speaking Africa and Europe.

ECONOMIC AND FINANCIAL ENVIRONMENT

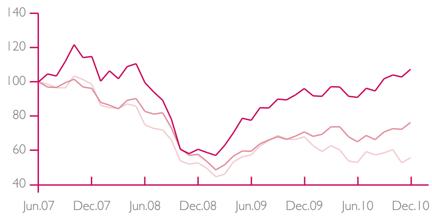
GENERAL OVERVIEW

The world economy recorded a more favourable performance in 2010 and the process of economic recovery is expected to continue, even if at a more moderate pace, over the course of 2011. The price of raw materials increased significantly with an impact on the development of inflation pressures. Financial markets displayed less volatile behaviour, but the differentiation by issuer according to their credit risk, namely in terms of sovereign risk, intensified.

The pervasiveness of the crisis that continues to affect several sovereign states of the periphery of Europe, including Portugal, required external assistance to stabilise economies and support financial systems, first in Greece and more recently in Ireland. Despite the availability of exceptional financing procedures to these countries, a climate of uncertainty and recurring tension subsists.

RECOVERY OF THE GLOBAL ECONOMY FOSTERS A PARTIAL IMPROVEMENT IN CONFIDENCE LEVELS

Aggregate stock market indices
(June 2007=100)



Source: Datastream
Note: Indices of the euro area weighted by the country

The significant change in the funding conditions and financial flows to the Portuguese economy, resulting from concerns relative to the sustainability of long-term debt, the challenges of the fiscal consolidation process and the skepticism of investors regarding the country's growth potential has made the reduction of the levels of indebtedness of the public sector and of private agents an immediate priority. The return to a recession is projected for 2011, despite the positive expected contribution to growth from net external demand. In subsequent years, the return to a more normalized context will depend crucially on the reach and success of the corrective measures now being implemented.

This environment is extremely adverse for business volumes, the quality of credit and the cost of funds of the Portuguese banking sector, and takes on a new dimension in view of the need to reverse the climate of distrust regarding the capacity of the Portuguese State and the private sector to honour debt. Given the external constraints and domestic difficulties, it is imperative to continue the strict control of costs and selectivity in investment expenditure, reflecting the commitment to a correct allocation of scarce resources, the preservation of profitability and the support of employment stability as a confidence-building factor.

1. GLOBAL ECONOMIC ENVIRONMENT

RECOVERY OF GLOBAL ECONOMIC ACTIVITY IN 2010...

Global economic activity resumed a growth path in 2010, particularly in highly export oriented countries. Emphasis is given to the vigour of developing economies, whose GDP growth rate corresponded to almost three times the average value registered in advanced countries. The estimated world economic growth for 2010 is about 5.0%.

IMF ECONOMIC FORECASTS

%

	'09	'10 (E)	'11 (F)	'12 (F)
World	-0.6	5.0	4.4	4.5
Advanced economies	-3.4	3.0	2.5	2.5
Emerging economies	2.6	7.1	6.5	6.5
USA	-2.6	2.8	3.0	2.7
Euro Area	-4.1	1.8	1.5	1.7
China	9.2	10.3	9.6	9.5
Brazil	-0.6	7.5	4.5	4.1
South Africa	-1.7	2.8	3.4	3.8

Source: IMF, Jan. 2011.

...WITH WEAK IMPACT ON UNEMPLOYMENT REDUCTION...

The initial phase and uncertainty about the sustainabiblity and vigour of the economic recovery has impacted on the evolution of the labour market. In effect, there has been no significant reduction of unemployment, which remains at historically high values and shows an increase in the structural component.

...AND WITH SIGNIFICANT CHALLENGES FOR 2011

The continuity of the recovery cycle is projected for 2011, with less intensity than in 2010 and still characterised by some disparities. In the identification of risks for the economic scenarios relative to 2011, the developments of the sovereign crisis of the Member States of the Euro Area and its international repercussions stand out.

This factor is not exclusive to Europe. The USA is also in a situation of excessive indebtedness, such that concerns with its long-term budgetary leeway and respective impacts on the world economy subsist. A number of other risks also exist, namely the sustainability of the growth process of Asian countries, bottleneck phenomena in the supply of primary raw materials; and international tensions resulting from a deficient coordination of economic policies at a global level, which may manifest themselves more concretely in foreign exchange markets or in free trade.

Deflationary fears eased and led to inflationary pressures related with the evolution of the price of primary raw materials, the increase in direct taxation on consumption and less favourable cyclical developments.

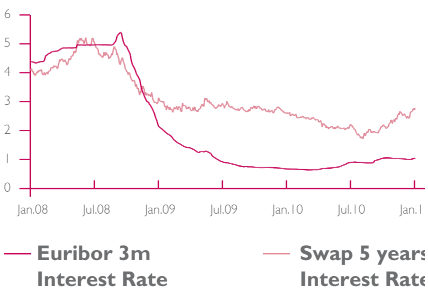
The reversal of the recessionary cycle and the occurrence of one-off natural catastrophes led to rising pressure on raw material prices. In some cases, higher price levels than those before the crisis were observed, namely with respect to food, of dramatic consequences for those countries and populations with least resources. The adoption of more efficient solutions in the production and use of scarce resources and greater coordination and consistency of global policies are increasingly important in the worldwide geostrategic balance.

2. FINANCIAL MARKETS AND BANKING BUSINESS

MITIGATION OF GLOBAL RISK AVERSION SENTIMENT...

The reduction of market volatility and a more favourable economic environment enabled financial markets to gradually function in a more normal way and led to a review of investment strategies, promoting greater exposure to cyclical assets as opposed to a reduction in safe-haven assets.

NORMALISATION OF MONETARY POLICY AND REDUCTION OF DEFLATIONARY RISK INDUCE AN INCREASE IN INTEREST RATES
Short and Medium Interest Rates
(in %)



Source: Datastream.

...INCREASE OF THE MAIN EUROPEAN INTEREST RATES...

Euribor interest rates rose in the second half of the year. A significant increase in Euribor interest rates during the course of 2011 is dependent on the degree of the risks that still affect the activity and the evolution of inflationary pressures that for now still seem relatively controllable. On this basis, the reference interest rates for domestic loans may not depart significantly from their historical low, mitigating the impact of the adverse environment on family budgets, which is mainly accommodated through the banks' income.

...AND INSTABILITY IN SPECIFIC MARKETS OF THE EURO AREA

The recovery of the climate of confidence has not extended to the peripheral European markets. The reassessment of sovereign credit risk has intensified, giving rise to an exponential increase in interest rates required by non-resident investors to hold debt from issuers of these countries. If maintained, such interest rate levels will become unsustainable and will require adjustments, from the countries themselves or by resorting to external assistance.

STAGNATION IN RETAIL BANKING ACTIVITY...

The banking sector continues to be affected by the lagged impact of the financial crisis. The funding conditions remain restrictive, the level of uncertainty is high, the availability of funding is scarce. Therefore, in the Euro Area, the credit granted to the economy decreased in the first half of the year relative to the previous year and the recovery in the second half was moderate and partial.

...PRESSURE ON PROFIT MARGINS AND CREDIT QUALITY...

The scarcity of funding led to an increase in the cost of funds for the banking activity, particularly in countries with more pronounced macroeconomic imbalances. The narrowing of net interest income implied an additional effort on the other sources of results in order to preserve profitability and the solidity of financial institutions.

...REQUIRE CAREFUL MANAGEMENT OF THE USE OF SCARCE RESOURCES

The deterioration of loan quality presents signs of stabilisation. The reduction of the high level of impairments, and the consequent mitigation of these unfavourable dynamics on banks' profitability, depends on the capacity of countries to resume growth rates closer to their historical norm. This capacity is not uniform and depends, mainly, on the financial condition of each country, such that it is likely that the asymmetry in economic performances between Member States and their financial systems will continue.

MORE DEMANDING ECONOMIC AND REGULATORY ENVIRONMENT...

The reformulation of the regulatory framework comprises a profound change of the rules and minimum requirements that financial institutions will be subject to over the next few years. The new rules institutionalise more demanding levels of capitalisation, in terms of amount and quality; they imply stricter restrictions on credit concession; and introduce innovative requirements regarding liquidity management. These rules, formulated with the intention of strengthening the solvency of the financial system, produce, nevertheless, perverse collateral effects, in the form of credit disincentives, costlier financial resources and greater complexity of procedures.

Both the depth of changes foreseen and market pressure require early compliance with the new rules, reduce the degree of freedom of financial institutions, and condition the allocation of resources and the management of financial institutions.

...AND SPECIFIC TAX RATE FOR THE BANKING SECTOR...

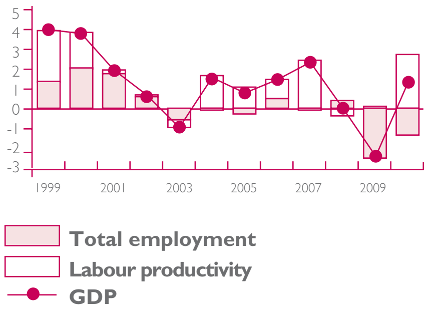
In addition to the regulatory changes, the specific taxation for the banking sector has undergone alterations, namely via the application of singular rates on liability items. The revenue will allow current funding of the State or the constitution of a reserve fund that will provide assistance in case of future crisis situations in the system. The impact of these measures on the structure and profitability of banks will vary according to the dimension of the institution, its systemic relevance, its financial structure and exposure to risk, but constitutes a penalty element of the system relative to the other economic sectors with which it competes in the attraction and remuneration of productive resources.

...FOSTER STRATEGIC REFLECTION WITHIN INSTITUTIONS

The different and successive waves of the crisis, the pressure of markets, the fragility of the underlying economic activity, the instability of the Euro Area, the reformulation of the regulatory framework, the increase in the fiscal or parafiscal burden all constitute substantial changes in the business environment faced by financial institutions. In some cases, an in-depth analysis of the business models and the strategic positioning of financial institutions is justified. The architecture of the financial system is changing. In addition to these effects of a domestic nature, there are likely implications in the external field, such as the possibility of greater market power from the surviving institutions, which places an additional level of exigency on other competitors.

RECOVERY OF ECONOMIC ACTIVITY IN PORTUGAL NOT REFLECTED IN THE EVOLUTION OF EMPLOYMENT

GDP, employment and apparent labour productivity
(Real % change year-on-year and contributions in p.p.)



Source: INE own calculations.

3. PROSPECTS FOR THE PORTUGUESE ECONOMY

TEMPORARY RECOVERY OF THE PORTUGUESE ECONOMY...

The Portuguese economy presented a similar behaviour to the average pattern of the Euro Area: growth of activity; increased inflation and inertia in employment. However, the worsening of funding conditions, of the State and of private agents, required additional measures to improve public finances, present in the recurring reviews of the budget plans and in the State Budget for 2011, impacting the financial situation of families and companies. Other exogenous factors also appear to be less favourable for 2011, namely the cost of funding and of international raw materials. In this sense, the return to a recession is projected for 2011, following the growth rate of about 1.4% estimated for 2010.

...TAKING INTO ACCOUNT THE ADJUSTMENT OF DOMESTIC DEMAND...

The change in the conditions of access to foreign funding represents a pronounced change in the regime of economic growth and institutional relationship that has characterised the participation of Portugal in the Euro Area since 1999. Notwithstanding the adjustment already undertaken in 2010, almost exclusively supported by the private sector, the funding needs of the Portuguese economy remain substantial. Taking into account the change in the propensity of non-resident investors to finance Portugal, and in spite of the existence of funding alternatives of an extraordinary nature, it will be difficult to avoid a period of strong adjustment in domestic demand.

...AS AN INTERMEDIATE STEP TOWARDS A NEW BENCHMARK OF GROWTH

One of the main reasons underlying the worsening of the country risk concerns the benchmark of low productivity and competitiveness in Portugal over the last decade, which is incompatible with the sustainability of the existing debt and scenarios of an ageing population. Improving the levels of productivity in a structural way requires farsighted policies and, even when successful, implies relatively long adjustment periods. As such, gains in competitiveness depend, for the most part, on a price policy and remuneration of factors adjusted to the underlying reality, i.e. contributing towards the reduction of the external disequilibrium of the country.

MOST DISADVANTAGED SOCIAL CLASSES MORE EXPOSED TO THE WEAKNESS OF THE ECONOMIC AND FINANCIAL CONDITION OF PORTUGAL

The reversal of the trend of basic raw material prices, with an emphasis on oil prices, and the effects of the change in taxation on consumption led to an increase in the inflation rate in 2010, to 1.4%. These factors will also influence the behaviour of prices in 2011, raising the inflation rate to levels above 2%. The purchasing power of families diminishes, in addition to the effects of the state's austerity measures.

The low trend growth and the need to restore higher levels of productivity and profitability have fostered a reduction of staff numbers and raised the unemployment rate to unusually high levels, close to 11%. The social drama of unemployment is further complicated by its persistence, since more than half of those unemployed constitute long-term unemployment. The exclusion from active employment contributed to the widening gap between skills and needs demanded.

4. IMPLICATIONS FOR THE BANKING BUSINESS IN PORTUGAL

EXCEPTIONALLY DEMANDING ENVIRONMENT FOR THE PORTUGUESE BANKING SYSTEM...

The economic and financial environment is exceptionally demanding for the Portuguese banking system, in terms of the evolution of economic activity, the financial conditions faced in international markets, business volumes, impairments, the devaluation of assets and the cost of funding. These impacts on the banking system gain an additional dimension given the need to reverse the climate of distrust affecting the financial capacity of the Portuguese State and the private sector, of fundamental importance to prevent an intensification of the liquidity crisis which, if it materializes, would require an even more severe adjustment of the Portuguese economy.

...WHICH HAS ACCOMMODATED PART OF THE WORSENING OF THE FINANCIAL CONDITIONS ABROAD...

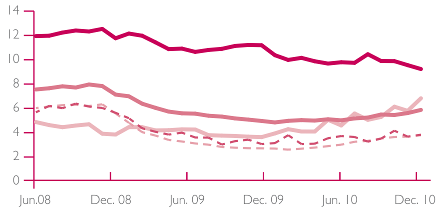
The slowdown in business volumes in 2010 and the increased difficulties of debt refinancing are reflected in decreased profitability, with the main impact having resulted from the pressure on net interest income that fell to historic lows. The process of transmission of the change in the refinancing conditions of banks in the international market in operations with Customers is phased or partial. The banking system has accommodated the impact on economic activity resulting from the worsening in international markets of the specific financial conditions for Portugal.

...IN A BALANCING ACT BETWEEN RESPONSIBILITIES TOWARDS CUSTOMERS AND INVESTORS...

The positive results obtained in the stress tests in 2010 do not prevent the materialisation of the credit risk and market risk, which are associated to the economic and financial environment, from eroding the capital position of banks. In addition to the essential meaning of solvency, its importance to the expectations of market agents and supervisors merits emphasis. As evidenced in the Greek and Irish case, this condition not only determines the cost and the access to funding but also influences the sovereign risk, from the viewpoint of the financial service as a public good.

GRADUAL AND PARTIAL TRANSFER OF THE INCREASED COST OF RISK OF THE COUNTRY TO THE INTEREST RATES OF LOANS TO INDIVIDUALS AND COMPANIES

Interest rates of public debt and new loans (in %)



APRC – Annual Percentage Rate of Charge.
Source: Datastream and Banco de Portugal.

...CRUCIAL TO ENSURE THE FUNDING NEEDS OF THE PORTUGUESE ECONOMY

A factor that differentiates the current macroeconomic climate is the liquidity crisis in some European markets. The inability to refinance debt in wholesale markets has forced Portuguese banks to resort to alternative fund sources for the regular financing of economic activity. Part of those funds came from foster retail deposit growth, the other part from the ECB, whose depth was only possible due to prior strategic planning to provide financial institutions with the necessary financial instruments for open market operations with the ECB.

5. INTERNATIONAL OPERATIONS

ECONOMIC ADJUSTMENT PLAN FACES STRONG SOCIAL PROTESTS IN GREECE

Following the financial crisis of 2007/2008 and negative surprise with the evolution and transparency of the Greek public accounts, Greek financial markets collapsed. The financial turbulence, the sequential review of the sovereign risk ratings (currently rated as speculative) and the inaccessibility to market funding culminated with the request for assistance from European authorities.

GDP EVOLUTION 2009-2011

%

	'09	'10 (E)	'11 (F)
EUROPEAN UNION	**-4.2**	**1.8**	**1.7**
Portugal	-2.6	1.4	-1.0
Poland	1.7	3.5	3,9
Greece	-2.3	-4.2	-3.0
Romania	-7.1	-1.9	1.5
SUB-SAHARAN AFRICA	**2.1**	**5.0**	**5.5**
Mozambique	6.4	6.3	7.2
Angola	2.4	4.5	7.0

Source: IMF, European Commission, national Governments.

The magnitude, scope and urgency of results implied the adoption of measures with a strong recessionary effect on economic activity (increase of the tax burden, reduction of public employment, wages and pensions, among others), a significant erosion of the purchasing power of families and a sudden and significant increase in unemployment. An economic downturn of close to 10% of GDP, in accumulated terms, is expected in the three-year period that ends in 2011. This context led to the outburst of a climate of considerable social protest and violence, of major impact on economic activity and which led to the transfer of significant volumes of resources to more secure financial jurisdictions.

The financial sector has been particularly hampered by this environment, in terms of liquidity, with a significant impact on its deposits base and increased funding cost; strong slowdown in business volumes; worsening of credit quality; and almost generalised dysfunctionality of the Greek capital markets. Based on this panorama, specific plans were developed to support the financial system and foster its restructuring.

POLISH ECONOMY CLOSE TO FULL EMPLOYMENT

Economic activity in Poland strengthened over the course of 2010, but with more intensity in the second half of the year. The increase in the capacity utilisation rate, the prospects of sustainable demand and the availability of company funds make higher investment expenditure likely in the near term. Given these circumstances, Poland remains one of the countries of the European Union with the best performance in the last few years, having avoided the recession in 2009 and having returned fairly quickly to growth rates in line with or slightly above potential growth. A GDP growth rate of about 3.5% is expected in 2010, which may exceed 4% in 2011 and 2012.

Banking business volumes have been recovering, but still in a segmented way. The monthly flow of mortgage loans has approached the level recorded in 2007/2008, but credit granted to companies is still subdued, a phenomenon that is typical of advanced economies and of the sound financial situation registered by Polish companies.

The long-term risk of overheating of the Polish economy should justify the continuation of the upward trend in domestic interest rates that has now begun (increase of the key lending rate of 25 b.p. to 3.75% in Jan. 2011). The interest rate differential and the robust growth expectations may strengthen the portfolio flows destined for Poland, making the management of monetary policy more complex. In the foreign exchange market, the Polish currency resumed its gradual appreciation trajectory, standing out among other Eastern European currencies.

The current public finances disequilibrium represents the main obstacle for accession to the euro in the short-term. The public deficit is almost at 8% of GDP, with a high structural component. In spite of the advantage of Poland in terms of public debt (55% versus 85% for the average of the Euro Area), the high proportion of indebtedness in foreign currency reinforces the arguments in favour of mitigating such imbalance, strengthening the economy and the public finances' capacity to respond to adverse future shocks.

FIRST SIGNS OF INFLECTION OF THE RECESSIONARY CYCLE IN ROMANIA

The pace of deterioration of economic activity in Romania slowed down over the course of 2010. The correction of domestic demand was less intense, namely in terms of private consumption and the export sector benefitted from the economic growth of trade partners. A contraction of GDP between 1.5% and 2% in real terms in 2010 is expected, which compares favourably with the contraction of 7.1% in the previous year and which underlies GDP growth expectations for 2011.

Following the financial instability of 2009, Romania requested international financial assistance in the amount of 20 billion euros, in return for adopting corrective measures for its public finances, strengthening the country's financial situation and structural reforms. The process of fiscal consolidation is running smoothly, despite the significant deficit of public finances and the austerity plan that led to some social and political disturbance.

RESILIENCE OF THE MOZAMBICAN ECONOMY IN LIGHT OF THE GLOBAL CRISIS AND THE TURBULENCE OF GLOBAL MARKETS

In spite of the instability in financial markets and the effects of an adverse climate, the Mozambican economy recorded a high performance in 2010. An annual average growth rate of more than 6.5% is expected. The agricultural, construction, transport and communications sectors have shown significant strength, with increasing levels of employment. The favourable evolution of economic activity drives the demand for credit, having grown about 20% in 2010.

The strategy involving the banking uptake of the economy continues, with a growing number of districts (about half) now offering banking services through the physical presence of branches. The expansion of banking services is likely to give priority to remote technologies, such as internet banking or mobile banking. The setting up of Sociedade Interbancária de Serviços, due to the associated specialisation and scale gains, may contribute to an even faster expansion of electronic payment means.

Mozambican economic policy will continue to be characterised by finding an equilibrium between economic growth supported essentially by public expenditure and foreign investment in large strategic projects, increasing mobility within the country and improving the access of the population to better living standards, and the defence of a solid financial position that reduces the vulnerability of the country to exogenous shocks. Within this framework, the official targets for 2011 incorporate a scenario of GDP growth of 7.2%, reduction of inflation to 8% and a minimum level of reserves of four months of imports cover.

ANGOLA REGAINS ROBUST ECONOMIC GROWTH AND PRODUCTION DIVERSIFICATION

Economic activity in Angola was stronger in 2010 due to the favourable development of the world oil market. The revenue from oil exports rebuilt external reserves and allowed public finances to recover, whose frailty in 2009 required a sudden interruption of the public policies to promote growth. The official estimate of real GDP growth in 2010 is 4.5%, with positive contributions from the oil and non-oil sectors, which grew at an estimated real rates of 2.7% and 5.7% respectively.

The importance of the oil sector has been declining (from 60% in 2009 to 46% in 2010). The agricultural industry and manufacturing industry may almost double their economic weight in the 2009-2011 period. Angola has the opportunity to benefit from the application of new technologies, reconfiguring its industrial base and the urban architecture in accordance with models that maximise the use of resources and minimise the negative impact in the population. The Government's action programme for 2011 focuses on that objective. It combines social measures (education, health and social protection) with policies designed to improve housing, community services and the business climate.

The lagging effects of a more demanding external environment were reflected in a slight deterioration of the credit quality in bank's portfolios. Notwithstanding, the increase in credit granted to the economy was substantially higher than that registered in customers' funds and the degree of coverage of banking services continued to progress favourably, reaching almost one thousand branches. The offer of banking services constitutes a driving force and is a consequence of the degree of development of the Angolan economy. Within that scope, the Angolan Banking Consolidation Programme represents an initiative to strengthen the confidence in the banking system, through the reformulation of the regulatory requirements and of the parameters and action of behavioural surveillance.

PERFORMANCE ANALYSIS

FINANCIAL HIGHLIGHTS

Million euros

	'10	'09	'08	'07	'06	Change % '10/'09
BALANCE SHEET						
Total assets	100,010	95,550	94,424	88,166	79,045	4.7%
Loans and advances to customers (net) (1)	73,905	74,789	74,295	64,811	55,945	-1.2%
Total customer funds (1)	67,596	66,516	65,325	62,719	55,972	1.6%
Shareholders' equity and subordinated debt	8,789	9,108	8,559	7,543	7,562	-3.5%
STATEMENT OF INCOME						
Net operating revenues	2,892.0	2,493.2	2,602.0	2,791.9	2,874.7	16.0%
Net interest income	1,516.8	1,334.2	1,721.0	1,537.3	1,430.8	13.7%
Other net income	1,375.2	1,159.0	881.0	1,254.6	1,443.9	18.7%
Operating costs	1,603.3	1,540.3	1,670.8	1,748.6	1,725.5	4.1%
Impairment						
For loans (net of recoveries)	713.3	560.0	544.7	260.2	119.9	27.4%
Other impairment and provisions	217.6	97.4	44.5	94.8	35.4	123.5%
Income tax						
Current	54.2	65.6	44.0	73.0	87.9	
Deferred	(57.2)	(19.4)	40.0	(3.5)	66.9	
Non-controlling interests	59.3	24.1	56.8	55.4	52.0	146.2%
Net income attributable to Shareholders of the Bank	301.6	225.2	201.2	563.3	787.1	33.9%
Average number of shares outstanding adjusted (in thousands)	4,687,598	4,661,932	4,460,656	4,011,791	4,005,885	
Adjusted basic and diluted earnings per share (euros)	0.043	0.034	0.034	0,128	0.184	27.8%
PROFITABILITY						
Return on average shareholders' equity (ROE)	6.1%	4.6%	4.5%	14.9%	23.4%	
Income before tax and non-controlling interests /Average shareholders' equity	6.6%	5.7%	7.1%	17.1%	27.0%	
Net operating revenues/Net average assets	2.9%	2.6%	2,8%	3.3%	3.7%	
Return on average total assets (ROA)	0.4%	0.3%	0.3%	0.7%	1.1%	
Income before taxes and non-controlling interests /Average net assets	0.4%	0.3%	0.4%	0.8%	1.3%	
Net interest margin	1.68%	1.57%	2.06%	2.09%	2.17%	
Other income/Net operating revenues	47.6%	46.5%	33.9%	44.9%	50.2%	
EFICIENCY						
Cost to income (2)	56.3%	63.6%	58.6%	60.3%	61.6%	
Cost to income – Activity in Portugal (2)	51.3%	60.2%	54.0%	58.5%	59.7%	
Staff costs/Net operating revenues (2)	31.2%	35.7%	32.2%	32.8%	34.7%	
SOLVENCY (*)						
Tier I	9.2%	9.3%	7.1%	5.5%	6.6%	
Core Tier I	6.7%	6.4%	5.8%	4.5%	4.9%	
Total	10.3%	11.5%	10.5%	9.6%	11.0%	
CREDIT QUALITY						
Loans and advances to customers (1)	76,411	76,935	75,765	66,027	57,181	-0.7%
Overdue loans total	2,500	2.032	851	555	498	23.0%
Impairment for loans	2,506	2.157	1,480	1,222	1,242	16.2%
Overdue loans (>90 days)/Total loans	3.0%	2,3%	0.9%	0.7%	0.8%	
Overdue loans (>90 days) + doubtful loans/Total loans	4.5%	3,4%	1.3%	1.0%	1.1%	
Overdue loans (>90 days) + doubtful loans (net)/Total loans (net)	1.2%	0.6%	-0.6%	-0.8%	-1.1%	
Total impairment/Overdue loans (>90 days)	109%	119%	212%	252%	285%	
Total impairment/Total overdue loans	100%	106%	174%	220%	249%	
OTHER						
Branches						
Activity in Portugal	892	911	918	885	864	-2.1%
International Activity	852	898	886	744	615	-5.1%
Employees						
Activity in Portugal	10,146	10,298	10,583	10,742	10,808	-1.5%
International Activity	11,224	11,498	12,006	10,380	8,517	-2.4%

(1) Adjusted from companies partially sold – Millennium bank Turkey (2006 to 2008) and Millennium bcpbank USA (2006 to 2009).
(2) Excludes the impact of one-off items.
(*) Capital ratios based on the IRB approach in 2010 and in accordance with the standard approach in 2009 to 2006 (detailed information in the section "Capital Management").

FINANCIAL REVIEW

The Consolidated Financial Statements have been prepared under the terms of Regulation (EC) nr. 1606/2002 of 19 July, and in accordance with the reporting model determined by the Bank of Portugal (Notice nr.1/2005), following the transposition into Portuguese Law of Directive nr. 2003/51/EC of 18 June, of the European Parliament and of the Council, as the currently existing versions.

The Consolidated Financial Statements are not directly comparable between 2010, 2009 and 2008, as a result of the sale in 2010 of 95% of the share capital of Millennium bank in Turkey and the total branch network of Millennium bcpbank in the United States of America (USA), the respective deposits base and part of the loan portfolio.

SUMMARY

The financial system faced in 2010 a number of challenges resulting from the international climate of financial instability, worsened by the tensions in sovereign debt markets in some Euro Area countries, which fostered the return of risk aversion, with an impact on the deterioration of the financing conditions in these economies, and has hampered the access of financial institutions to international wholesale debt markets, with potential transmission effects on the financing conditions of companies and families.

In a context of scarce liquidity, accentuated by the reduction of financing flows in interbank markets, although attenuated by the financial resources obtained from the European Central Bank, Millennium bcp actively promoted the management of the balance of its international operations and of the activity in Portugal, so as to bring the credit concession policy into line with the more stringent requirements associated with the capture of funds from the Customer base, maintaining the commercial gap under rigorous control, and continued the business model adjustment initiatives in order to capitalise the impact of strengthening the relationship with Customers in terms of efficiency and profitability.

Total assets amounted to100,010 million euros as at 31 December 2010, compared with 95,550 million euros as at 31 December 2009.The amount of loans to customers, before credit impairment, stood at 76,411 million euros as at 31 December 2010, from 77,348 million euros as at 31 December 2009, conditioned by credit to companies, in particular via less exposure to the commerce, services and construction sectors, notwithstanding the reinforcement of loans to individuals, sustained by the increase in mortgage loans.

Total customer funds totalled 67,596 million euros as at 31 December 2010, compared with 67,002 million euros as at 31 December 2009, benefiting from on balance sheet and off balance sheet customer funds, with emphasis on the positive performance achieved by capitalisation products, which achieved a maximum historical amount of 12 billion euros during 2010.

Net income totalled 301.6 million euros in 2010, compared with 225.2 million euros in 2009, driven by activity in Portugal and international activity. The evolution of net income benefited from the increase in net operating revenues, supported by the growth in net interest income, net commissions and net trading income, hindered by evolution of operating costs and loan impairment charges (net of recoveries), following the higher level of the non-performing loan portfolio, as well as other impairment and provision charges.

PROFITABILITY ANALYSIS

NET INCOME

The net income of Millennium bcp totalled 301.6 million euros in 2010, compared with 225.2 million euros posted in 2009, benefiting from the performance achieved by the activity in Portugal and the international activity.

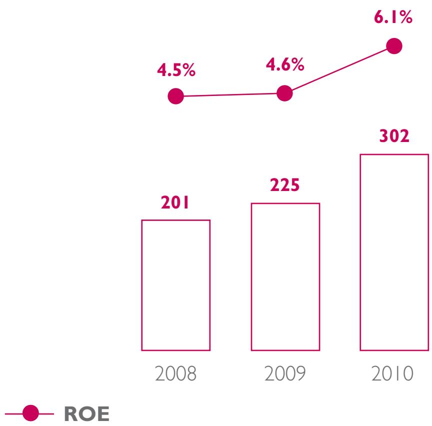
The net income in 2010 includes the impairment recognition associated with the goodwill of Millennium bank in Greece in the amount of 147.1 million euros, posted in the second and fourth quarters, the recording in the fourth quarter of 2010 of the gain obtained in the sale of the shareholding in Eureko, BV in the amount of 65.2 million euros and early retirement costs in the amount (net of tax) of 7.7 million euros. The net income in 2009 was influenced by the capital gain associated with the entry of new Shareholders in Banco Millennium Angola's share capital, amounting to 21.2 million euros, the gains obtained from the sale of assets, amounting to 57.2 million euros, as well as early retirement costs, amounting to 2.9 million euros (net of tax).

The increase in net income recorded between 2009 and 2010 benefited from the growth in net operating revenues, supported by the performance of net interest income, net commissions and net trading income, partially offset by the increase in loan impairment charges (net of recoveries) and other impairment and provision charges, as well as the evolution of operating costs. Income taxes of -3.1 million euros posted in 2010 essentially reflect the effect on deferred tax assets and liabilities resulting from the change in the nominal tax rate in 2010 via the municipal surcharge, as explained in the specific income tax item, partially offset by the cost relative to current taxes.

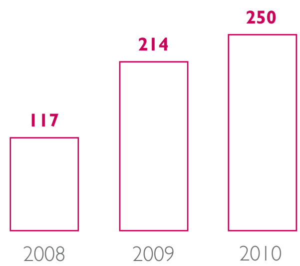
In terms of net operating revenues, the positive performance of net interest income benefited from the effect of the implementation of several repricing initiatives, aimed at adequately reflecting the increase in cost of the risk of transactions contracted with Customers and the worsening financing conditions in markets. The increase in net commissions reflects the evolution of the commissions more directly related with the banking business and those related with the financial markets, whereas the increase in net trading income was driven by net gains arising from trading and hedging activities. In addition, net operating revenue was favourably influenced by the higher level of dividends from equity instruments, as a result of the dividends received in 2010 for the shareholding in Eureko, BV, and by the increase in equity accounted earnings, sustained by the evolution of net income of the Millenniumbcp Ageas insurance Group.

Net income in Portugal reached 249.8 million euros in 2010, compared with 213.8 million euros in 2009, reflecting the growth in net operating revenues, driven essentially by net interest income, net commissions, net trading income and the higher levels of dividends received. Net income was also influenced by the control of operating costs, which involved a decrease in depreciation costs and staff costs, despite of the increase in

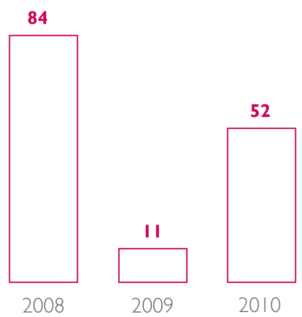
NET INCOME
Million euros



NET INCOME
Activity in Portugal
Million euros



NET INCOME
Internacional Activity
Million euros



other administrative costs, in addition to the reinforcement of the level of loan impairment charges (net of recoveries) and the recording of goodwill impairment charges associated to the subsidiary in Greece.

Net income from international activity stood at 51.8 million euros in 2010, compared with 11.4 million euros in 2009, favourably influenced by the performance of net operating revenues, driven by the increase in net interest income and net commissions, despite being conditioned by higher operating costs, in particular at the subsidiaries in Angola and Mozambique, within the scope of the organic growth strategy implemented in these two markets, at Bank Millennium in Poland, boosted by the exchange rate appreciation of the Polish zloty against the euro, and of the impact of the depreciation of assets not sold by Millennium bcpbank in the United States of America.

QUARTERLY INCOME ANALYSIS

Million euros

	'10						
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total	'09	'08
Net interest income	340.6	364.3	386.8	425.1	1,516.8	1,334.2	1,721.0
Other net income							
Dividends from equity instruments	0.9	18.2	16.4	0.4	35.9	3.3	36.8
Net commissions	202.2	202.8	196.8	209.8	811.6	731.7	740.4
Net trading income	135.4	179.2	30.9	83.7	429.2	225.4	18.1
Other net operating income	5.0	10.1	4.5	11.4	31.0	132.3	66.6
Equity accounted earnings	16.7	12.1	24.3	14.4	67.5	66.3	19.1
	360.2	**422.4**	**272.9**	**319.7**	**1,375.2**	**1,159.0**	**881.0**
Operating costs							
Staff costs	208.9	215.4	229.1	237.9	891.3	865.3	915.3
Other administrative costs	147.7	153.4	145.3	155.4	601.8	570.2	642.6
Depreciation	25.7	25.8	32.1	26.6	110.2	104.8	112.9
	382.3	**394.6**	**406.5**	**419.9**	**1,603.3**	**1,540.3**	**1,670.8**
Impairment							
For loans (net of recoveries)	164.8	219.4	165.7	163.4	713.3	560.0	544.7
Other impairment and provisions	21.8	92.4	15.8	87.6	217.6	97.4	44.5
Income before income tax	**131.9**	**80.3**	**71.7**	**73.9**	**357.8**	**295.5**	**342.0**
Income tax							
Current	13.4	15.1	14.0	11.7	54.2	65.6	44.0
Deferred	8.6	(15.4)	(11.6)	(38.8)	(57.2)	(19.4)	40.0
Income after income tax	**109.9**	**80.6**	**69.4**	**101.0**	**360.9**	**249.3**	**258.0**
Non-controlling interests	13.5	13.8	15.2	16.8	59.3	24.1	56.8
Net income attributable to Shareholders of the Bank	**96.4**	**66.8**	**54.2**	**84.2**	**301.6**	**225.2**	**201.2**

Bank Millennium in Poland achieved a net result of 81.3 million euros in 2010, relative to 0.3 million euros recorded in 2009, mainly benefiting from the evolution of net operating revenues, in particular from the good performance of net interest income, reflecting the continued efforts to adjust spreads, especially those of term deposits, despite the strong competition to further increase customer funds, as well as the increase in commissions, underpinned by the commissions related with cards, investment funds, loans and account maintenance. The increase in operating costs was mainly influenced by staff costs, with the evolution of other administrative costs attenuated by the cost discipline implemented, aimed at improving operating efficiency. The net income of Bank Millennium was also favourably influenced by the lower level of loan impairment charges, especially in loans to companies.

Millennium bank in Greece posted a loss of 16.0 million euros in 2010, compared with a profit of 9.0 million euros in 2009. This evolution was influenced by the decrease in net operating revenues, hindered by the reduction in interest rates and the deterioration of the Greek public debt market with an impact on lower net trading income, in addition to an increase in loan impairment charges, reflecting the deterioration of the economic conditions in the country and consequently of the levels of non-performing loans of individuals and companies. The net income of Millennium bank benefited, however, from the reduction of operating costs, reflecting the reduction in staff costs and in other administrative costs.

Banca Millennium in Romania recorded a loss of 23.6 million euros in 2010, comparing well with the loss of 38.0 million euros posted in 2009. Net income was influenced by the efforts to control operating costs, as well as the positive effect of the dynamic commercial activity, reflected in the growth of business volumes and in the increase in income, in particular net interest income and net commissions, especially commissions associated with loans to customers. The net income of Banca Millennium was also favourably influenced by the lower level of loan impairment charges incurred in 2010.

Banque Privée BCP in Switzerland presented a net income of 4.2 million euros in 2010, which compares with 7.8 million euros posted in 2009. This evolution was influenced by the reinforcement of loan impairment charges and by the increase in operating costs, despite the positive performance of net operating revenues, in particular net interest income and net commissions, which were boosted by the commissions associated with operations involving securities, with emphasis on brokerage, resulting from the increased volume of transactions.

The net income of Millennium bim in Mozambique came to 52.8 million euros in 2010, compared with 52.0 million euros in 2009. It is, however, important to emphasise that, given the devaluation of the Metical against the euro, the growth of net income in the local currency was 20.1% between 2009 and 2010. The increase in net income was driven by the increase in net interest income, supported by the growth of business volumes with emphasis on loans to companies and, to a lesser extent, on consumer credit, as well as by the positive evolution of results from foreign exchange transactions. The net income of Millennium bim was also influenced by the higher level of provisioning and the increase in operating costs, related with the expansion plan of the branch network underway, which nonetheless enabled an improvement of operating efficiency.

Banco Millennium Angola showed an increase in net income to 23.6 million euros in 2010, from 14.6 million euros posted in 2009, benefiting from the performance of income items in general, as a result of the increase in business volumes, with emphasis on the increase in net interest income, sustained by the positive interest rate effect of loans to customers and securities portfolio, and net commissions, in particular commissions associated with transfers and credit operations, as well as the improvement of results from foreign exchange trading operations. The evolution in net income was partially offset by the higher level of loan impairment charges and the increase in operating costs, reflecting the increase in staff costs, via the increase in the number of Employees, and other administrative costs, resulting from the expansion of the branch network, within the context of the organic growth strategy in progress in this market.

The net income of Millennium bcp Bank & Trust Cayman stood at 6.0 million euros in 2010, which compares with 9.6 million euros in 2009, reflecting the lower business volume with impact in the decrease in net interest income, which was, nonetheless, essentially influenced by the unfavourable interest rate effect, in addition to the stabilisation of operating costs. 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.

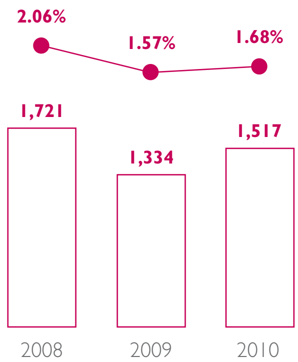
NET INCOME OF FOREIGN SUBSIDIARIES (*)

Million euros

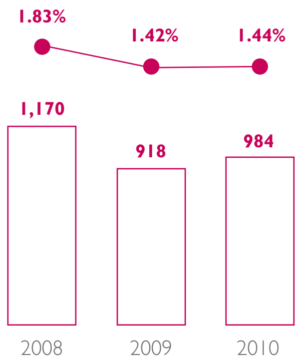
	'10	'09	'08	Change %'10/'09
Bank Millennium in Poland	81.3	0.3	117.9	–
Millennium bank in Greece	(16,0)	9.0	15.1	–
Banca Millennium in Romania	(23.6)	(38.0)	(32.9)	–
Banque Privée BCP in Switzerland	4.2	7.8	(30.4)	–
Millennium bim in Mozambique	52.8	52.0	51.5	1.4%
Banco Millennium Angola	23.6	14.6	4.4	61.4%
Millennium bcp Bank & Trust in Cayman	6.0	9.6	20.9	-37.3%

(*) The amounts showed are not deducted from the non-controlling interests (when applicable) and do not include the net income from the sold companies in Turkey and USA.

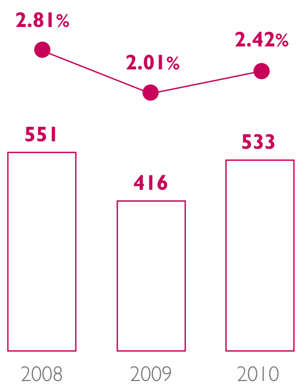
NET INTEREST INCOME
Million euros



NET INTEREST INCOME
Activity in Portugal
Million euros



NET INTEREST INCOME
International Activity
Million euros



Net interest margin

NET INTEREST INCOME

Net interest income stood at 1,516.8 million euros in 2010, increasing 13.7% from 1,334.2 million euros in 2009. The increase in net interest income was driven by the positive volume effect in the amount of 120 million euros and by the favourable interest rate effect totalling 71 million euros.

The evolution of net interest income reflects, on the one hand, the performance of business volume and of the portfolio of financial assets and, on the other hand, the effect of the gradual interest rate increase in operations with Customers from the second half of the year onwards, despite standing below the levels registered in 2009, following the trend of the market reference interest rates with a positive impact on the gap between the average interest earning asset rates and the average interest bearing liabilities rates.

The increase in net interest income reflects the performance of both the activity in Portugal and the international activity. In the activity in Portugal, net interest income was favourably influenced by the positive volume effect, notwithstanding the highly competitive and adverse environment, partially offset by the unfavourable interest rate effect, influenced in part by the time lag in the repercussion of market interest rate fluctuations on the rates applied to operations with Customers. However, the interest rate effect benefited from the revision of spreads associated to loans to customers, being implemented in all Business Areas, aimed at reflecting the increase in financing cost, resulting from the instability in debt and interbank markets and from the consequent tighter restrictions on access to alternative financing sources.

In the international activity, the increase in net interest income was boosted by the favourable interest rate effect, combined with the positive volume effect, benefiting from the growth in business volumes in terms of loans to customers and balance sheet customer funds. The evolution of net interest income was underpinned by the performance achieved in most international operations, namely Bank Millennium in Poland, as well as the subsidiaries in Angola and Mozambique, in addition to Banca Millennium in Romania.

An analysis of the average balance sheet, in addition to the almost generalised decrease in interest earning asset rates and interest bearing liabilities rates, shows the growth of average total net assets to 98,672 million euros in 2010, compared with 94,153 million euros in 2009, supported by the increase in interest earning assets, which was influenced by the higher level of financial assets, which increased to an average balance of 9,587 million euros in 2010 (5,012 million euros in 2009), while the average balance of loans to customers fell to 74,644 million euros in 2010 (75,325 million euros in 2009) and the average balance of deposits in credit institutions remained stable from 2009. Total average liabilities also increased between 2009 and 2010, influenced by the average balances of amounts owed to credit institutions, which stood at 15,087 million euros in 2010, as well as customer deposits, which reached to 45,386 million euros, more than offsetting the lower average balance of debt issued and financial liabilities.

AVERAGE BALANCES

Million euros

	'10		'09		'08	
	Average balance	Yield	Average balance	Yield	Average balance	Yield
INTEREST EARNING ASSETS						
Deposits in credit institutions	3,823	1.21%	3,733	1.97%	7,255	4.33%
Financial assets	9,587	3.53%	5,012	4.82%	5,845	6.01%
Loans and advances to customers	74,644	3.57%	75,325	4.15%	69,206	6.47%
	88,054	**3.47%**	**84,070**	**4.09%**	**82,306**	**6.24%**
Non-current assets held for sale	818	-	-	-	-	-
TOTAL INTEREST EARNING ASSETS	**88,872**	**3.49%**	**84,070**	**4.09%**	**82,306**	**6.24%**
Non-interest earning assets held for sale	40		-		-	
Non-interest earning assets	9,760		10,083		9,635	
TOTAL ASSETS	**98,672**		**94,153**		**91,941**	
INTEREST BEARING LIABILITIES						
Amounts owed to credit institutions	15,087	1.40%	8,671	2.65%	9,875	6.33%
Amounts owed to customers	45,386	2.01%	44,334	2.52%	41,769	3.07%
Debt issued and financial liabilities	25,286	1.53%	30,051	2.27%	29,042	4.72%
Subordinated debt	2,254	2.96%	2,553	3.73%	2,954	5.77%
	88,013	**1.79%**	**85,609**	**2.48%**	**83,640**	**4.12%**
Non-current liabilities held for sale	740	-	-	-	-	-
TOTAL INTEREST BEARING LIABILITIES	**88,753**	**1.81%**	**85,609**	**2.48%**	**83,640**	**4.12%**
Non-interest bearing liabilities associated with assets held for sale	118		-		-	
Non-interest bearing liabilities	2,570		2,000		2,557	
Shareholders' equity and non-controlling interests	7,231		6,544		5,744	
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS	**98,672**		**94,153**		**91,941**	
NET INTEREST MARGIN (1)		**1.68%**		**1.57%**		**2.06%**

(1) Net interest income as a percentage of average interest earning assets.
Note: interest related to hedge derivatives were allocated, in 2010, 2009 and 2008, to the respective balance item.

In the structure of the average balance sheet, the average balance of interest earning assets represents 90.1% of total average net assets of 2010, with loans to customers continuing to be the main component in the asset portfolio, representing 75.6% of total average net assets, despite of the contraction in the concession of loans to customers registered in 2010. In 2010, the weight of financial assets increased to 9.7% (5.3% in 2009) as a result of the growth of the portfolios of financial assets held for trading and held to maturity, in particular via the acquisition of securities eligible as collateral in future refinancing operations with Central Banks.

In the liability component, it is important to highlight the maintenance of the weight of the average balance of customer deposits in average total liabilities at around 50%, benefiting from commercial initiatives focused on further increase and retention of balance sheet customer funds, which continued to be an important mobilisation instrument of funding and of support to the customer credit concession activity, in addition to the debt securities issued and financial liabilities, which represented 27.7% of average total liabilities in 2010, providing a diversification of financing sources and maturities.

The average balance of debt issued and financial liabilities in 2010 decreased relative to the previous year, reflecting, on the one hand, the bringing forward to the end of 2009 part of the financing needs planned for 2010 and, on the other hand, the increased difficulties of financial institutions in obtaining funding in wholesale markets, in particular after the first quarter of 2010, when Millennium bcp carried out the successful placement of two debt issues, a fixed rate debt issue in the sum of 750 million euros with a two-year maturity and a floating-rate debt issue in the sum of 300 million euros with a three-year maturity, both under the Euro Medium Term Notes (EMTN) Programme.

The performance of the average shareholders' equity reflects the favourable impact over the course of 2010 of the issue of Perpetual Subordinated Debt Securities with Conditional Coupons, in the global amount of 1.0 billion euros, which had been successfully carried out in June, August and December 2009, as well as of the positive net income generated in 2010 and, at the same time, the unfavourable impacts resulting from the payment of dividends and the evolution of the balances of fair value reserves associated to financial assets available for sale.

The net interest margin stood at 1.68% in 2010, which compares favourably with 1.57% in 2009, reflecting the effect of the measures that have been implemented, both at the level of the activity in Portugal and of the international activity. In the activity in Portugal through, in particular, the progressive revision of spreads associated with loans to customers, aimed at adjusting the price to the risk profile of Customers, in addition to controlling the cost of customer deposits. In the international activity, Bank Millennium in Poland also continued its efforts to adjust spreads, especially in term deposits, with a relevant impact on the consolidated net interest income.

FACTORS INFLUENCING NET INTEREST INCOME

Million euros

	'10 vs. '09			
	Volume	Rate	Rate/ Volume mix	Net change
INTEREST EARNING ASSETS				
Deposits in credit institutions	2	(29)	-	(27)
Financial assets	224	(65)	(60)	99
Loans and advances to customers	(29)	(440)	4	(465)
Non-current assets held for sale	-	-	53	53
TOTAL INTEREREST EARNING ASSETS	**199**	**(510)**	**(29)**	**(340)**
INTEREST BEARING LIABILITIES				
Amounts owed to credit institutions	172	(109)	(81)	(18)
Amounts owed to customers	27	(230)	(5)	(208)
Debt issued and financial liabilities	(110)	(224)	36	(298)
Subordinated debt	(11)	(20)	2	(29)
Non-current liabilities held for sale	-	-	31	31
TOTAL INTEREREST BEARING LIABILITIES	**79**	**(581)**	**(21)**	**(523)**
NET INTEREST INCOME	**120**	**71**	**(8)**	**183**

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, amounted to 1,375.2 million euros in 2010, which compares with 1,159.0 million euros in 2009. The increase in other net income was driven by the favourable performance in most line items, in particular net trading income, net commissions, dividends from equity instruments, as well as equity accounted earnings, which more than offset the lesser amounts from other net operating income. The evolution of other net income mainly benefited from the increase posted in the activity in Portugal, as well as the positive performance of the international activity.

OTHER NET INCOME

Million euros

	'10	'09	'08	Change % '10/'09
Dividends from equity instruments	35.9	3.3	36.8	-
Net commissions	811.6	731.7	740.4	10.9%
Net trading income	429.2	225.4	18.1	90.4%
Other net operating income	31.0	132.3	66.6	-76.5%
Equity accounted earnings	67.5	66.3	19.1	1.8%
	1,375.2	**1,159.0**	**881.0**	**18.7%**
of which:				
Activity in Portugal	982.2	779.3	489.2	26.0%
International Activity	393.0	379.7	391.8	3.5%

DIVIDENDS FROM EQUITY INSTRUMENTS

Dividends from equity instruments, which incorporate dividends received from investments in financial assets available for sale, increased to 35.9 million euros in 2010, compared with 3.3 million euros in 2009. This performance essentially reflects the effect of the dividends received in 2010 associated with the shareholding of 2.7% held in Eureko, BV, which was, in the interim, sold on 31 December 2010, since in 2009 no dividends were distributed. In 2009, the dividends from equity instruments mainly reflect income received from the investments of the Group in investment fund units and in shares.

NET COMMISSIONS

Net commissions increased 10.9% to 811.6 million euros in 2010, from 731.7 million euros in 2009, benefiting from the commissions more directly related with the banking business and those related with the financial markets. The positive evolution of net commissions was sustained by the increase of 9.7% in the activity in Portugal, in addition to the growth of 14.0% in the international activity, reflecting the performance achieved in most international operations, in particular Poland, Angola, Romania and Switzerland.

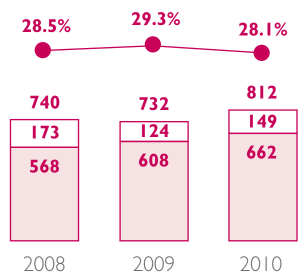
The commissions more directly related with the banking business increased 9.0% to 662.4 million euros in 2010 (607.6 million euros in 2009), driven by the positive contribution of commissions from the placement of insurance products, commissions related with credit and guarantees and commissions charged for banking services provided.

The commissions related with cards stood at 185.3 million euros in 2010, compared to 187.3 million euros in 2009, determined in particular by the activity in Portugal, due to the lower amounts associated with annual fees and service charges, reflecting the effect of the exemption that benefited cardholders who subscribed to integrated banking services (Frequent Customer and Prestige Customer solutions), despite the positive performance of commissions based on the volume of transactions, particularly those associated with the debit card business. Nevertheless, the commissions associated with cards in the international activity showed a positive evolution, benefiting from the commercial dynamism of the various operations, in particular Bank Millennium in Poland and Banco Millennium Angola, together with the positive performances of Banca Millennium in Romania and Millennium bim in Mozambique, despite of the effect of the foreign exchange devaluation of the Metical against the euro.

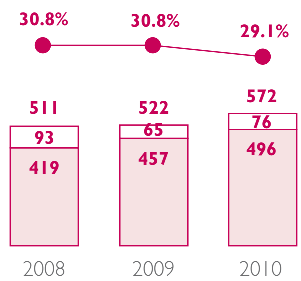
Commissions related with credit transactions and guarantees totalled 178.7 million euros in 2010, compared to 170.4 million euros in 2009. This evolution was supported by the activity in Portugal, notwithstanding the slowdown in credit concession brought about by the adverse economic and financial environment. In the international activity, these commissions declined, essentially as a result of the performances of Millennium bank in Greece and Millennium bcp Bank & Trust, despite the growth registered in the subsidiaries in Romania and Angola.

Bancassurance commissions, which comprise the commissions received for the placement of insurance products through the Bank's distribution networks, amounted to 74.3 million euros in 2010, representing an increase of 24.4% compared to 59.7 million euros posted in 2009. This performance benefited from the commercial focus on providing life and asset safety products and investment solutions tailored to the Customers needs, with emphasis on the growth of the portfolio of Médis health insurance, despite of the increased competition in this market segment.

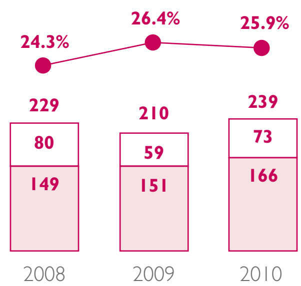
NET COMMISSIONS
Million euros



NET COMMISSIONS
Activity in Portugal
Million euros



NET COMMISSIONS
International Activity
Million euros



Banking commissions
Market related commissions
Net commissions/Net operating revenues

Other commissions more directly related with the banking business increased to 224.1 million euros in 2010, compared to 190.2 million euros in 2009, boosted by both the activity in Portugal and the international activity. The evolution in the activity in Portugal incorporates the effect of the repricing adjustment to the value proposition, in particular in terms of the offer of integrated banking services, such as the Frequent Customer Solution, directed at individuals and businesses, and the Prestige Customer Solution. In the international activity, highlights include the increases evidenced by Bank Millennium in Poland and Banco Millennium Angola.

The commissions related with financial markets grew 20.2% to 149.2 million euros in 2010 (124.1 million euros in 2009), supported by the commissions associated with transactions on securities and the commissions related with asset management. The commissions associated to transactions involving securities amounted to 96.6 million euros in 2010, compared to 76.2 million euros in 2009, sustained by the performance of most of the services provided, in particular structuring of operations and deposits and safeguard of assets, offsetting the lower level of commissions associated to brokerage transactions, brought about by the instability of capital markets over the course of the year. This evolution was positively influenced by the activity in Portugal and the international activity, namely Bank Millennium in Poland and Banque Privée BCP in Switzerland.

The commissions related with asset management increased 9.8%, reaching 52.6 million euros in 2010 (47.9 million euros in 2009), as a result of the increase in commissions generated by the activity in Portugal, supported by the offer of value added products adapted to the evolution of markets and the financial needs of Customers. In addition, the international activity contributed positively to the increase in commissions related with asset management, with emphasis on the performance of Bank Millennium in Poland.

NET COMMISSIONS

Million euros

	'10	'09	'08	Change % '10/'09
BANKING COMMISSIONS				
Cards	185.3	187.3	190.0	-1.1%
Credit and guarantees	178.7	170.4	172.9	4.9%
Bancassurance	74.3	59.7	44.2	24.4%
Other commissions	224.1	190.2	160.7	17.9%
SUBTOTAL	**662.4**	**607.6**	**567.8**	**9.0%**
MARKET RELATED COMMISSIONS				
Securities	96.6	76.2	94.7	26.7%
Asset management	52.6	47.9	77.9	9.8%
SUBTOTAL	**149.2**	**124.1**	**172.6**	**20.2%**
TOTAL NET COMMISSIONS	**811.6**	**731.7**	**740.4**	**10.9%**
of which:				
Activity in Portugal	572.2	521.8	511.4	9.7%
International Activity	239.4	209.9	229.0	14.0%

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, stood at 429.2 million euros in 2010, an improvement over the 225.4 million euros posted in 2009, mainly influenced by the performance of transactions involving securities, derivatives and other instruments, which include the revaluation of financial instruments recorded at fair value option, the net gains arising from the sale of shareholdings and of securities in portfolio, together with the revaluation of hedging operations. Additionally, in 2010 higher results from foreign exchange activity were achieved, centered on the international activity, by taking advantage of business opportunities in foreign currency transactions.

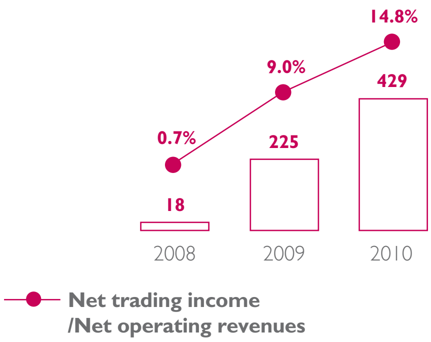
In 2010, net trading income includes the gain obtained, in the amount of 65.2 million euros, associated with the sale of the previously mentioned shareholding of 2.7% held in the share capital of Eureko, BV.

The Group has adopted the fair value option as the measuring method for its own emissions of financial instruments that contain embedded derivatives or associated hedging swaps, given that the financial liabilities recorded at fair value option are initially recognised at fair value, with transaction costs or income and subsequent fair value variations taken to the income statement. The corresponding credit risk variations attributed by the market to Millennium bcp and, indirectly, to the Portuguese Republic, as guarantor of the three-year debt issued by the Group in 2009, in the amount of 1.5 billion euros, are recognised in results from trading and hedging activity.

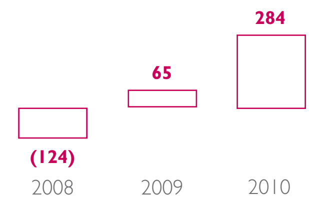
In 2010, the revaluation of financial instruments recorded at fair value option was influenced by the evolution of the financing conditions in markets relative to the end of 2009, and the consequent impact on the credit risk of the Bank and of the Portuguese Republic. Therefore, in 2010 gains of 204.6 million euros (losses of 106.1 million euros in 2009) were recorded in relation to the increase in the Bank's credit risk, resulting from the increase in market spreads for operations with a similar risk as that of Millennium bcp. The fluctuations in the value of own credit risk will continue until the maturity of the issues made by the Bank, as the gains and losses will offset each other until maturity.

The performance of net trading income benefited mainly from the activity in Portugal, while the international activity was essentially conditioned by the impact of the revaluation of derivative instruments, in particular in Bank Millennium in Poland, partly offset by the positive effect of gains arising from foreign currency exchange operations recorded in Millennium bim in Mozambique and in Banco Millennium Angola.

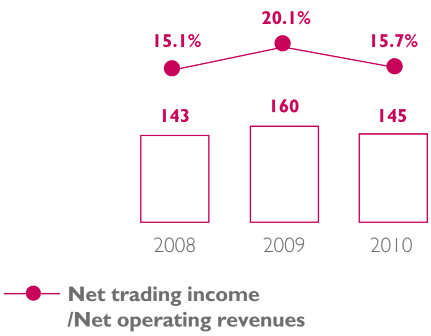
NET TRADING INCOME
Million euros



NET TRADING INCOME
Activity in Portugal
Million euros



NET TRADING INCOME
International Activity
Million euros



NET TRADING INCOME

Million euros

	'10	'09	'08	Change % '10/'09
Foreign exchange activity	99.4	68.8	83.8	44.5%
Trading, derivative and other	329.8	156.6	(65,7)	-
	429.2	**225.4**	**18.1**	**90.4%**
of which:				
Activity in Portugal	284.0	65.0	(124.4)	-
International Activity	145.2	160.4	142.5	-9.5%

OTHER NET OPERATING INCOME

Other net operating income, which includes other operating income, other net income from non-banking activities and net gains from the sale of subsidiaries and other assets, totalled 31.0 million euros in 2010, compared to 132.3 million euros in 2009.

Other net income includes, in 2009, the gain associated with the dispersal of 49.9% of the share capital of Banco Millennium Angola, in the amount of 21.2 million euros, as well as the gain obtained from the sale of assets, in the amount of 57.2 million euros. The evolution of other net operating income, excluding the referred impacts in 2009, was essentially determined by the decrease in income from services provided and from the sale/revaluation of real estate.

EQUITY ACCOUNTED EARNINGS

Equity accounted earnings, which include the results appropriated by the Group associated to the consolidation of companies where, despite having a significant influence, the Group does not control the financial and operational policies, amounted to 67.5 million euros in 2010, representing an increase of 1.8% from 66.3 million euros posted in 2009.

The performance of equity accounted earnings, despite of the unfavourable evolution of results associated with the shareholdings held in VSC and Nanium, benefited mainly from the appropriation of results associated with the 49% shareholding held in Millenniumbcp Ageas (formerly Millenniumbcp Fortis), a joint-venture of Millennium bcp with the Ageas Group, specialised in the bancassurance business, whose net income showed a favourable evolution in 2010, despite the particularly adverse circumstances for the management of financial assets over the year.

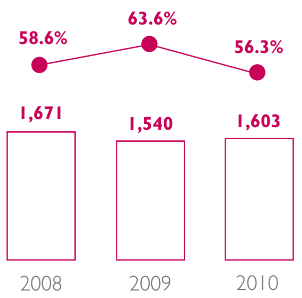
EQUITY ACCOUNTED EARNINGS

Million euros

	'10	'09	'08	Change % '10/'09
Millenniumbcp Ageas	69.5	57.9	12.6	20.1%
Other	(2.0)	8.4	6.5	-
	67.5	**66.3**	**19.1**	**1.8%**

OPERATING COSTS

Million euros



OPERATING COSTS

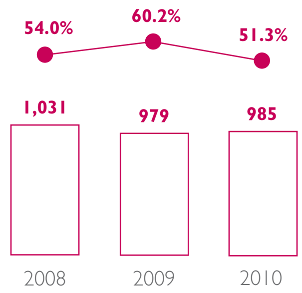
Operating costs, which include staff costs, other administrative costs and depreciation charges for the year, totalled 1,603.3 million euros in 2010, which represents an increase of 4.1% compared with 1,540.3 million euros recorded in 2009. The behaviour of operating costs was essentially influenced by the performance of the international activity and by the control of costs reflected in the activity in Portugal. Operating costs include the accounting of early retirement costs in the amount of 10.4 million euros in 2010, and in the amount of 3.9 million euros in 2009. Excluding these impacts, operating costs grew 3.7% between 2009 and 2010.

In the activity in Portugal, operating costs almost stabilised, amounting to 985.4 million euros (+0.7%), positively influenced by the lower level of depreciation charges for the year, in particular depreciation related with real estate and equipment, and by lower staff costs, as a result of the decrease in costs with pensions and voluntary social security charges, despite the increase in other administrative costs, in particular outsourcing and independent work, essentially resulting from the expansion in the credit recovery activity, which was partly offset by the effort to contain third-party supply costs.

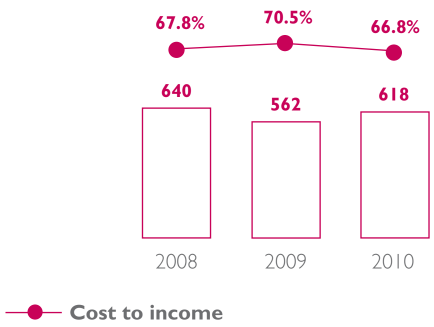
The evolution of operating costs in the international activity essentially reflects the behaviour of costs at Banco Millennium Angola and at Millennium bim in Mozambique, in accordance with the organic growth strategy implemented in these markets, and at Bank Millennium in Poland, in part influenced by the foreign exchange effect of the appreciation of the Polish zloty against the euro, as well as the effect of the depreciation of the assets not sold by Millennium bcpbank in the United States of America. However, the operating costs of the international activity benefited from the reduction in costs at Millennium bank in Greece and at Banca Millennium in Romania.

The consolidated cost to income ratio, on a comparable basis, stood at 56.3% in 2010, improving by 7.3 percentage points from 63.6% in 2009. This trajectory reflects the efficiency improvements achieved in the activity in Portugal, which stood at 51.3% from 60.2% in 2009, reflecting the impact of the initiatives that have been implemented aimed at reducing operating costs and increasing income, as well as in the international activity, with a reduction of 3.7 percentage points from 2009, benefiting from the favourable performance in most foreign operations.

OPERATING COSTS
Activity in Portugal
Million euros



OPERATING COSTS
International Activity
Million euros



OPERATING COSTS

Million euros

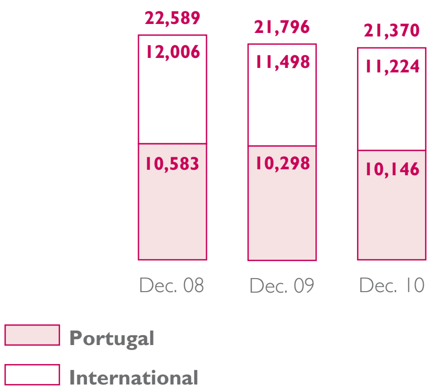
	'10	'09	'08	Change % '10/'09
ACTIVITY IN PORTUGAL				
Staff costs	599.0	604.3	592.7	-0.9%
Other administrative costs	331.9	314.3	371.8	5.6%
Depreciation	54.5	60.1	66.6	-9.2%
	985.4	**978.7**	**1,031.1**	**0.7%**
INTERNATIONAL ACTIVITY				
Staff costs	292.3	261.0	322.6	12.0%
Other administrative costs	269.9	255.9	270.8	5.5%
Depreciation	55.7	44.7	46.3	24.7%
	617.9	**561.6**	**639.7**	**10.0%**
TOTAL				
Staff costs	891.3	865.3	915.3	3.0%
Other administrative costs	601.8	570.2	642.6	5.6%
Depreciation	110.2	104.8	112.9	5.2%
	1,603.3	**1,540.3**	**1,670.8**	**4.1%**

STAFF COSTS

Staff costs totalled 891.3 million euros in 2010, representing an increase of 3.0% from 865.3 million euros in 2009. Staff costs include the accounting of early retirement costs in the amount of 10.4 million euros and 3.9 million euros in 2010 and 2009, respectively. Excluding these impacts, staff costs increased 2.3%.

EMPLOYEES

Units



The evolution of staff costs was determined by the 12.0% increase in the international activity, as the activity in Portugal showed a reduction. In the international activity, the higher staff costs essentially reflect the increases recorded by the operations in Angola and Mozambique, in both cases associated to the increase in the number of Employees, within the scope of the expansion plans underway, as well as by Bank Millennium in Poland, in part boosted by the foreign exchange rate effect of the appreciation of the Polish zloty against the euro. These performances were, however, partially offset by the decrease in staff costs at Banca Millennium in Romania and Millennium bank in Greece.

In the activity in Portugal, staff costs between 2009 and 2010 decreased 0.9% (-2.0% excluding the impact of the previously mentioned earlier retirement costs), benefiting mainly from the reduction of costs with pensions and voluntary social security charges, despite of the increase in remunerations, brought about essentially by the annual salary review process. Staff costs in the activity in Portugal also reflected the reduction in the number of Employees, in a total of 152 Employees, from the end of 2009 to the end of 2010, resulting from the consolidation of initiatives directed at the efficient allocation of resources, in particular encouraging the development of commercial skills and the consequent job rotation and staff mobility to strengthen the commercial areas.

STAFF COSTS

Million euros

	'10	'09	'08	Change % '10/'09
Salaries and remunerations	619.7	583.2	623.6	6.3%
Mandatory social security charges				
Pension Fund	127.7	137.4	125.6	-7.1%
Other	104.0	98.6	110.5	5.4%
Voluntary social security charges	29.3	35.1	41.8	-16.5%
Other staff costs	10.6	11.0	13.8	-3.4%
	891.3	**865.3**	**915.3**	**3.0%**

OTHER ADMINISTRATIVE COSTS

Other administrative costs stood at 601.8 million euros in 2010, which compares with 570.2 million euros in 2009 (+5.6%), mostly reflecting the behaviour of costs associated to outsourcing and independent work, advertising, rent, insurance and other specialised services. It is worth noting, however, the savings achieved in travel and representation expenses and communication and transport costs.

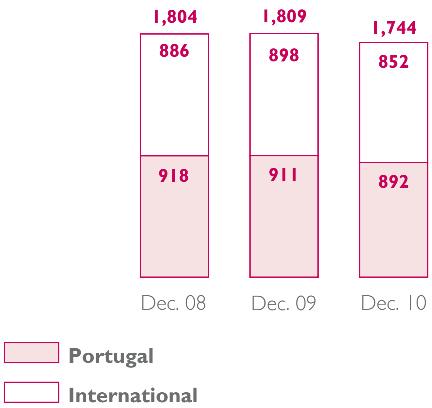
The evolution of other administrative costs reflects the performance in both the activity in Portugal and the international activity. In the activity in Portugal, other administrative costs totalled 331.9 million euros in 2010, compared with 314.3 million euros in 2009 (+5.6%), essentially influenced by costs associated with legal fees and outsourcing services, in particular to support the activity of credit recovery, which was partially offset by the cost containment achieved in several line items, benefiting additionally from the resizing of the distribution network to a total of 892 branches as at 31 December 2010.

In the international activity, materialising the strategy of focus on European markets and continued investment in affinity markets, the global distribution network decreased to 852 branches, at the end of 2010, reflecting the impact from the sale of the operations in Turkey and in the United States of America (-35 branches) and also from the rationalisation of the branch networks in Poland and Greece, following the review of the respective expansion plans, despite the expansion of the distribution networks undertaken in the Angolan and Mozambican markets, corresponding to an additional 16 and 9 branches, respectively.

Other administrative costs, in the international activity, totalled 269.9 million euros in 2010, representing an increase of 5.5% from 255.9 million euros posted in 2009, resulting from the evolution of costs associated with specialised services, rent, advertising and insurance, mainly related to the previously mentioned expansion of the distribution networks of the operations in Angola and Mozambique. Nevertheless, it is worth noting the control of other administrative costs at Bank Millennium in Poland, excluding the exchange rate appreciation of the Polish zloty against the euro, benefiting from the initiatives implemented with a focus on improving operating efficiency.

BRANCHES

Units



OTHER ADMINISTRATIVE COSTS

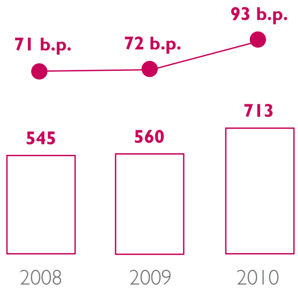
Million euros

	'10	'09	'08	Change % '10/'09
Water, electricity and fuel	21.2	19.9	21.4	6.6%
Consumables	7.7	7.7	9.9	0.7%
Rents	151.0	147.6	146.4	2.3%
Communications	43.3	44.4	50.8	-2.4%
Travel, hotel and representation costs	14.8	16.2	21.9	-8.6%
Advertising	43.8	39.7	53.6	10.3%
Maintenance and related services	41.4	40.2	46.2	2.9%
Credit cards and mortgage	16.6	14.8	21.7	12.0%
Advisory services	20.5	20.0	26.5	2.4%
Information technology services	28.6	27.2	26.2	5.4%
Outsourcing	92.0	77.1	93.7	19.3%
Other specialised services	32.8	29.9	28.0	9.6%
Training costs	2.9	2.9	3.3	-1.9%
Insurance	17.9	14.6	15.6	22.5%
Legal expenses	8.3	7.8	9.1	5.8%
Transportation	10.1	11.2	11.9	-9.3%
Other supplies and services	48.9	49.0	56.4	-0.1%
	601.8	**570.2**	**642.6**	**5.6%**

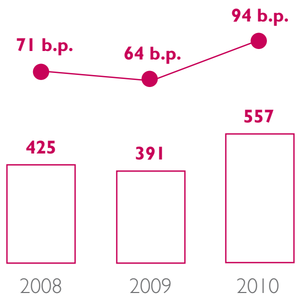
DEPRECIATION

Depreciation costs totalled 110.2 million euros in 2010, which compares with 104.8 million euros posted in 2009. The evolution of depreciation was essentially determined by the higher level of depreciation registered by the international activity, in particular due to the impact of the depreciation of the residual value of assets excluded from the sales process of Millennium bcpbank in the USA, in addition to the increase of depreciation costs evidenced by Banco Millennium Angola and by Millennium bim in Mozambique, as a result of the investments carried out to support the expansion of activity in both markets. In the activity in Portugal, depreciation costs decreased by 9.2%, mostly due to the lower level of depreciation related to equipment and real estate, driven by the progressive end of the period of depreciation of investments undertaken, which more than offset the increase in depreciation of software, resulting from the continuing technological renovation initiative, aimed at constantly adapting to business requirements, via the introduction of new functions or the optimisation of existing processes and methodologies.

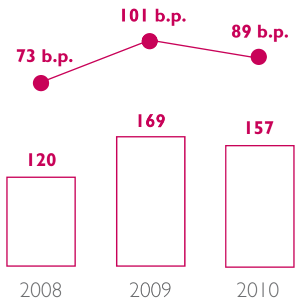
IMPAIRMENT CHARGES (NET)
Million euros



IMPAIRMENT CHARGES (NET)
Activity in Portugal
Million euros



IMPAIRMENT CHARGES (NET)
International Activity
Million euros



As % of total loans

LOAN IMPAIRMENT AND CREDIT RECOVERIES

Loan impairment (net of recoveries) totalled 713.3 million euros in 2010, compared to 560.0 million euros in 2009, reflecting the reinforcement of loan impairment charges, in line with the expectations associated with the adverse economic and financial environment. The cost of risk, measured by the ratio of loan impairment charges (net of recoveries) to the loan portfolio, stood at 93 basis points in 2010, having increased 21 basis points from 72 basis points in 2009.

The evolution of loan impairment (net of recoveries) essentially reflects the performance of the activity in Portugal, influenced by the increase in non-performing loan levels, despite the focus on the reinforcement of prevention and risk control and management processes. In the international activity, the increase in loan impairment (net of recoveries) recorded by Millennium bank in Greece and, to a lesser extent, by the operations developed in Switzerland, resulting from the devaluation of financial collaterals, and in Angola and Mozambique, following the expansion of commercial activity, were more than offset by the reduction in loan impairment charges recorded at Bank Millennium in Poland, mainly as a result of the lower impairment associated with loans to companies.

LOAN IMPAIRMENT CHARGES (NET OF RECOVERIES)

Million euros

	'10	'09	'08	Change % '10/'09
Loan impairment charges	743.8	593.4	637.5	25.3%
Credit recoveries	30.5	33.4	92.8	-8.4%
	713.3	**560.0**	**544.7**	**27.4%**
Cost of risk:				
Impairment charges as a % of total loans	97 b.p.	77 b.p.	83 b.p.	20 b.p.
Impairment charges (net of recoveries) as a % of total loans	93 b.p.	72 b.p.	71 b.p.	21 b.p.

OTHER IMPAIRMENT AND PROVISIONS

Other impairment and provisions include impairment charges associated with other assets, such as assets received as payment in kind resulting from the termination of loan contracts with customers, goodwill impairment and other provisions.

Other impairment and provisions totalled 217.6 million euros in 2010, compared to 97.4 million euros in 2009, essentially influenced by impairment recognition in the amount of 147.1 million euros, posted in the second and fourth quarters of 2010, associated with the goodwill of Millennium bank in Greece, in accordance with the Group's accounting policy and IAS 36, considering the estimated impact of the deterioration of the Greek economic situation.

Additionally, the evolution of other impairment and provisions reflects the higher level of provisions recorded in the international activity, in particular at Bank Millennium in Poland and at Millennium bim in Mozambique, essentially associated to the reinforcement of provisions related with guarantees and other commitments. However, other impairment and provisions were influenced by the lower charges posted by the activity in Portugal, benefiting from the decrease in charges related to guarantees and other commitments and provision charges for several risks and contingencies.

INCOME TAX

Income tax (current and deferred) amounted to -3.1 million euros in 2010, compared with 46.2 million euros in 2009.

This tax includes current tax costs in the amount of 54.2 million euros (65.6 million euros in 2009), corresponding to a real tax rate of 15.1% (22.2% in 2009), net of income from deferred tax in the amount of 57.2 million euros (19.4 million euros in 2009).

Income from deferred tax in 2010 corresponds essentially to the increase in the nominal tax rate of 2.5 percentage points, resulting from the municipal surcharge introduced by Law nr. 12-A/2010, of 30 June.

The reduction in tax compared with 2009 essentially results from the previously mentioned effect of the change in the nominal rate of deferred tax (assets and liabilities) and tax losses arising from the liquidation and sale of companies.

NON-CONTROLLING INTERESTS

Non-controlling interests include the part attributable to third parties of the results of the consolidated companies not fully owned by the Group, essentially reflecting the amounts associated with the shareholdings held by Bank Millennium in Poland, Banco Millennium Angola and Millennium bim in Mozambique.

Non-controlling interests stood at 59.3 million euros in 2010, comparing favourably with 24.1 million euros recorded in 2009, benefiting from the growth in net income posted by most of those subsidiaries, in particular Bank Millennium in Poland and, to a lesser extent, Banco Millennium Angola and Millennium bim.

REVIEW OF THE BALANCE SHEET

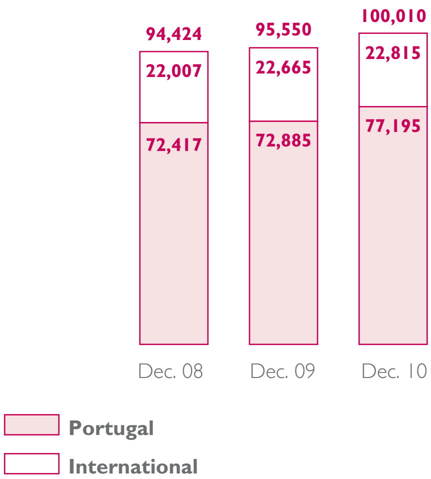
The prolonged economic downturn and more recent sovereign debt crisis, which have affected the European peripheral markets in particular, including Portugal, have brought about a new wave of instability, uncertainty and risk aversion in international financial markets, which have not only hampered the mobilisation of financial resources by the financial institutions of those markets, but also increased the risk premiums and limited the corresponding credit concession capacity.

The Portuguese banking system has, however, shown an ability to overcome the constraints associated with debt refinancing in wholesale markets, resorting to alternatives to obtain the funds that are essential for the regular funding of economic activity, by fostering and mobilising customer funds, as well as holding increased financial assets in portfolio necessary for open market operations with the European Central Bank (ECB).

In 2010, Millennium bcp continued to promote a strict management of assets and liabilities in order to, on the one hand, minimise the effect of the changes in the financing conditions and flows on the slowdown of business volumes and, on the other, maintain under strict control the evolution of the commercial gap, in both the activity in Portugal and in the international activity, having, in this way, globally preserved its balance sheet structure, despite the necessary adaptation to the prevalent conditions, namely in terms of assets, involving a slight contraction in loans to customers and the reinforcement of the financial assets portfolio, in particular via Treasury Bills and other securities of public issuers, with a view to their possible use as collateral in refinancing operations with Central Banks.

Total assets reached 100,010 million euros as at 31 December 2010, compared to 95,550 million euros as at 31 December 2009.

TOTAL ASSETS
Million euros



Loans to customers, on a comparable basis, which represented 76% of total assets, reached 76,411 million euros as at 31 December 2010, registering a slight reduction from the same date in 2009 (76,935 million euros), in spite of the growth in loans to individuals, benefitting from the increase in mortgage loans. This evolution reflects the abovementioned conditioning factors, as well as the careful assessment and selection of exposures to credit risk.

The reinforcement of the securities portfolio was undertaken in terms of the financial assets held to maturity that reached 6,745 million euros as at 31 December 2010 (2,027 million euros at the end of 2009), and in terms of financial assets available for sale and financial assets held for trading, which registered a combined rise of 27.3%, totalling 7,709 million euros as at 31 December 2010, namely via the acquisition of securities eligible for collateral in possible refinancing operations with Central Banks, with emphasis on the reinforcement of the portfolio of Treasury Bills and other public debt securities.

Liabilities registered an increase of 5.0%, standing at 92,762 million euros at the end of December 2010 (88,330 million euros at the end of 2009), influenced by the growth of 94.8% of amounts owed to Central Banks and other credit institutions which came to 20,077 million euros (10,306 million euros in 2009), essentially reflecting the higher volume of short term financial resources obtained from the European Central Bank, offsetting the difficulties arising from the atypical functioning of the interbank markets. The evolution of liabilities was, however, also affected by the reduction of the volumes of other financial assets at fair value through profit or loss (-36.4%) and of debt securities issued (-9.1%), as a result of the highly limited access to funding in wholesale markets after the first quarter of 2010.

Shareholders' equity increased from 7,220 million euros at the end of 2009 to 7,248 million euros as at 31 December 2010 (+28 million euros), essentially benefiting from the positive net income in 2010 in the amount of 302 million euros. The evolution of shareholders' equity also reflects the impact of the distribution of profit to shareholders and of the remuneration of preference shares in the amounts of 89 million euros and 49 million euros, respectively, as well as the negative variation of the fair value reserves, in the amount of 246 million euros, associated to the portfolio of financial assets available for sale, essentially related to the revaluation of the fair value reserve resulting from the shareholding of 49.0% held in Millenniumbcp Ageas and to the operation involving the sale of the financial shareholding of 2.7% held in Eureko, BV, performed at the end of 2010.

BALANCE SHEET AT 31 DECEMBER

Million euros

	'10	'09	'08	Change % '10/'09
ASSETS				
Cash and deposits at central banks and loans and advances to credit institutions	5,087	5,110	6,005	-0.4%
Loans and advances to customers	73,905	75,191	75,165	-1.7%
Financial assets held for trading	5,136	3,357	3,903	53.0%
Financial assets available for sale	2,573	2,699	1,714	-4.7%
Financial assets held to maturity	6,745	2,027	1,102	232.7%
Investments in associated companies	397	439	344	-9.5%
Non current assets held for sale	997	1,343	826	-25.8%
Other tangible assets, goodwill and intangible assets	1,018	1,181	1,286	-13.8%
Current and deferred tax assets	723	609	605	18.6%
Other (1)	3,429	3,594	3,474	-4.6%
TOTAL ASSETS	**100,010**	**95,550**	**94,424**	**4.7%**
LIABILITIES				
Deposits from Central Banks and from other credit institutions	20,077	10,306	9,339	94.8%
Deposits from customers	45,609	46,307	44,907	-1.5%
Debt securities issued	18,137	19,953	20,516	-9.1%
Financial liabilities held for trading	1,176	1,072	2,139	9.7%
Other financial liabilities at fair value through profit or loss	4,038	6,346	6,714	-36.4%
Non current liabilities held for sale	-	436	-	-100.0%
Subordinated debt	2,039	2,232	2,599	-8.6%
Other (2)	1,686	1,678	1,962	0.4%
TOTAL LIABILITIES	**92,762**	**88,330**	**88,176**	**5.0%**
EQUITY				
Share capital	4,695	4,695	4,695	-
Treasury stock	-82	-86	-59	-
Share premium	192	192	183	-
Preference shares	1,000	1,000	1,000	-
Other capital instruments	1,000	1,000	-	-
Reserves and retained earnings	-357	-150	-60	-
Profit for the year attributable to shareholders	302	225	201	33.9%
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	**6,750**	**6,876**	**5,960**	**-1.8%**
Non-controlling interests	498	344	288	44.5%
TOTAL EQUITY	**7,248**	**7,220**	**6,248**	**0.4%**
TOTAL LIABILITIES AND EQUITY	**100,010**	**95,550**	**94,424**	**4.7%**

(1) Includes Assets with repurchase agreement, Hedging derivatives, Investment property and Other assets.
(2) Includes Hedging derivatives, Provisions for liabilities and charges, Current and deferred income tax liabilities and Other liabilities

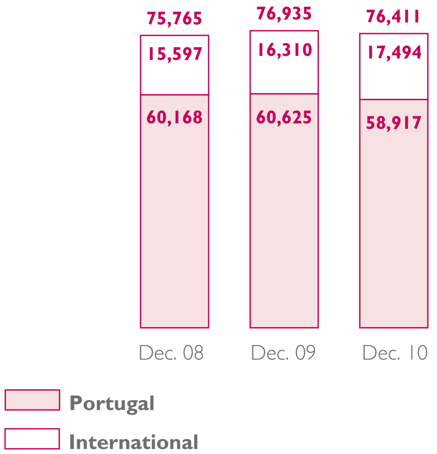
LOANS AND ADVANCES TO CUSTOMERS

In a particularly difficult context for financial intermediation activities, as previously mentioned, Millennium bcp adapted its credit concession policy to the mentioned objective of strict control of the evolution of the commercial gap, reformulating the offer of financing solutions to companies and individuals, adjusting partially the price to the associated cost of funding, offsetting the risk via the reinforcement of the levels of collateralisation and promoting the identification of new business opportunities.

Loans and advances to customers, on a comparable basis, reached 76,411 million euros as at 31 December 2010, a slight contraction relative to 76,935 million euros on 31 December 2009. The performance of loans and advances to customers was mainly conditioned by corporate loans, which totalled 40,529 million euros as at 31 December 2010 (-5.5%), given that the credit to individuals posted an increase of 5.4%, underpinned by the increase of 7.2% in mortgage loans.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before loans impairment and excluding Millennium bank Turkey and Millennium bcpbank USA.

The evolution of the loans to customers portfolio was essentially influenced by the activity in Portugal which registered a decrease of 2.8%, while the international activity evolved positively, registering an increase of 7.3% from the end of 2009, driven by the good performances of the subsidiaries in Poland, in Mozambique and in Angola, supported in these markets by the placing of innovative financing solutions adapted to Customer needs and profiles.

The lower volume of customer loans granted, relative to the end of 2009, also reflects the impact of the climate of strong uncertainty on the postponement of investment decisions, including the deleveraging of companies, and on the lower use of consumer credit by families, despite the persistent low interest rate levels, partly explained by the demobilisation and use of savings. In fact, the growth path of credit granted to individual Customers, in 2010, was attenuated by a more selective acquisition of durable goods, while in corporate loans the contraction in the volumes of credit granted had a greater impact on the activity sectors more exposed to changes in the economic cycle, such as commerce, services and construction.

LOANS AND ADVANCES TO CUSTOMERS (*)

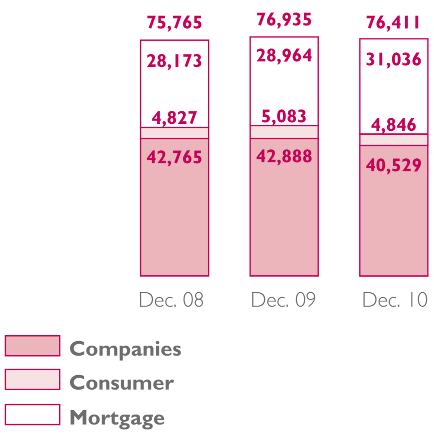
Million euros

	'10	'09	'08	Change % '10/'09
INDIVIDUALS				
Mortgage loans	31,036	28,964	28,173	7.2%
Consumer credit	4,846	5,083	4,827	-4.7%
	35,882	**34,047**	**33,000**	**5.4%**
COMPANIES				
Services	16,041	16,405	14,979	-2.2%
Commerce	4,603	5,205	5,370	-11.6%
Construction	5,091	5,453	5,563	-6.6%
Other	14,794	15,825	16,853	-6.5%
	40,529	**42,888**	**42,765**	**-5.5%**
LOANS AND ADVANCES TO CUSTOMERS	**76,411**	**76,935**	**75,765**	**-0.7%**
Loans associated with assets partially sold (1)	-	413	880	
TOTAL	**76,411**	**77,348**	**76,645**	

(*) Before loans impairment.
(1) Millennium bank Turkey and Millennium bcpbank USA.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



(*) Before loans impairment and excluding Millennium bank Turkey and Millennium bcpbank USA.

Between 31 December 2009 and 31 December 2010, the structure of the loan portfolio registered identical levels of diversification, with corporate loans maintaining the position as the dominant component of the customer loans portfolio, with 53.0% weight of the portfolio, while loans to individuals represented 47.0% of total loans.

The evolution of loans to customers essentially reflected the growth of 5.4% of **loans to individuals** that reached 35,882 million euros as at 31 December 2010, relative to 34,047 million euros at the end of 2009, mainly underpinned by mortgage loans that increased 7.2% to 31,036 million euros as at 31 December 2010.

The positive behaviour of **mortgage loans** in 2010 was influenced by the increases in the activity in Portugal (+4.7%), despite a slowdown as a result of the adverse economic circumstances, and in the international activity (+14.2%), with particular emphasis on the performance of Bank Millennium in Poland.

Consumer credit reached 4,846 million euros as at 31 December 2010, compared to 5,083 million euros as at 31 December 2009, representing 6.3% of the total portfolio of loans to customers. The activity in Portugal contributed mostly to this evolution, which registered a reduction of 11.6% relative to the end of 2009, partially offset by the 8.2% increase in the international activity, benefiting from the growth in Bank Millennium in Poland, Banco Millennium Angola and Millennium bim in Mozambique.

Corporate loans totalled 40,529 million euros as at 31 December 2010, compared to 42,888 million euros on the same date in 2009, maintaining itself as the main component of the loan portfolio. The slowdown in loans to companies, initiated in 2009, resulted in part from the effects of the deterioration of the economic and financial environment in 2010, namely the retraction of private investment, in combination with greater selectivity in credit concession, despite the reinforcement of credit lines to SME and the support to businesses and entrepreneurial initiatives, namely within the scope of protocols celebrated with IAPMEI, PME Investimentos and Mutual Guarantee Companies. The performance of corporate loans was essentially determined by the activity in Portugal, which registered a decrease of 6.5%, in the Companies segment in particular, whereas the international activity practically stabilised.

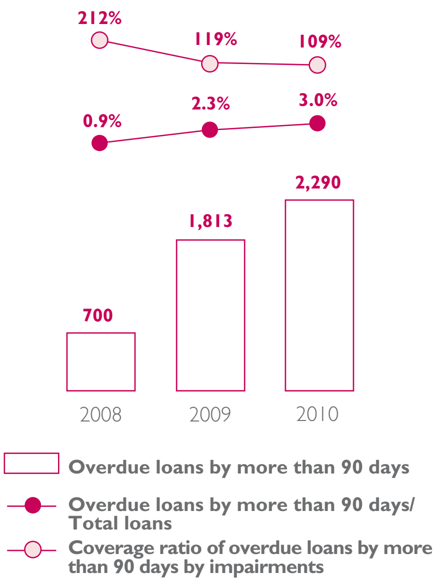
LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros

	'10	'09	'08	Change % '10/'09
MORTGAGE LOANS				
Activity in Portugal	22,533	21,518	20,893	4.7%
International Activity	8,503	7,446	7,280	14.2%
	31,036	**28,964**	**28,173**	**7.2%**
CONSUMER CREDIT				
Activity in Portugal	2,922	3,305	3,157	-11.6%
International Activity	1,924	1,778	1,670	8.2%
	4,846	**5,083**	**4,827**	**-4.7%**
COMPANIES				
Activity in Portugal	33,461	35,802	36,118	-6.5%
International Activity	7,068	7,086	6,647	-0.3%
	40,529	**42,888**	**42,765**	**-5.5%**
LOANS AND ADVANCES TO CUSTOMERS				
Activity in Portugal	58,917	60,625	60,168	-2.8%
International Activity	17,494	16,310	15,597	7.3%
	76,411	**76,935**	**75,765**	**-0.7%**
Loans associated with assets partially sold (1)	-	413	880	
TOTAL	**76,411**	**77,348**	**76,645**	

(*) Before loans impairment.
(1) Millennium bank Turkey and Millennium bcpbank USA.

CREDIT QUALITY
Million euros



The quality of the loan portfolio, measured by the non-performing loans indicators, namely the proportion of overdue loans by more than 90 days as a percentage of total loans, stood at at 3.0% as at 31 December 2010 (2.3% as at 31 December 2009), reflecting the effects of the deterioration of the economic and financial conditions of families and companies in 2010, despite the efforts made in the risk control activity, aimed at increasing prevention, revising the credit decision process and boosting loan recovery.

The coverage ratio for overdue loans by more than 90 days stood at 109.4% as at 31 December 2010, compared to 119.0% on the same date in 2009, although in the activity in Portugal the coverage ratio was essentially unchanged from the end of the previous year.

Non-performing loans determined in accordance with Instruction nr. 16/2004 of the Bank of Portugal, which includes overdue loans by more than 90 days as well as doubtful loans, reclassified as overdue loans for the purposes of provisioning, accounted for 4.5% of total loans as at 31 December 2010, compared to 3.4% on the same date in 2009.

CREDIT QUALITY

Million euros

	'10	'09	'08	Change % '10/'09
Loans and advances to customers (*) (1)	76,411	76,935	75,765	-0.7%
Overdue loans (>90 days)	2,290	1,813	700	26.3%
Overdue loans	2,500	2,032	851	23.0%
Overdue loans (>90 days) + doubtful loans (2)	3,410	2,616	1,005	30.3%
Impairments (balance sheet) (1)	2,506	2,146	1,470	16.8%
Overdue loans (>90 days)/Loans and advances to customers (*)	3.0%	2.3%	0.9%	
Overdue loans/Loans and advances to customers (*)	3.3%	2.6%	1.1%	
Overdue loans (>90 days) + doubtful loans as a % of total loans (*) (2)	4.5%	3.4%	1.3%	
Coverage ratio (Overdue loans > 90 days)	109.4%	119.0%	211.6%	
Coverage ratio (Overdue loans)	100.2%	106.1%	173.9%	
Coverage ratio (Overdue loans (>90 days) + doubtful loans) (2)	73.5%	82.4%	147.3%	

(*) Before loans impairment.
(1) In 2009 and 2008 excludes loans associated with assets partially sold – Millennium bank Turkey and Millennium bcpbank USA.
(2) Calculated according to Instruction nr. 16/2004 of the Bank of Portugal.

Overdue loans by more than 90 days totalled 2,290 million euros on 31 December 2010, compared to 1,813 million euros at the end of 2009, showing the deterioration of the economic conditions of individual Customers and companies, reflected in the comparatively higher levels of non-performing loans in 2010. The overdue loans portfolio evolved in line with the sectoral trends estimated for the markets in which the Group has operations, having essentially affected the activity in Portugal and the subsidiaries in Poland and Greece.

Overdue loans to companies represented 71.5% of the total overdue loans portfolio as at 31 December 2010, with emphasis on the commerce, construction and services sectors. The ratio of overdue loans to companies as a percentage of total loans granted to companies evolved negatively to 4.4%, when compared to the ratio of 3.6% as at 31 December 2009.

With regards to loans to individuals, overdue consumer loans and overdue mortgage loans represented 19.9% and 8.7%, respectively, of the total overdue loans, with the ratio of overdue mortgage loans to total mortgage loans standing at 0.7%, as at 31 December 2010, compared to 0.5% at the end of 2009, thus demonstrating the sound risk profile of the loans to individual customers portfolio.

OVERDUE LOANS AND IMPAIRMENTS AS AT 31 DECEMBER 2010

Million euros

	Overdue loans	Impairment for loan losses	Overdue loans/Total loans	Coverage ratio
INDIVIDUALS				
Mortgage loans	216	174	0.7%	80.4%
Consumer credit	497	385	10.2%	77.4%
	713	**559**	**2.0%**	**78.3%**
COMPANIES				
Services	523	604	3.3%	115.7%
Commerce	322	252	7.0%	78.5%
Construction	457	301	9.0%	65.7%
Other international activities	49	349	1.2%	705.1%
Other	436	441	4.1%	101.2%
	1,787	**1,947**	**4.4%**	**109.0%**
TOTAL	**2,500**	**2,506**	**3.3%**	**100.2%**

CUSTOMER FUNDS

The growth of customer funds in 2010 continued to be one of the priority objectives of Millennium bcp, acquiring an even greater importance given the more restrictive financing conditions in interbank markets, with the Group having focused on the innovation and excellence of Customer service as distinctive and promotional factors of the commercial capabilities of the distribution networks both in Portugal and internationally. To this end, the focus of commercial policy centered on the reinforcement of the offer of adequate solutions and products for the financial needs of Customers in the savings and investment components, in accordance with liquidity needs and the risk profiles of Customers.

TOTAL CUSTOMER FUNDS

Million euros

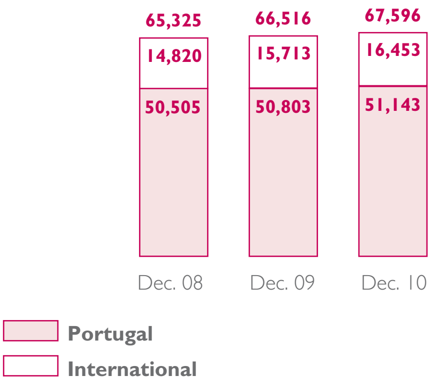
	'10	'09	'08	Change % '10/'09
BALANCE SHEET CUSTOMER FUNDS				
Deposits	45,609	45,822	44,083	-0.5%
Debt securities	5,733	4,685	6,775	22.3%
	51,342	**50,507**	**50,858**	**1.7%**
OFF BALANCE SHEET CUSTOMER FUNDS				
Assets under management	4,459	4,887	4,812	-8.8%
Capitalisation products (1)	11,795	11,122	9,655	6.0%
	16,254	**16,009**	**14,467**	**1.5%**
TOTAL CUSTOMER FUNDS	**67,596**	**66,516**	**65,325**	**1.6%**
Customer funds associated with assets partially sold (2)	-	486	939	
TOTAL	**67,596**	**67,002**	**66,264**	

(1) Includes Unit linked and Retirement savings deposits.
(2) Millennium bank Turkey and Millennium bcpbank USA.

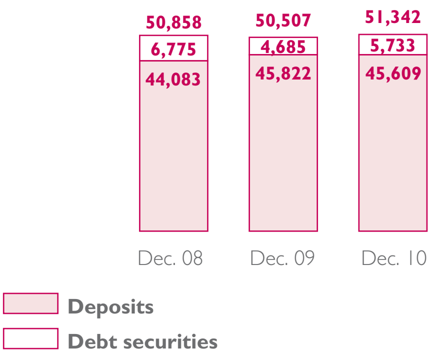
Total customer funds, on a comparable basis, reached 67,596 million euros as at 31 December 2010, increasing 1.6% relative to 66,516 million euros on the same date in 2009, despite the decrease in assets under management, having been driven by balance sheet customer funds (+1.7%) and capitalisation products (+6.0%).

In the activity in Portugal, total customer funds stood at 51,143 million euros as at 31 December 2010, compared with 50,803 million euros as at 31 December 2009, with particular emphasis on the stabilisation of resources in Retail. In the international activity, total customer funds registered a favourable evolution of 4.7%, reaching 16,453 million euros at the end of 2010, with specific emphasis on the performance of Bank Millennium in Poland (+15.7%), in terms

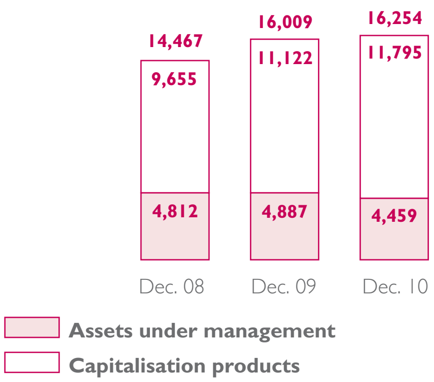
TOTAL CUSTOMER FUNDS
Million euros



BALANCE SHEET CUSTOMER FUNDS
Million euros



OFF BALANCE SHEET CUSTOMER FUNDS
Million euros



of balance sheet customer funds and off balance sheet customer funds, also benefiting from the exchange rate appreciation of the zloty relative to the euro, in addition to the growth recorded by Millennium bim in Mozambique and by Banco Millennium Angola, reflecting the focus on attracting customer deposits.

Balance sheet customer funds totalled 51,342 million euros as at 31 December 2010, compared to 50,507 million euros at the end of 2009, reflecting the increase of debt securities owed to customers (+22.3%), materialising the focus on the attraction of medium and long-term balance sheet customer funds, with the objective of reducing the commercial gap, through the provision of products with attractive returns and adapted to Customers' savings levels.

Customer deposits totalled 45,609 million euros as at 31 December 2010 (45,822 million euros at the same date of 2009), conditioned by the activity in Portugal, which decreased 3.3%, partly offset by the 5.8% increase in the international activity, to which contributed the performances of Millennium bim in Mozambique, Banco Millennium Angola and Bank Millennium in Poland, in particular.

Debt securities owed to customers totalled 5,733 million euros at the end of 2010, compared with 4,685 million euros as at 31 December 2009, indicating a growing receptivity from Customers to these type of applications as an alternative to traditional term deposits.

Off balance sheet customer funds grew 1.5% to 16,254 million euros as at 31 December 2010 (16,009 million euros registered on the same date of 2009). The favourable evolution of off balance sheet customer funds since 2009 has been important for the increase in total customer funds, although assets under management registered a contraction of 8.8% relative to 31 December 2009, having been driven in particular by capitalisation products which posted a positive performance (+6.0%). The maintenance of interest rates at historical low levels, although having increased in the last quarter of 2010, gave rise to a growing preference from Customers for alternative financial solutions, characterised by attractive returns and low risk, in particular capitalisation products.

Assets under management decreased from 4,887 million euros as at 31 December 2009 to 4,459 million euros at the end of 2010, influenced by the instability and volatility of financial and capital markets and the consequent negative impact on Customers' investment options for products and solutions with a greater exposure to risk. This evolution was determined by the performance of the activity in Portugal and the international activity, namely of Millennium bank in Greece, despite the positive behaviour of Bank Millennium in Poland.

The capitalisation products registered an increase of 6.0%, totalling 11,795 million euros as at 31 December 2010, relative to 11,122 million euros at the end of 2009, driven by a diversified and attractive offer of products providing tax benefits, in particular retirement savings plans, benefiting from the performance of the activity in Portugal, with emphasis on Retail and Private Banking.

TOTAL CUSTOMER FUNDS

Million euros

	'10	'09	'08	Change % '10/'09
BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	35,945	35,999	36,875	-0.2%
International Activity	15,397	14,508	13,983	6.1%
	51,342	**50,507**	**50,858**	**1.7%**
OFF BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	15,198	14,804	13,630	2.7%
International Activity	1,056	1,205	837	-12.4%
	16,254	**16,009**	**14,467**	**1.5%**
TOTAL CUSTOMER FUNDS				
Activity in Portugal	51,143	50,803	50,505	0.7%
International Activity	16,453	15,713	14,820	4.7%
	67,596	**66,516**	**65,325**	**1.6%**
Customer funds associated with assets partially sold (1)	-	486	939	
TOTAL	**67,596**	**67,002**	**66,264**	

(1) Millennium bank Turkey and Millennium bcpbank USA.

AMOUNTS OWED TO AND BY CREDIT INSTITUTIONS

Amounts owed to credit institutions and Central Banks less amounts owed by credit institutions came to 16,474 million euros as at 31 December 2010, compared to 7,440 million euros on the same date in 2009. This evolution was explained by the increased mobilisation of funds to meet the short term liquidity needs of the Group, in particular through financing operations with the European Central Bank, given the tight restrictions on access to interbank markets and wholesale markets, with the latter being practically closed since the second quarter of 2010.

In the section on "Funding and Liquidity" ("Performance Analysis" chapter), a detailed analysis is conducted of the initiatives developed by Millennium bcp within the scope of the multi-year plan for liquidity management – elaborated at the start of the second quarter based on the assumption of an extended absence of the regular functioning of markets until at least the end of 2010 – which allowed the Group to ensure the full coverage of the estimated financing needs of the activity, within a context of rigorous control of the commercial gap. In the same section, an analysis is also made of the relevant operations that were undertaken with the aim of reinforcing the portfolio of assets eligible for collateral in possible refinancing operations with Central Banks, as well as of the evolution of the sources of fund-taking and the temporal financing structure in the interbank money market.

FINANCIAL ASSETS HELD FOR TRADING AND FINANCIAL ASSETS AVAILABLE FOR SALE

Financial assets held for trading and financial assets available for sale grew 27.3%, standing at 7,709 million euros as at 31 December 2010 (6,056 million euros on the same date in 2009), reinforcing to 7.7% the relative weight as a proportion of total assets (6.3% at the end of 2009), despite the accounting reclassification carried out in 2010, in the total amount of 1,271 million euros, to the portfolio of financial assets held to maturity. This evolution was essentially determined by the increase of financial assets held for trading, in particular of Treasury Bills and other public bonds and the takeup of bonds of national public issuers, within the framework of the strategic option to invest in financial assets with the aim of reinforcing the portfolio of securities eligible for collateral in possible refinancing operations with Central Banks, in particular the European Central Bank.

Fixed-income securities totalled 6,430 million euros as at 31 December 2010, registering an increase of 53.9% relative to 4,177 million euros on the same date in 2009, reinforcing their predominance in the portfolio of financial assets held for trading and available for sale (83.4%). This reinforcement was carried out through the acquisition of public bonds (Treasury Bills and other) and bonds of national public issuers, based on the previously mentioned objectives, in addition to the attractive investment conditions in light of the risk/remuneration binomial that characterises this type of securities.

Variable income securities amounted to 208 million euros at the end of 2010, compared to 737 million euros at the end of 2009, reflecting the reduction of the exposure to securities of this nature, with emphasis on the decrease of the portfolio of shares of foreign companies, essentially reflecting the impact of the sale, in December 2010, of the shareholding of 2.7% held in the share capital of Eureko BV, which was part of the portfolio of financial assets available for sale.

Trading derivatives stood at 1,076 million euros as at 31 December 2010, representing a reduction of 6.2% relative to 1,147 million euros at the end of 2009, essentially reflecting the lower volume of currency swap trading in 2010.

ASSETS HELD FOR TRADING AND AVAILABLE FOR SALE AS AT 31 DECEMBER

Million euros

	'10		'09		'08		Change %
	Amount	% in total	Amount	% in total	Amount	% in total	'10/'09
FIXED INCOME SECURITIES							
Bonds issued by Government and public entities (Portuguese)	932	12.1%	149	2.5%	307	5.5%	> 500%
Bonds issued by Government and public entities (foreign issuers)	1,156	15.0%	1,084	17.9%	1,211	21.6%	6.6%
Bonds issued by other Portuguese entities	225	2.9%	1,177	19.4%	161	2.9%	-80.9%
Bonds issued by other foreign entities	886	11.5%	576	9.5%	500	8.9%	53.8%
Treasury Bills and other Government bonds	3,231	41.9%	1,191	19.7%	786	14.0%	171.3%
	6,430	**83.4%**	**4,177**	**69.0%**	**2,965**	**52.8%**	**53.9%**
VARIABLE INCOME SECURITIES							
Shares in Portugueses companies	56	0.7%	124	2.0%	80	1.4%	-54.8%
Shares in foreign companies	71	0.9%	271	4.5%	414	7.4%	-73.8%
Investment fund units	81	1.1%	340	5.6%	362	6.5%	-76.2%
Other variable income securities	-		2		-		
	208	**2.6%**	**737**	**12.1%**	**856**	**15.2%**	**-71.8%**
IMPAIRMENT FOR OVERDUE SECURITIES	(5)		(5)		(5)		-
TRADING DERIVATIVES	1,076	14.0%	1,147	18.9%	1,801	32.0%	-6.2%
	7,709	**100.0%**	**6,056**	**100.0%**	**5,617**	**100.0%**	**27.3%**

OTHER ON-BALANCE SHEET ITEMS

Other on-balance sheet items, comprising assets with repurchase agreement, hedging derivatives, investments in associated companies, investment property, non-current assets held for sale, other tangible assets, goodwill and intangible assets, current and deferred tax assets and other assets, represented 6.5% of total consolidated assets, reaching 6,564 million euros as at 31 December 2010, which compares to 7,166 million euros as at 31 December 2009. This evolution is essentially explained by the following operations: i) conclusion of the sales process of 95% of the share capital of Millennium Bank A.S. in Turkey in December 2010, whose total assets were recorded, at the end of 2009, in the amount of 495 million euros under non-current assets for sale item and ii) recognition, in 2010, of impairment relative to goodwill of Millennium bank in Greece in the amount of 147 million euros, recorded under goodwill and intangible assets. The remaining on-balance sheet items registered a negligible change relative to the value recorded as at 31 December 2009.

Additional and detailed information on the composition and evolution of the abovementioned items is described in the Notes to the consolidated Financial Statements numbers 23, 25, 26, 27, 28, 29, 30 and 31, included in Volume II of the Annual Report 2010.

PENSION FUND

In 2010 the Pension Fund's rate of return was negative at 5.5%, stemming from the adverse market environment and, in particular, the performance of the Portuguese capital markets. Notwithstanding this performance, the liabilities with retirement pensions were fully financed and at levels above the minimum limits defined by the Bank of Portugal. As at 31 December 2010, the liabilities with the Pension Fund amounted to 5,322 million euros compared with 5,410 million euros at the end of 2009.

With regards to the asset allocation of the Pension Fund, shares and bonds maintained the same weight, relative to the total portfolio, as that recorded on 31 December 2009 (41%), and the participation units represent 23% of the portfolio at the end of 2010. In parallel, the decrease of fixed income securities was partially offset by an increase in loans and advances to credit institutions.

The devaluation of assets of the Pension Fund, the deviations between expected and effective liabilities and the alteration of the actuarial assumptions related with the rate of growth of pensions resulted, collectively, in a negative actuarial loss of 468 million euros in 2010.

As at 31 December 2010, the actuarial differences came to 1,921 million euros (of which 532 million euros were included in the corridor) and reflected an increase of 407 million euros over the value entered at the end of 2009 determined by the amount of actuarial losses recorded in 2010, partially offset by the amortisation of 57 million euros associated to the amount of actuarial differences above the corridor entered at the end of 2010.

Within the scope of the Tripartite Agreement celebrated between the Government, the Portuguese Banking Association and the Trade Unions, active bank Employees on the CAFEB/ACT Scheme were integrated in the General Social Security Regime. The objective of this integration was to ensure the protection of some benefits, excluding disease (sick leave), disability and death, which will continue to be guaranteed by the employer.

In accordance with the provisions of the Agreement, with reference to the pension plan, Employees will maintain their acquired benefits, as well as the guarantee that the future benefit will be at least equivalent to that established in the ACT. Employers' obligations for payment of the supplements to pensions at the date of retirement have also been maintained. On this basis, the exposure to actuarial and financial risk associated to benefits is maintained.

CAPITAL MANAGEMENT

Following the request submited by Millennium Group, the Bank of Portugal formally authorised the adoption of methodologies based on Internal Rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risks from the activity in Portugal as from 31 December 2010.

CAPITAL REQUIREMENTS: CALCULATION METHODS AND SCOPE OF APPLICATION (1)

	IRB 31/12/2010	Standardised 31/12/2009
CREDIT RISK AND COUNTERPARTY CREDIT RISK		
Retail		
Loans secured by residential or commercial real estate	IRB Advanced	Standardised
Small companies	IRB Advanced	Standardised
Other loans	Standardised	Standardised
Companies	IRB Foundation (2)	Standardised
Other loans and advances	Standardised	Standardised
MARKET RISKS		
Debt instruments	Internal Models	Internal Models
Equity securities	Internal Models	Internal Models
Foreign exchange risks	Internal Models	Internal Models
Commodities risks	Standardised	Standardised
OPERATIONAL RISK	Standard	Standard

(1) The scope of application of the IRB approach and Internal Models is limited to the exposures in the perimeter managed centrally from Portugal, excluding the Standard method of operational risk, whose adoption was authorised in 2009 for application on a consolidated basis.
(2) Exposures derived from the real estate promotion segment and simplified rating system, while belonging to the company risk category, are weighted by the Standardised approach.

At the end of 2010, consolidated Core Tier I, calculated in accordance with the IRB approach, reached 6.7%, a favourable evolution from the end of the previous year, in accordance with the Standardised approach (6.4%), with the ratios Tier I and Total standing at 9.2% and 10.3% (9.3% and 11.5% respectively at the end of 2009).

The core capital performance was influenced in a significant way by a set of impacts, highlighting:

- The demonstrated ability to generate capital, reflected in both retained earnings and the decrease in capital requirements from the activity (+70 b.p.). The goodwill impairment charges associated with the activity in Greece and the gains from the sale of the shareholding in Eureko, BV had no impact on Core Tier I;

- The effort developed in order to optimise and strengthen the collaterals of the exposure to credit risk, which resulted in capital requirements reduction (+57 b.p.);

- The increase in non-controlling interests resulting from the corresponding share in the capital increase carried out by Bank Millennium in Poland (+14 b.p.);

- The impact from the sale of shareholdings in Turkey and United States of America (+4 b.p.);

These impacts were partially offset by the following unfavourable effects:

- The increase of the Pensions Fund's actuarial differences above the corridor, as a consequence of the devaluation of the stock markets and also the perception of the sovereign risk increase, namely of the Portuguese Republic (-65 b.p.);

- The depreciation of the deferred impacts of the transition adjustments to the IFRS, of the 2005 mortality table and of the 2008 actuarial losses (-32 b.p.);

- The payment and the legal provisioning of the 2010 return not yet paid concerning the hybrid instruments (-15 b.p.);

- The increase of the capital requirements related to the exposures held to national credit institutions, due to the rating devaluation of the Portuguese Republic (-9 b.p.).

The evolution in core capital was also influenced by changes in foreign currencies, non-controlling interests driven by the activity of associated companies and by other effects that, in global terms, had a residual impact in 2010.

SOLVENCY

Million euros

	IRB (1)	Standardised	
	'10	'09	'08
RISK WEIGHTED ASSETS			
Credit risk	54,681	61,059	61,846
Risk of the trading portfolio	608	350	436
Operational risk	4,275	4,360	5,144
TOTAL	**59,564**	**65,769**	**67,426**
SHAREHOLDER'S EQUITY			
Base	5,455	6,102	4,780
of which: Preferred shares and "Values"	1,935	1,934	955
Other deductions (2)	(446)	(19)	(60)
Complementary	774	1,566	2,358
Deductions to total Shareholder's equity	(113)	(127)	(81)
TOTAL	**6,116**	**7,541**	**7,057**
SOLVENCY RATIOS			
Core Tier I	6.7%	6.4%	5.8%
Tier I	9.2%	9.3%	7.1%
Tier II	1.1%	2.2%	3.4%
TOTAL	**10.3%**	**11.5%**	**10.5%**

(1) The Bank of Portugal formally authorised the adoption of methodologies based on Internal Rating Based (IRB) approaches for the calculation of capital requirements for credit and counterparty risks, covering a substantial part of the risks from the activity in Portugal as from 31 December 2010.

(2) Includes 50% of the deductions related to the shareholdings in Millenniumbcp Ageas, Banque BCP (France and Luxembourg) and, as at 31 December 2010, also 50% of the deduction related to the amount of expected losses in excess of the respective impairments (IRB). The remaining 50% of the referred deductions impact the complementary own funds.

Note: The capital requirements were calculated in accordance with the regulatory framework of Basel II in 2008, using standardised approaches to credit and market risks and the Basic Indicator approach for operational risk.

In 2009, the Bank of Portugal authorised the adoption of the Standard approach for the calculation of capital requirements for operational risk and the Internal Models approach for the calculation of capital requirements for general market risk of the trading portfolio and for foreign exchange risk, covering the perimeter managed centrally from Portugal.

As at 31 December 2010, following the authorisation received from the Bank of Portugal for the use of Internal Rating Based (IRB) methods for the calculation of capital requirements for credit risk, specific estimates for the probability of default and the lost given default (IRB Advanced) for retail exposures to small companies and for collateralised exposures to real estate property, residential or commercial, were considered, as well as estimates for the probability of default (IRB Foundation) for the corporate portfolios, in Portugal, excluding those related to the real estate promotion segment and the simplified rating system.

FUNDING AND LIQUIDITY

The start of 2010 was marked by the Greek sovereign debt crisis, which deteriorated over the course of the first quarter of 2010. Even in such adverse conditions it was possible to carry out the majority of operations under the Liquidity Plan, namely the market placement of two issues of Medium Term Notes (MTN), the performance of normal volume operations in the Interbank Money Market (IMM) and the significant strengthening of financing via commercial paper.

In April, the deepening of the crisis in the peripheral countries of the Euro Area (Greece, Ireland, Portugal and Spain) led to the downgrading of the rating of the Portuguese Republic and, subsequently, the downgrading of the rating of national banks, giving rise to a significant change in markets and, in particular, the closing of the debt market for medium and long-term issuance and significant reduction of the volume, timing and number of counterparties in the markets for short-term instruments (IMM and commercial paper). The European Central Bank (ECB), through the exceptional liquidity support measures provided by the Eurosystem in place since 2008, remained as an alternative for funding the activity.

Since it was clear that a short-term recovery was highly unlikely, a multi-year plan for liquidity management was prepared and approved based on a context of an extended absence of the regular functioning of markets until the end of 2010.

The Plan consisted of three phases:

- Strengthening of assets eligible for discounting with the ECB in order to guarantee access to liquidity, under the current conditions, of an amount that covered the total estimated liquidity needs;

- Efforts to re-open markets, in case the need arises to tighten funding conditions in the form of a premium to be paid in addition to the market conditions;

- Progressive improvement of the conditions of access to the alternative sources to ECB financing, given the availability of liquidity at the refinancing rate of the ECB, lowering the above mentioned risk premium.

These actions were implemented in an environment of strict control of the financing needs of the commercial activity, aimed at reducing the commercial gap. Overall, the plan envisaged the strengthening of eligible assets, up to about 21 billion euros, through the incorporation of public debt (issues of Treasury Bills and Treasury Bonds), credit securitisations, covered bonds, debt from financial institutions, commercial paper from customers and other loans from customers.

Within the scope of the strengthening of the portfolio of eligible assets, in 2010 the Bank completed two innovative credit securitisation operations which, once again, highlighted the pioneering role of Millennium bcp in the development and implementation of new solutions in this capital market segment.

In February 2010, the "Tagus Leasing No. 1" transaction was completed, which involved the securitisation of a portfolio of contracts associated with car leasing, equipment and real estate, amounting to 1.2 billion euros and, in December 2010, the "Caravela SME No. 2" transaction was completed, involving the securitisation of a portfolio of escrow current accounts and overdrafts, contracted mostly with small and medium-sized companies, in the amount of 2.7 billion euros. This was the first operation of its type in Portugal and one of the few completed in Europe to date, based exclusively on this type of assets (credit lines for short-term use without specific client profiles or predefined amortisation schedules). The operation thus has unique characteristics and is supported by a totally innovative structure, aimed at accomodating the variability of this type of loans that permit usage and repayment at any time.

With the same objective, the bank also increased the use of its residential mortgage loan portfolio in the issuance of covered bonds. Over the course of 2010, three new issues were completed in a total amount of 3.75 billion euros.

The execution of this plan contributed to ensure the refinancing of all the operations reaching maturity at the end of the year, namely all of the maturities associated with medium and long-term instruments, which reached 4.9 billion euros, and to significantly offset the Bank's liquidity risk until the end of the financial year, by creating an excess of collateralised assets to meet the estimated financing needs.

The evolution of the market financing structure was totally conditioned, from April, by the following factors: total closure of securitised debt markets, in both the short-term (commercial paper and monetary market) and the medium and long-term (MTN and covered bonds), and, consequently, refinancing from the ECB. On the other hand, the continuing shortening of maturities in IMM and the growing weight of ECB funds take-up with a one week maturity resulted in a significant concentration of market financing in the very short-term. This trend was only offset by the take-up of ECB funds in longer term operations (six months and, subsequently, three months)

It is noteworthy that, in spite of the loss of depth of IMM after April, with scarce funds on offer and limited to the shortest maturities, it was possible to maintain acceptable levels of financing in that market until the end of the year. This fact was mainly due to the action of the International Division in attracting and diversifying counterparties, which partially covered those that stopped operating, totally or partially, with the Bank.

The execution of the plan to strengthen collateral enabled an increase in total assets eligible after haircuts of 8.3 billion euros to 19.1 billion euros in Portugal (in Central Banks from 10.6 billion euros in 2009 to 20.6 billion euros in 2010). In addition, the execution of the Plan was continued in January 2011 with a new issue of covered bonds with a nominal value of 1 billion euros, to be integrated into the pool at the start of February 2011.

Under the terms of the Plan, the initial estimate for liquidity needs at the end of 2010, for Portugal, came to 15.2 billion euros. The real value stood at 14.2 billion euros, with the difference (safety margin) between the total value of the eligible collateral after haircuts and the net exposure to the ECB rising to 4.9 billion euros.

The Liquidity Plan aproved for 2011 envisages the continuation of the plan to strengthen collateral in a market context still very similar to that observed at the end of 2010, in spite of expectations of a progressive improvement from the second half of the year. Efforts to increase eligible assets and reduce the commercial gap will continue. On the other hand, the diversification of sources of funding, and the correlative and progressive reduction of dependence on the ECB, initiated in December with the first repo operations, continued in January 2011, via increased involvement in this market.

BCP'S RATINGS

The rating agency **Standard & Poor's Ratings Services**, on 27 April 2010, following the downgrade of the rating of the Portuguese Republic from "A+" to "A-", reduced the ratings attributed to the various Portuguese Banks and the subsidiaries in Portugal of Foreign Banks, attributing all of them a "Negative Outlook". The long-term rating of BCP was downgraded from "A-" to "BBB+", while the short-term rating remained at "A-2".

Standard & Poor's essentially bases its opinion on the solid position of the Bank in the national banking system, with leading positions in several products and services, and on the adequate track record in credit risk management, which are counterbalanced by the adverse economic and operational environment, namely in Portugal, the concentration of exposures of its credit portfolio in its twenty largest Customers, the dependence of wholesale funding and the liabilities inherent to its Pension Fund.

The rating agency **Moody's Investors Service**, on 14 July 2010, also informed that, following the revision of the rating of the Republic of Portugal from "Aa2" to "A1", it changed the rating of BCP deposits by two notches, from "A1" to "A3". Moody's maintained, however, the rating of financial solidity (Bank Financial Strength Rating) of BCP at "D+", as well as the rating corresponding to the Baseline Credit Assessment at "Baa3", which depend exclusively on factors intrinsic to the Bank. Moody's maintained the "Negative Outlook". In December, Moody's placed all the ratings of Portuguese Banks under review, in order to evaluate the strategies of each Bank in dealing with the current economic situation and the current situation of the institutional funding markets.

The main reasons underlying this decision were essentially the dependence of Portuguese Banks on financing from the European Central Bank, in a context in which wholesale markets are closed to Portuguese Banks, the impact of the austerity measures implemented/to be implemented by the Government on the economy, the profitability of financial institutions and the quality of their assets and the possibility of the recession being deeper and longer than what is initially expected.

The rating agency **Fitch Ratings**, on 8 November 2010, announced that it revised the rating of several Portuguese Banks. WitH regards to BCP, Fitch revised the long-term rating from "A" to "BBB+" and the short-term rating from "F1" to "F2", maintaining the Outlook "negative". These revisions arose following the revision of the Portuguese Republic rating from "AA" to "AA-" on 24 March 2010.

Fitch also bases its opinion on the negative evolution of the credit risk of the Republic, the public finances deficit and the financing difficulties in the capital market, which together gave rise to the increasing liquidity and funding risks of Portuguese Banks. It recognises, however, the gradual and sustained decrease in the use of funding from the European Central Bank since August 2010, as a result of the efforts to diversify its sources of funding and to reduce its dependence on the European Central Bank.

STANDARD & POOR'S	
	27 April 2010
Counterparty Credit Rating	BBB+/A-2
Outlook	Negative
Deposit Certificates	BBB+/A-2
Commercial Paper in Local Currency	A-2
Commercial Paper	A-2
BCP Finance Bank Ltd.	
Unsecured Senior Debt	BBB+
Subordinated	BBB
Commercial Paper	A-2
BCP Finance Co.	
Preferred shares	BBB-

MOODY'S	
	9 December 2010
LT/ST Rating	A3/P-2 Rating under review
Bank Financial Strength	D+
Unsecured Senior Debt – Domestic Currency	A3
Subordinated Debt – Domestic Currency	Baa1
Other ST – Domestic Currency	P-2
Baseline Credit Assessment	Baa3
BCP Finance Bank Ltd.	
Subordinated Perpetual Debt with Limited Coupons	Ba3
BCP Finance Co.	
Non-Cumulative Preferred Shares	Ba3
Bank Millennium S.A.	
Local and Foreign Currency LT/ST	Baa2/P-3
Outlook	Negative
Bank Financial Strength	D

FITCH RATINGS	
	8 November 2010
Long-Term/Short-Term	BBB+/F2
Outlook	Negative
Individual	C
Support	2
Support Rating	BBB
Senior Debt Secured by the State	AA-
Unsecured Senior Debt	BBB+
LT2 Subordinated Debt	BBB
Preferred Share	BBB-
Commercial Paper Programme	F2
Bank Millennium S.A.	
Long-Term/Short-Term	BBB/F3
Outlook	Negative
Individual	C/D
Support	2

RECENT EVOLUTION OF THE RATING OF THE PORTIUGUESE REPUBLIC AND BCP

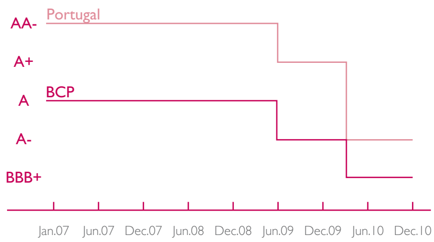
The evolution of the credit risk of Portuguese banks is strongly dependent on the performance of the Portuguese economy and the reaction of the financial markets to the evolution of the Portuguese budget execution, as attested by the press releases of the different rating agencies.

The deterioration of the fundamentals associated to the credit risk of the Portuguese Republic and the challenges that it faces, namely concerning fiscal consolidation and the increase of competitiveness, raise concerns regarding its potential impact on the risk and rating of Portuguese banks.

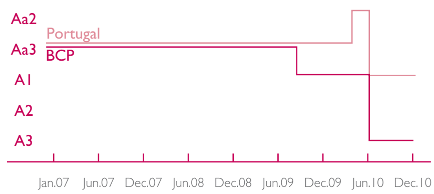
The evolution of the rating of BCP, over the last three years, has closely followed the evolution of the rating of the Portuguese Republic. The sovereign credit risk is a key element in the evaluation of the credit capacity of financial institutions, since the Government holds ample powers and resources that affect the operational and financial environment of the entities under its jurisdiction and provides systemic support.

Among the three rating agencies, Standard & Poor's is the one that presented, at the end of 2010, the smallest difference between the rating notations of the Portuguese Republic and BCP (one notch: A- vs. BBB+), while Fitch is the agency with the biggest difference (three notches: A+ vs. BBB+). In relation to Moody's, by the end of 2009, the rating of BCP was identical to that of the Portuguese Republic. Since then, as a result of various factors, it increased to a difference of one notch and, subsequently, to the two current notches.

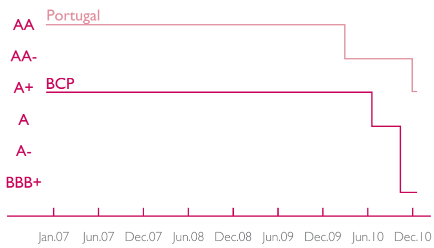
EVOLUTION OF THE RATINGS ATTRIBUTED BY S&P



EVOLUTION OF THE RATING ATTRIBUTED BY MOODY'S



EVOLUTION OF THE RATINGS ATTRIBUTED BY FITCH



SEGMENTAL REPORTING

SEGMENTAL REPORTING

Millennium bcp offers a wide range of banking activities and financial services in Portugal and abroad, focusing on Retail Banking, Companies, Corporate & Investment Banking and Private Banking & 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, applying: i) in 2009 to the Standard approach for calculating capital requirements for credit risks and ii) in 2010 to the IRB Advanced for credit risk Retail portfolio related to small retail business or collateralised by residential or commercial real estate, and IRB Foundation for corporate loans in Portugal, excluding property developers and other entities simplified rating system.

In 2009, subsequent to 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, changes in the second half of 2009 and 2010 in the organisation of the segments were reflected in the figures for 2009: Retail Banking and Companies were separated, the Corporate network became part of the Corporate & Investment Banking segment and Interfundos, which was part of Private Banking & Asset Management, joined the Companies segment. The business of the Millennium bcp Bank & Trust in the Cayman Islands has been considered in the Foreign Business segment, rather than the Private Banking & Asset Management segment, as it was previously.

The capital allocation of each business segment in 2010 was 6.5%, and was considered, for comparative purposes, the same percentage of capital allocation in 2009.

The net contributions of each segment include, where applicable, the minority interests. Thus, the net contribution reflects the individual results achieved by its business units, independent of the percentage held by the Group, including the impact of movements of funds described above. 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 2010.

RETAIL

The Retail Banking segment includes: i) the Retail Bank in Portugal, where 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) ActivoBank, a bank focused on clients who are young in spirit, intensive users of new communication technologies and who prefer a banking relationship based on featuring simple, modern products and services. Retail Banking operates, under the Group strategy of cross-selling, as the distribution channel for products and services of other Group companies.

The net contribution from Retail Banking in Portugal stood at 106.9 million euros in 2010 compared to 151.4 million euros in 2009.

In line with the strategic priority of repricing transactions, adjustments to the pricing of spreads and commissions set for the Retail Banking, the other net income showed a favourable performance compared to 2009, underpinning the evolution of commissions associated with Customer loyalty programmes, particularly those related to demand deposits and risk insurance.

The performance of net interest income in 2010 was influenced by the lower volume of loans to customers, despite the positive effect associated with the repricing of loans.

Operating costs dropped from 2009, driven by the measures implemented to simplify the organisation and to optimize processes, as well as by the reduction in the number of Employees. The increase in impairment charges posted in 2010 resulted from the higher levels of non-performing loans.

In 2010, Retail Banking reduced the commercial gap, in line with the strategic priority of expanding customer funds through an enhanced product portfolio for small savings and investment solutions with low risk. Thus, total customer funds, reflecting the commercial effort to further increase customer funds, remained stable and amounted to 36,133 million euros as at 31 December 2010, compared to 36,204 million euros as at 31 December 2009. Loans to Customers fell 3.3% to 33,547 million euros as at 31 December 2010, compared to 34,678 million euros recorded on the same date in 2009, influenced by the reduction of mortgage loans, loans for property development, consumer credit and finance companies.

Million euros

	31 Dec.10	31 Dec. 09	Change % '10/'09
PROFIT AND LOSS ACCOUNT			
Net interest income	514.5	628.1	-18.1%
Other net income	452.6	433.8	4.3%
	967.1	**1,061.9**	**-8.9%**
Operating costs	670.3	725.5	-7.6%
Impairment	151.2	130.6	15.8%
Contribution before income taxes	**145.5**	**205.8**	**-29.3%**
Income tax	38.6	54.4	-29.1%
Net contribution	**106.9**	**151.4**	**-29.4%**
SUMMARY OF INDICATORS			
Allocated capital	1,045	1,326	
Return on allocated capital	10.2%	11.4%	
Risk weighted assets	16,076	20,397	
Cost to income ratio	69.3%	68.3%	
Loans to customers	33,547	34,678	-3.3%
Total customer funds	36,133	36,204	-0.2%

Note: Loans to customers and customer funds on monthly average balances.

CARDS

The Cards Department was created in November 2010, as a result of the recognition of the growing complexity of the payment card business in recent years, requiring greater and more dedicated attention, aimed at increasing the Customer base and improving Customer loyalty levels through higher valued service.

Payment cards are a global business by nature, multifaceted and with many interventions and interdependencies, both at a national and international level, comprising judgements and opinions of decision making and regulatory authorities in areas of policy, economics, tax, competition law, consumer rights and other related rights.

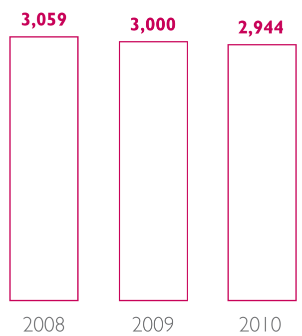
Also underlying the creation of this Department was the responsibility of higher standards in the search for new solutions, in order to achieve difficult and ambitious targets, namely relative to business profitability, challenged upstream and downstream by factors which have radically transformed their rational economic foundations.

Millennium bcp has assumed a distinguished position in the payment card market, in a context, which is, in many aspects, totally new, and in an area of activity, which is highly competitive and has challenged the preferences of the best and most profitable Customers of the Bank.

The Cards Department was given the responsibility for the entire payment card business marketed by Millennium bcp, in all its areas – debit, credit, prepaid, co-branded, affinity, private – and for all the brands of which the Bank is the issuer or acquirer: Visa, MasterCard, American Express and Multibanco. The Cards Department now represents the Bank at the national and international payment systems as well as at the decision making authorities, on matters of cards as means of payment, namely the Bank of Portugal.

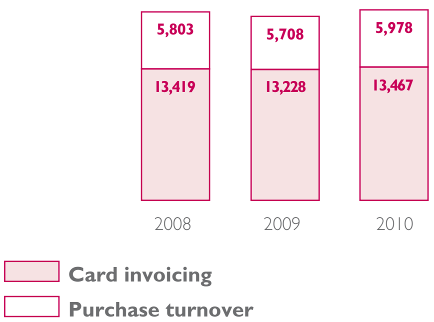
TOTAL NUMBERS OF CARDS

Thousands



EVOLUTION OF CARDS INVOICING AND TURNOVER OF PURCHASES

Million euros



The card business increased 1.8% in invoicing and 4.7% in volume of purchases. In the current economic environment, debit cards gained in terms of preference and significance, having been the main growth engine of invoicing, with an increase of 6.7% in the volume of purchases relative to 2009. Credit cards, in spite of a decrease of 1.6%, still maintained a good performance, bearing in mind the difficult economic environment in 2010.

In order to attenuate and even counteract the current economic climate, Millennium bcp centred its activity in 2010 on a number of sales and relationship initiatives, thus reinforcing the main value propositions of the cards that constitute its offer, among which the following should be highlighted:

- The launch of the new "Prestige Security" card, a "top of the range" credit card, directed at the Affluent segment and included in the "Prestige" offer. It stands out for its exceptional assistance insurance package and unique holiday and insurance promotions. In 2010, more than 44,000 new "Prestige Security" cards were placed;
- Implementation of credit card campaigns, namely Mastercard, Visa – "I'm Going To Rock in Rio", and the American Express Blue card – "Your Blue takes you to Rock in Rio!", which in May 2010 offered 27,000 Customers a day of music and festivities;
- Offer of cinema tickets, within the scope of the loyalty programme "Show your card and win a cinema ticket" of Millennium bcp cards, in partnership with Zon Lusomundo. In 2010, about 292,000 cinema tickets were offered;
- Implementation of an appealing commercial campaign, "Purchases that are worth money: 5 new purchases with the card, worth 25 euros on the account card" within the scope of the 25th Anniversary Campaign for Millennium bcp. The credit cards were linked to this initiative and it was recorded a strong adhesion of the Bank's Customer base, with a new sales result 40% higher than the result in the first quarters of 2010;

- The continuation of social solidarity programmes, allowing Customers holding Millennium bcp Classic American Express and Gold to discount the points received for their purchases on donations to social institutions, with emphasis on Portuguese Caritas, Casa do Gaiato, the Portuguese League Against Cancer, UNICEF and Acreditar.

With respect to American Express cards, 2010 was characterised by the alignment and execution of activities initiated in 2009, whose positive results are already apparent, based on the following initiatives:

- Implementation of the campaign "Your Blue takes you to Rock in Rio!";

- Implementation of the Blue card campaign "This summer, accelerate with an American Express scooter" which awarded five Customers with a scooter for using their card;

- Recognition of the launch of the Twin Cards by American Express, with an Honourable Mention in the category of Outstanding New Card Launch at the GNS Marketing Awards. This innovative solution was in campaign in August and September, and achieved an average increase of 80% in sales;

- Implementation of two strong campaigns offering additional miles on TAP – Air Portugal cards, aiming to concentrate invoicing on these cards. The partnership through the sponsorship of TAP Victoria events was also reinforced, with emphasis on the Victoria Open Golf tournaments, recalling the vital importance of this portfolio, both in terms of exclusivity and prestige of the partnership, as well as contribution to the Bank's results;

- Promotion of the conversion of Membership Rewards points into solidarity, which enabled an increase of 72.5% in 2010, relative to the value donated in 2009. The following institutions benefited from this support: Ajuda de Berço, Acreditar, CERCI, Mater Timor Foundation and the Cais Association;

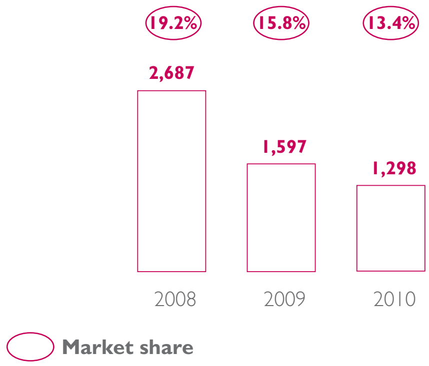
- Signing of the new Partnership Contract with American Express, at the end of November, with the attribution of three operating licenses for Portugal as an exclusive Independent Operator. The new contract guarantees Millennium bcp exclusivity in the issuing of Centurion (five years) and Acquiring (seven years) cards, as well as a five year license for the issuing of Blue Box Line cards;

- Addition of more than 4,000 new points of sale to the American Express Traders Network, increasing the national coverage rate of POS credit to close to 75%;

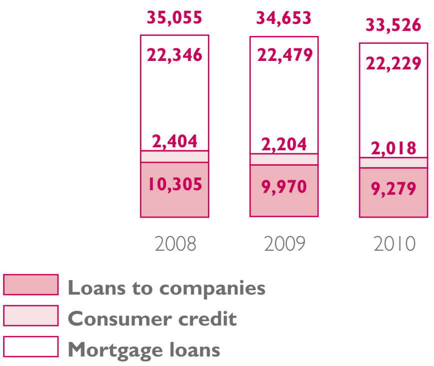
- Increase of 9.1% in business volumes at the Acquiring operation, through greater use of national and international American Express cards at national establishments.

The objectives for 2011 in this segment are based on four fundamental vectors: i) grow in invoicing and number of active cards; ii) increase the profitability of the portfolio, by encouraging the preferential use of the cards for shopping, instead of Automated Teller Machine (ATM) withdrawals; iii) revitalise and simplify the offer, adjusting it in a flexible manner to the new preferences of Customers and iv) reinforce the value and notoriety of the American Express cards, highlighting its many advantages for Customers and further extending the American Express acceptance network in Portugal.

MORTGAGE LOANS NEW PRODUCTION
Million euros



LOANS TO CUSTOMERS IN PORTUGAL
Excludes ActivoBank
Thousand euros



CREDIT

Mortgage loans

In view of market conditions, adjustments were made to the pricing table for spreads and commissions, aiming to preserve profitability, as well as adapting the risk variables, namely loan-to-value (LTV), repayment and grace periods, guided by greater rigor in credit analysis and concession. Within the scope of the credit line – Mortgage Moratorium – resulting from a government measure created to help families in situations of unemployment, Millennium bcp approved about 700 requests. Note should be made of the initiatives to foster the Mediators Channel, with a view to increasing the business originated by these partners, as well as the promotion of auctions of the Bank's real estate holdings and of the real estate associated with Property Development Loans, involving special conditions.

Personal loans

Millennium bcp launched the "Tailor-made Loans", an innovative product for high amounts, aimed at satisfying the needs of a specific market segment. The internal promotion of Personal Loans and Auto Solution campaigns was a constant, enabling the Commercial Network to focus on the objectives of credit concession as a means of continuing support to Customers. In order to comply with the legislation in force, in relation to the usury rate, implying changes to the maximum TAEG for each quarter, adjustments were made to the pricing table for rates and commissions and of the overall offer of Personal Loans.

Business loans

In the Business segment, activity has focused on initiatives to renegotiate the pricing conditions oriented towards the need to defend net interest income, sharing the consequences of the increase in the cost of funding. At the same time, adjustments were made to the pricing table for spreads and commissions.

For 2011, the strategy of Millennium bcp in this segment will continue to be based on the pursuit of Customer alert signal identification policies, to anticipate financial difficulties that may lead to default, on the development of loan portfolio analysis actions with a view to retaining Customers and the defence of net interest income, on the development of actions that boost the attraction of new Individual Customers. The Bank will pursue its action, in a selective and rigorous manner, taking into account the credit quality and the positive impact on the Bank's income statement and on the new of commercial partnerships, namely in the Business segment, sharing benefits with Customers, creating a new paradigm of commercial relations and risk management, with a specific focus on supporting operations associated with the export of goods and services.

INSURANCE

In 2010, the Insurance Products Unit recorded an increase of 0.3% in production relative to the previous year, entirely based on active sales, since the sale of insurance associated to credit shows a declining trend, essentially due to the decline in payment protection plans associated with consumer credit.

Mortgage loans payment protection plans and Auto loans insurance merit special mention. In both cases the volume of premiums tripled comparing to previous year.

In active sales, Médis health insurance, with a portfolio growth in excess of 5.8%, stands out. In this segment, Millennium bcp Ageas continues to increase its market share, which reached about 25% at the end of the year, the second largest national operator in the business.

During 2010, the Médis Vintage insurance product was launched for the senior segment, which increased the acceptance from health care providers. Personal accident insurance was also reformulated, enabling better adequacy to market needs.

The "Home Protection" multi-risk insurance, with extensive coverage, has had a great acceptance in Retail, with near 4.3% growth in 2010. "Pétis" insurance, intended for civil liability protection and veterinary care of pets (cats and dogs), grew strongly this year, being well accepted by Customers, resulting in an increase of the coverage placed in the market during the first half of 2010.

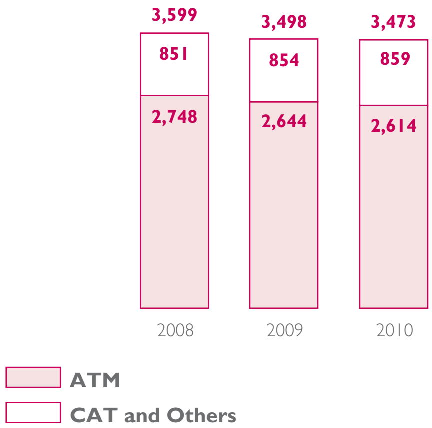
In the insurance segment in 2011, Millennium bcp will continue to focus on growth in active sales, essentially through the Médis health insurance and payment protection plans, and will also focus attention on the Business segment, with the launch of more structured plans that are better adapted to the target market.

SELF-BANKING AND PAYMENTS

Self-banking equipment installed in branches

Millennium bcp continues to invest in the installation of intelligent ATM, incorporating deposits technology with validation of notes and image scanning of cheques, holding a market share of 38% in this type of equipment, which is synonymous with innovation and Customer service quality. The placement of this equipment has followed a strategy of proximity and convenience, focusing on areas of active foot traffic and supplies provision for the population, namely food retail outlets, shopping centres and integrated public transport hubs. For the exclusive use of its own Customers, the self-banking areas of Millennium bcp's branches have received new models of machines for deposits in bags, of money or cheques, a value added service for small businesses, improving the quality, speed and availability of the service. The placement of equipment designed for blind people and people with reduced mobility continue to be promoted in these areas.

SELF-BANKING EQUIPMENT
Units



Remote ATM

Millennium bcp continues to pursue a strict management of locations for remote ATM equipment, with a clear return in the usage of this equipment and an average record of transactions considerably higher than the total of the Multibanco network. As a result of this activity, the profitability associated with the total number of ATM machines increased by about 6% in 2010, despite the decline in market share in terms of number of equipment. At the same time, Millennium bcp continues to invest in the security of ATM and the locations where the machines are installed, with positive results in terms of number of incidents, which are also due to dissuasion fomented by the implementation of the innovative banknote inking system in its ATM. The Bank has once again achieved pioneer status with the implementation of this system, maintaining the largest number of machines protected.

Point of Sale Terminals

Millennium bcp, in its constant quest for solutions that reduce cash circulation and increase the use of electronic payment means by consumers, undertook several commercial measures to place Point of Sale Terminals (POS), which extended the number of the points of acceptance of debit and credit cards.

Cheques

The cheque is gradually being replaced by means of payment that are more efficient, more secure and in many cases less costly, namely bank transfers. Millennium bcp continues to strengthen security with regards to this means of payment, restricting its usage to Customers of lower risk and obliging compliance with specific criteria. In the fourth quarter of 2010 some line items of the supplementary price table for of cheques were revised, with a positive direct impact on the net operating income of cheques, compensating the Bank for operating services provided.

SEPA Direct Debits

Millennium bcp launched, within the framework for creation of the Single Euro Payments Area (SEPA), the SEPA Direct Debit service for individuals and/or companies (core) and exclusively for companies (business-to-business). From 1 November 2010, the SEPA Direct Debits service became available to Customers of Millennium bcp.

This new service, which became operational in the 32 countries that comprise the SEPA, allows Millennium bcp Customers to domicile, in their accounts, collections originating from several European countries in the SEPA and allows creditors to carry out collections in euros from debtors with an account in a bank of the SEPA space.

Western Union

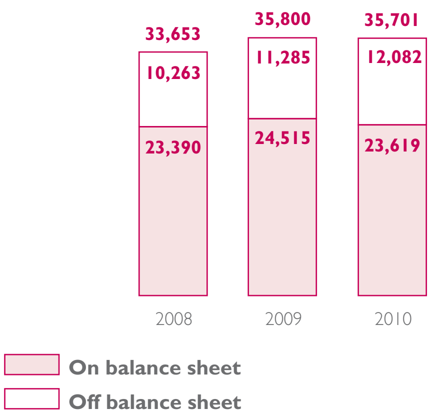
In 2010, Millennium bcp continued to promote the Western Union Money Transfer service, focusing on the distinctive ease, relative to its main competitors, with which its Customers are able to undertake transactions conveniently and securely via telephone or Internet. By adapting to the current market environment, it also launched initiatives with a reduced price table for transfers to Brazil and countries of the Euro Area.

In 2011, Millennium bcp will remain commited to innovation and development of services and equipment in the Self-banking and Payments segments.

SAVINGS PRODUCTS AND MARKETS UNIT

With the purpose of reducing its dependence on international financial markets, the Bank adopted a commercial policy focused on attracting customer funds. Customer funds captured were recorded in balance sheet funds, giving preference to longer maturities, aimed at rebalancing Customers' application maturities with the average maturity of the loan portfolio in Retail. The commercial policy focused on the offer of products that met the main financial needs of Customers in an effective, flexible, simple and transparent manner: Savings, Investment and Retirement.

CUSTOMER FUNDS
Thousand euros



Savings – One-off savings and Planned savings

The Bank has been actively promoting the commercialisation of products associated to small and medium-sized savings, focusing in particular on longer maturities, with guaranteed capital and return. The offer made to Customers meets, in a simple way, the one-off savings needs, as well as the planned savings needs, which help to create savings routines and habits in Customers. The launch of savings products during 2010 was followed up by extensive communication campaigns, focusing on the "Depósito Crescente Mais" ("More Growth Deposit") and "Poupa Mais" ("Save More") products.

Investment

With respect to Customers' investment concerns, the Bank focused its activity on the commercialisation of debt securities, among which the "Millennium Rendimento Extra" ("Millennium Extra Income") and "Millennium Rendimento Semestral" ("Millennium Biannual Income") campaigns stand out.

In the category of medium and long-term investment, capitalisation insurance had a very positive performance during 2010, with a growth of 14.7%. With a more conservative investment profile, due to the economic situation over the last few years, Customers have increasingly opted for low risk applications, with longer maturities and transmitting a high level of security, which is why investment products and Retirement Savings Plans (PPR), conveyed by insurance products, register excellent performance.

The commercialisation of 154 million euros of "Millennium bcp Subordinated Debt 2010/2020" to Customers that seek to obtain a higher remuneration, foregoing the liquidity of their investments in the short-term, and with adequate risk profiles for this type of product, is also noteworthy. The issuing of these securities is closely linked to the commitment of improving the Bank's capital ratios, in addition to contributing towards the stabilisation of its funds base.

Retirement

The Bank has been strengthening its offer in terms of Retirement products through the creation of new product lines, with the aim of extending its Customer base, since this is a significant element in the creation of a lasting relationship between Customers and the Bank. During 2010, an effort was made to place these products in a more homogeneous way over the course of the year, instead of focusing their sale in the last few months of the year. With a growth of 9.9%, the success of this strategy based itself on the promotion of commercialisation, the creation of very attractive products in terms of returns, and the launch of campaigns at different times of the year, such as the offer of "Vouchers PPR" ("PPR Vouchers") and "Valor Duplo PPR" ("Double Value PPR").

25th Anniversary of Millennium bcp

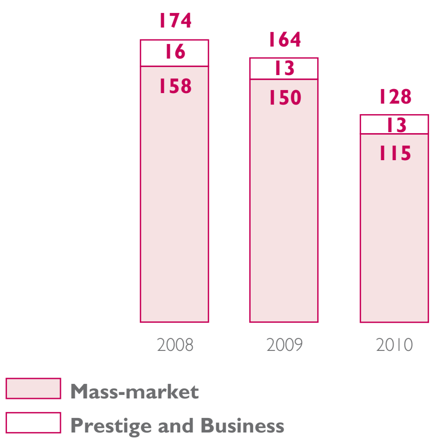
On the occasion of the celebration of the 25th anniversary of the Bank, several initiatives were created that allowed Customers to celebrate this moment with the Bank. With regards to savings products, the "25 Years Deposit" was created, offering a very attractive return, with the possibility of a premium depending on the time of permanence of the Customer, with the final objective of attracting small and medium-sized savings.

In 2011, in the Savings Products and Markets segment, Millennium bcp will maintain its current strategy of attracting customer funds, focused in particular on on-balance sheet customer funds, preferably in the medium/long-term range, which may be conditioned by the persistence of the economic and financial crisis. The Bank will also continue to focus on small and medium-sized savings, in which, through attractive returns, saving habits and routines are encouraged, on the offer of investment products, different investment alternatives, which cover the most varied temporal horizons, intending to meet the estimated maturities, and on the consolidation and growth of their assets, allowing them to fulfil their life projects or address their retirement concerns. This is an area in which the Bank is responsible for guaranteeing an extensive range of solutions, consistent with Customers' objectives and responding to their level of savings or expected future profitability for their applications in retirement products.

INDIVIDUALS SEGMENT

In 2010, the Individuals segment continued to focus its commercial efforts on matching its Customers' needs with the various integrated solutions offered by the Bank, to ensure a better cost/benefit ratio in the Customer relationship with the Bank. In this regard, three communication campaigns were launched as a means of promoting and fostering solutions: "Wage Advantage", for Customers who domicile their wages at Millennium bcp, the "Prestige Programme", for Customers who have a broader involvement with the bank; and "Frequent Customer", for Customers who seek a simple solution adapted to their daily financial needs. Millennium bcp thus seeks to present financial solutions to the market that are comprehensive, innovative and suitable for the various phases of life of its Customers, always seeking to interpret their needs and adapt its offer to suit them best.

NEW RETAIL CUSTOMER
Thousands



The attraction of funds was a priority over the course of 2010, reflected in the creation and promotion of competitive savings products and adapted to the risk profile and liquidity needs of the Customers of this segment.

The Mandatory Contacts Plan continues to be used as a privileged communication tool to contact Customers, supported by targeted commercial action that, in combination with the daily commercial activity of the branch, capitalises on sales opportunities and allows for a more effective monitoring of Customer portfolios.

The start of 2010 was marked by the launch of a strong communicational campaign focused on attracting wages under the slogan "Change your Life – bring us your salary and start saving now". Millennium bcp invited its Customers to sign up for a simple and accessible savings solution, tailored to the specific savings capability of mass market Customers. Millennium bcp thus sought to strengthen its positioning in the market as a Savings Bank.

Within the scope of attracting wages, the measures to promote the solution "Wage Advantage – VIP Plan" among Employees of companies that have a protocol with Millennium bcp are also noteworthy. Millennium bcp sought and seeks to exploit business synergies, taking advantage of the windows of opportunity provided by Customer companies to attract their Employees.

During 2010, Millennium bcp strengthened its commitment toward Customers that have a broader involvement with the Bank and higher profitability – "Prestige Customers" – with the launch of a targeted campaign based on the concept "Choose to be Prestige". Enriched with the offer of the annual fee of the "Prestige Security" credit card, the Prestige Programme was strengthened within the commercial network, which efficiently promoted its placement with the best Customers.

Within the scope of social support: i) in terms of support for families, the Customer support line – Financial Counselling Service – continued, through which attempts are made to find the most balanced solution between fulfilment of responsibilities and the available budget. In 2010, 209 contacts from Customers were received, which resulted in 146 initiatives of potential support or debt restructuring.

In the financial sphere, for students who wish to pursue an academic path which implies additional costs for families, Millennium bcp provides: i) University Credit with Mutual Guarantee provided under a protocol signed with the Mutual Guarantee Societies with the support of the Ministry of Science, Technology and Higher Education, which established interest rates indexed to the annual average grade achieved by the students. In 2010, 291 contracts in the amount of 3,246 thousand euros were contracted and ii) University Credit – with a lower interest rate than that of personal credit. In 2010, 278 loans in the total amount of 2,510 thousand euros were contracted.

In support of the Third Sector, the "Non-Profit Associations Account" was reformulated, so as to enable these institutions to be included in the financial system. As such, no minimum value is required to open this account and it is exempt from maintenance and overdraft commissions.

Within the sphere of environmental responsibility, a credit line was created in 2010 by Millennium bcp with preferential interest rate conditions, much lower than those practiced in Consumer Credit and with no commissions associated, designated as Renewable Energies Credit, directed at Customers seeking loans to purchase renewable energy equipment, with 41 loan operations in a global amount of about 461 thousand euros having been approved.

Millennium bcp continued to focus on the younger Customers segment, revitalising the offer with the creation of specific savings products, among which the "Piggy Bank Savings" is noteworthy, which, by allowing a monthly pay-in programme, teaches young people how to save for the future.

At the end of the year, the "Frequent Customer" solution, a product that is well known and recognised by the market, was promoted and revitalised. With the headline "I Trust. I'm a Frequent Customer", this campaign associated the commercial message of the product to the Bank's institutional values through a much closer and intimate message. The final campaign indicators reveal that the Frequent Customer Solution continues to meet Customer expectations, promoting considerable levels of savings and simplifying the management of the household budget.

Within the scope of the commemmoration of the Bank's 25th anniversary, an institutional campaign was launched in which the Bank shared moments, joys and accomplishments with its Customers. In recognition for sharing a common history, Millennium bcp created a package of discounts in several products ("Star Products") and negotiated, exclusively for its Customers, benefits with renowned brands.

The Bank has continued to focus on promoting the Digital Statement as a way for Customers to substitute the combined statement in paper format with the digital format. Based on the message "Lack of Space? No more Statements", the intention is to demonstrate that this service, totally free of charge, besides facilitating access to banking statements, available online through the portal or email, also has advantages for the environment.

The roll out of the account opening process to all Retail Network branches closed another technological innovation cycle for Millennium bcp and provided the entire network with a tool that makes the account opening process much more than a mere administrative act. The construction of the process was based on commercial guidelines, promoting from the very start the placement of the "Welcome" offer, which immediately provides the necessary instruments to manage the account via the different channels of access to the Bank. This new process, on the one hand, makes account opening much simpler and more efficient, since it permits the automatic capture of data and the simultaneous and integrated collection of complementary information of the Customer (risk, commercial profile, know your Customer) and, on the other hand, significantly reduces the cost associated to the process by eliminating the physical circulation of paper. At the same time, it also provides greater control and security by invalidating account opening due to failure to present the mandatory documents and by allowing the different control areas to perform remote consultations.

The evolution of the legal context initiated in the second half of 2009 conditioned the communication strategy of Millennium bcp over the course of 2010. The communicational messages became simpler, characterised by a strong institutional component and written communication to Customers became more frequent. In this regard, efforts to migrate toward digital communication solutions continued throughout the course of the year.

In 2011, the Individuals segment will focus its operating strategy on the promotion of actions directed at attracting and maintaining new Customers, on the "Welcome" to new Customers, on the permanent monitoring of the commercial network, which will allow, over the course of 2011, the commercial relationsip with Millennium bcp's Customers to be perfected, ensuring a sustainable relationship with the Bank, thus guaranteeing the Bank's status as their prime financial interlocutor, and on the offer of integrated solutions, namely preferential financial solutions for groups of specific segments.

BUSINESS SEGMENT

In 2010, the Bank continued to support the entrepreneurship and innovation of Customer companies, by rewarding them for the distinction and recognition of their entrepreneurial vision, as well as capability of execution and innovation, with the status of "Applause Customer 2010". Being an "Applause Customer" means belonging to the restricted group of companies with access to exclusive benefits in financial products and services, in addition to the market credibility provided by the "Applause Diploma". This is an initiative that is very successful and well accepted among Portuguese SME.

The results achieved with the "Frequent Business Customer" solution, launched in the first half of 2010, confirm that it is a valued offer for the main transactional needs of Businesses and Individual Entrepreneurs, having registered 25,860 new additions. This integrated solution provides a broad set of banking services (cheques and transfers through the "millenniumbcp.pt" portal, cards, personal accident, enterprise assistance and legal protection insurance) for a fixed monthly amount lower than what the Customer would pay for isolated purchase of the products.

Contributing towards success, supporting entrepreneurial projects and presenting innovative solutions require a permanent monitoring of corporate reality, based on rigour and competence. In this regard, the "Certification of Managers" process is a challenge offered to the Employees who supervise the Business and Enterpreneur Customers, forming part of a continuous programme designed to improve their skills and technical expertise. This was another challenge to the professionalism and competence of Managers, which will contribute to enhancing and reinforcing Customers' relationship of confidence with the Bank and reiterate our vocation: "Go further, do better and serve the Customer".

In 2011, in the Business segment the Bank will remain commited to the successful initiatives developed in 2010, namely the initiative "Be an Applause Customer" and will continue to support entrepreneurial projects and present appropriate and innovative solutions to its Customers, based on rigour and competence.

PROCESSES AND SERVICES MANAGEMENT UNIT

The Processes and Services Management Unit (PSMU) continued to provide support to the process of innovation and improvement of the commercial areas, maintaining and creating operational control mechanisms to provide technical support to the functional structure that makes up the Retail Network.

In 2010, the activity of the PSMU was directed at four major areas:

- Offer management, including: i) disclosing commercial guidelines, rules and competences; ii) maintenance and disclosure of the Bank's price list in conjunction with the units involved; iii) information on changes to rules and procedures and iv) drawing up training manuals;

- Commercial management and encouragement, including: i) disclosure of best commercial and operational practices; ii) participation in process re-engineering projects essential to the improvement of operating efficiencyand iii) permanent operational support;

- Management information, including development of projects to improve the data base;
- Operational control, focused on execution of operating processes and accounting control.

From these major areas of activity, it is worth noting the following projects in which PSMU was involved:

- Coordination of the transposition of Bank of Portugal regulations (Notice 8/2009) regarding the price table and information requirements;
- Reduction of exemptions and commercial discounts of the standard price table (leakage);
- Process of central renewal of credit lines and limits;
- Recorded telephone message of the branches' opening hours;
- Initiatives to increase revenue – control of debit and rebate of commissions;
- Classification of branches.

CAMPAIGNS MANAGEMENT AND CUSTOMER RELATIONSHIP MANAGEMENT (CRM) UNIT

One of the objectives for 2010 of this Unit involved investing in the improvement of the Contact Support and Comercial Activity Management of Retail tool, with a view to, primarily, increase the efficiency of sales and execution of operational tasks and provide more and better information for the monitoring and management of Customer portfolios. This commercial tool provides a unique vision of the Customer in terms of the use of the different channels, enables management of the various contacts and saves all historical information.

Over the course of the year, the regular contacts made by the Retail Network, using the contacts plan, increased proximity to Customers, which had a positive impact on the Customer satisfaction index and Customer loyalty. In terms of placement of products, i.e., the improvement of the cross-selling index, a significant increase was also registered as a result of the more extensive and improved use of the tool and information available on Customers.

With a view to improving the success rate of the commercial campaigns of Millennium bcp, by continually adapting the Offer of Products and Solutions to the specific characteristics of each Customer segment, the Campaign Management and CRM Unit also adopted, in 2010, new software to structure, streamline and automate the campaign implementation process. This software allows for a significant improvement in commercial effectiveness: it i) ensures that, during the campaign period, the Customers to be contacted meet the defined selection criteria; ii) streamlines and reduces the work involved in the selection of Customers for each campaign and iii) enables a more personalised offer.

The year was also marked by the conclusion of the new Retail Portal, within the scope of the creation of a new multi-domestic intranet, a unique platform for communicating and interacting with all Employees, using the same information architecture, fostering a set of synergies in terms of development, content creation, maintenance and management, security and use.

Given the specific needs of a geographically dispersed commercial network, a new internal communication model was also developed to coordinate the contents to be presented in the different internal communication media – e-mail, Intranet and Millennium tv – taking advantage of the different channels to boost business potential.

FOREIGN RESIDENTS

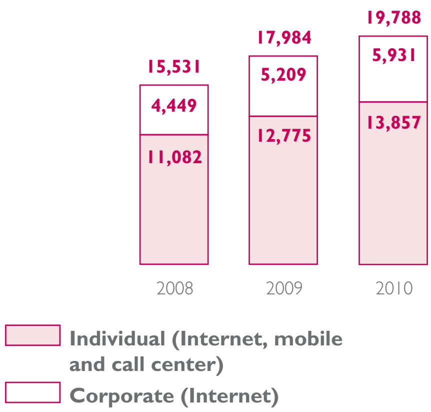
The Retail Banking Support Department – Comercial Department of Foreign Residents' main activity is to monitor and develop business with all Portuguese and foreigners living abroad who wish to have or already have a relationship with Millennium bcp. In this context, the area has the mission of attracting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

During 2010, the branches of the Domestic Network focused specifically on regular Customer approach practices, with the implementation of the "MUDARe" programme – Foreign Resident Monitoring Dynamic Standardisation Model – aimed at achieving a sustainable increase in business and strengthening Customers' ties to the Bank. In the summer period, and continuing the tradition of welcoming people, Millenium bcp opened the doors of its branches in Portugal to Foreign Resident Customers, welcoming them with a financial offer designed to recognise the results of their labour and reward their savings. The welcoming of these Customers began at the Lisbon and Oporto airports with promotional stands and panels with the slogan "Welcome to the land of your heart" and at the border of Vilar Formoso with the distribution of maps of Portugal and of the newspaper "News of My Country", created exclusively for the foreign residents campaign.

DIRECT BANKING

The use of direct channels by Millennium bcp Customers strengthened over the course of 2010. The growth rates of Internet banking use – 8% in the Individuals portal and 14% in the Companies portal – demonstrate the Bank's continued commitment to the development of new and innovative tools to manage Customers' finances.

NUMBER OF DIRECT BANKING OPERATIONS
Thousands



The Bank consolidated the growth of the use of the "Mobile" channel, which increased 11% in 2010, mainly due to the launch of a new innovative mobility concept – the "Mobile App", a pioneer solution in the Portuguese market. By installing a simple application on their mobile phone, Customers can access their accounts and conduct transactions in connection with their financial assets in a simple, quick and secure way. This application is available for the iPhone, BlackBerry and Smartphones (Java) and shall in due course also be available for other operating systems. Users can monitor the balances and movements of demand accounts, savings accounts and credit cards, pay current expenses, make transfers to Millennium bcp or to other banks accounts and top up mobile phones, among other transactions that can be carried out through this application. With this new concept, Millennium bcp intends to extend the alternatives of contact with the Bank, providing its Customers with an easier choice in line with their needs.

In 2011, it is the Bank's intention to continue to provide the best solutions to its Customers and a service of excellence, aimed at fully satisfying their needs.

ACTIVOBANK

The strategic priorities of ActivoBank, in 2010, involved the renewal of its value proposal and the resulting increase of its Customer base. In a difficult environment, ActivoBank confirmed its status as an innovative bank by surprising the market with the launch of a new value proposal based on financial services of a more current nature, directed primarily at the transactional needs of its Customers. This commitment to modernisation and renewal complements and enhances the pillar of specialised services, focusing on investment solutions, which has long characterised ActivoBank.

This new banking concept involved the launch of a new image, a new product offering and new service and distribution channels, directed at a specific group of urban Customers, who are young in spirit, intensive users of new communication technologies and who favour a banking relationship based on simplicity, transparency, trust, innovation and accessibility. This value proposition is reflected in the brand's signature: "simplify" – a Bank thought out to the very last detail to simplify the day-to-day of its Customers.

To bring this renewed and more extensive proposition to fruition, a series of initiatives have been implemented since March 2010, with an emphasis on the:

- Launch of an "Affiliates" programme to attract Customers and forward requests for servicing;
- Development of a new easy-to-use website that is fast, intuitive and reliable;

- Launch of an innovative application for smartphones that allows the main banking operations to be carried out, such as: checking accounts, transfers, payments, recharging cards, opening savings accounts, demobilising savings and topping up mobile phones;

- Reinforcement of the commitment to provide timely and up-to-date information on financial markets and to contribute towards financial literacy, such as investment newsletters, which discuss market news, investment concepts and personal finances, as well as the participation in "Infovalor 2010 – Savings and Investment Fair", where the Bank was present with its own commercial information stand;

- Simplification of operational processes, especially those that have a direct impact on Customers, such as account opening and the possibility of delivery of debit cards on demand;

- Introduction of a new paperless policy, exemplified by the delivery of all legal documentation in digital format, in legally admitted terms, at account opening and the price table and brochures available on the touchscreen monitors of the branches;

- Opening of four branches, three in Lisbon and one in Oporto, with an innovative design in addition to expanded ofice hours, from 10:00 to 20:00, including saturdays;

- Opening of a point of sale, with identical characteristics to those of the branches, at the Vodafone store in Parque das Nações, in Lisbon, as a result of the partnership between the two companies;

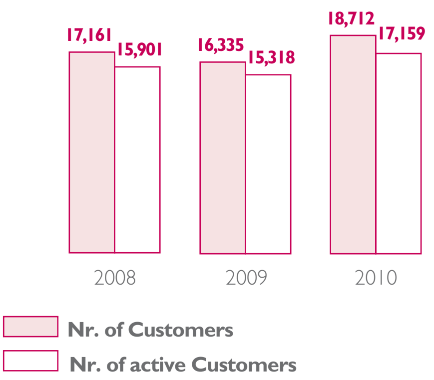
- Restructuring the product portfolio in order to make it more competitive, transparent, easy to understand, and to contract;

- Adoption of the ActivoBank brand, using a new image and the endorsement of Millennium, capitalising on the values, reliability and credibility of BCP Group;

- Launch of "Active Ideas", a programme to collect ideas from Employees of the bank, with 13 of the 165 contributions having already been implemented;

- Offer of six investment funds that include social responsibility criteria, known as "ethical funds", and of 13 funds specialised in the renewable energies, ecology, energy efficiency and climate change sectors. Of these 19 funds, 13 had subscriptions, in December 2010, of a total amount of about 1.5 million euros, representing 2% of the total funds portfolio.

CUSTOMERS AND ACTIVE CUSTOMERS
Units



As a result of these measures, and in spite of the repositioning of the operation having only taken place on 18 March 2010, the Bank increased its active Customer base in 2010 by about 12%, recovering its capacity to attract new Customers.

In 2011, activity will remain focused on increasing the Customer base. In addition to this growth objective, ActivoBank will also strengthen its development of the investment area, implement measures to attract customer funds and focus on a service of excellence for Customers. To consolidate and support this value proposition, a series of initiatives will be developed, with emphasis on the:

- Growth and consolidation of the commercial network through, for example, the expansion of the "Affiliates" programme;

- Continuation of the simplification of operating processes, guaranteeing the excellence of Customer service;

- Entry into new business areas, with emphasis on those directed at investor Customers;

- Consolidation of the commitment to the Mobile channel, through the launch of new applications that extend the range of banking operations available;

- Launch of new products in order to meet a number of identified Customer needs;

- Introduction of improvements to the renewed website, with a specific focus on the investment component.

COMPANIES BANKING AND SPECIALISED CREDIT

The Corporate Banking & Specialised Credit business area includes the Specialised Credit and the Real Estate Business, which is transversal to all segments that comprehend the activity in Portugal.

The Companies segment, in Portugal, covers the financial needs of companies with an annual turnover between 7.5 million euros and 100 million euros, and focuses on innovation, offering a wide range of traditional banking products complemented by specialised financing. Within the scope of the cross-selling strategy, the Companies segment also acts as a distribution channel for financial products and services of the Millennium bcp business areas as a whole.

The Companies segment in Portugal posted a net contribution of 7.5 million euros in 2010, compared with a net contribution of 35.9 million euros in 2009. The performance of this segment was determined by higher impairment charges, despite the increase in operating income.

Other net income increased 41.5% from 2009, supported by the offer to Customers of adequated financial products and services and that provide the generation of fees, highlighting the favourable performance of commissions related to services of financial investment, direct credit and credit by signature, as a result of the strategy to reinforce client relationships and regular and systematic monitoring of Customer activity. Highlights include the implementation of the program "Ainda Mais Próximo dos Clientes" ("Even Closer to Customers"). Net interest income on deposits registered a reduction, influenced by the decrease in spreads in operations with Customers, as the volume effect was positive, simultaneously benefiting from the effect on pricing alignment on loan operations, aiming to reflect the cost of risk and refinancing to new operations with Customers.

The increase in impairment charges recorded in 2010, compared with the amount booked in 2009, resulted from reinforcing the coverage of non-performing loans, mostly influenced by the adverse economic and financial framework in 2010.

The performance in total customer funds reflects the performance of debt securities, as customer deposits, as a result of the strategy to further increase customer funds, rose by 1.7%.

Loans to customers fell 6.5% to 10,024 million euros as at 31 December 2010, compared to 10,717 million euros posted on the same date in 2009, determined by the reduction in national currency loans, commercial paper and factoring.

Million euros

	31 Dec. 10	31 Dec. 09	Change % '10/'09
PROFIT AND LOSS ACCOUNT			
Net interest income	171.7	186.8	-8.1%
Other net income	87.6	61.9	41.5%
	259.3	**248.7**	**4.3%**
Operating costs	60.1	57.9	3.8%
Impairment	189.0	141.9	33.2%
Contribution before income taxes	**10.2**	**48.8**	**-79.2%**
Income tax	2.7	12.9	-79.0%
Net contribution	**7.5**	**35.9**	**-79.2%**
SUMMARY OF INDICATORS			
Allocated capital	647	659	
Return on allocated capital	1.2%	5.4%	
Risk weighted assets	9,958	10,134	
Cost to income ratio	23.2%	23.3%	
Loans to customers	10,024	10,717	-6.5%
Total customer funds (1)	2,982	3,080	-3.2%

Note: Loans to customers and customer funds as monthly average balances.
(1) Includes Interfundos' Total customer funds.

COMPANIES NETWORK

In view of the adverse economic environment in 2010, the main priorities for action of the Companies Network, in the previous year, consisted of the following:

- Commercial gap strict management, focusing simultaneously on increasing customer funds and on strict management of loans to customers, involving a more rigorous selection of projects and strengthening collateral;

- Focus on profitability, both in terms of new transactions and current portfolio, adjusting the interest rates applied to the associated risk and increased funding costs, while increasing related commissions;

- Closer monitoring of Corporate Customers activity, aiming to, on the one hand, identify new business opportunities and, on the other hand, detect any signs of difficulty, with a view to defining value generating solutions and avoiding defaults or impairment;

- Support to SME and companies which direct their businesses to exports.

The following initiatives implemented in 2010 are worth highlighting:

- Participation in several business activity support initiatives launched by the Portuguese State, with emphasis on the various PME Investe lines and lines supporting the Agricultural and Tourism sectors. Within the scope of the PME Investe lines, in 2010, Millennium bcp contracted 5,401 new operations associated with the various lines totalling 393 million euros, with special relevance to micro and small businesses support in which about 4,676 transactions worth approximately 140 million euros were approved;

- Continued to foster the allocation of new investment projects to investment support lines contracted with the European Investment Bank, with six new projects included in 2010 totalling approximately 26 million euros;

- A Protocol of Cooperation was celebrated with ADENE – Energy Agency, aiming to boost the solar energy sector, the manufacturing and installation of thermal solar panels in Portugal. In this regard, the Bank provides support to potential beneficiaries in submitting applications to the non-repayable grant solutions of the incentive schemes under the National Strategic Reference Framework, with 44 applications having been forwarded for approval;

- A medium/long-term credit line was made available, at a much lower interest rate than the practiced for similar operations, to support damages repair caused by the storms on Madeira island, directed at companies and entrepreneurs trading under their own name, with a total of 11 operations in the amount of 820 thousand euros having been approved;

- Within the scope of the Early Stages Credit Line, set up through a protocol established with the Mutual Guarantee Societies (MGS) under the FINICIA Programme of IAPMEI, aimed at supporting entrepreneurship by financing investment projects presented by companies or entrepreneurs trading under their own name with less than three years of activity, Millennium bcp has financed 93 operations in a total amount of 6.7 million euros;

- A protocol was celebrated between the Bank, the Employment and Professional Training Institute (IEFP) and the Mutual Guarantee Societies (MGS) for credit lines amounting 100 million euros, to support companies created by unemployed people, resulting in jobs creation and boosting the local economy. Within the scope of the Microinvest Line, 12 operations in a total amount of 177 million euros were financed and of the Invest+ Line 65 operations totalling 3.7 million euros were contracted;

- Implementation of joint actions with the Retail Network, aimed at bolstering the relationship between the Bank and companies, fostering the attraction of new Customers among the employees of said companies;

- Launch of the Documentary Operations service on Millennium bcp Companies portal, in the international option, allowing companies involved in international business – exports or imports – to request, through the portal, credit facilities and documentary remittances, consult current operations and request changes to documentary transactions;

- Approval for the setting up of an Iberian Companies Centre in Lisbon, within the scope of cross-border/Iberian business development with Banco Sabadell, which will be responsible for monitoring all Customers currently in Companies and Corporate Networks, as long as they reside or have a physical presence in Portugal and are mostly held by companies based in Spain. The objectives of this Centre are, among others, to optimise returns from the Iberian Customer base and strengthen the existing Iberian Customer base, increase market share in imports/exports flows to Spain and foster the factoring and confirming business, in order to obtain a significant market share in the business with Spain;

- Launch of two new innovative services – Payment of Taxes/DUC by Batch and Payment of ATM Services by Batch – exclusively available on the companies portal, "corp.millenniumbcp.pt", whose main features are enabling companies to pay for DUC/ATM Services using a single file with multiple instructions (as an alternative to individual payment) and to schedule payments for a future date;

- Extension of the scope of the Digital Release Notes Service to cover more Bank products and services, with improvements having been implemented in the collection and filing of digital release notes available on the companies' portal;

- Reformulation of the Companies Newsletter, in order to better meet the needs – as identified in the surveys conducted – of Millennium bcp's Customers;

- Participation in some events, in cooperation with the International Division and the Chambers of Commerce, aimed at strengthening Customers relationship and fostering the presentation of business opportunities in other markets, with emphasis on the "Africa Forum" due to its interconnection with potential American investors in African countries with whom Portugal has close ties;

- Partnerships with organisations that support internationalisation and export were reinforced through the participation in seminars focusing on markets, business opportunities and investment for Group's Customers.

For 2011, the adverse and challenging environment is expected to continue in most sectors. In this scenario, the action strategy of the Companies Network will focus on closely monitoring Customers, offering a multitude of business solutions and strict management of risk and impairments, according to the following aspects:

- **Proximity:** integrated programme of visits to Customers, with a concrete plan of contacts and meetings to be held with each one, in accordance with their priority;

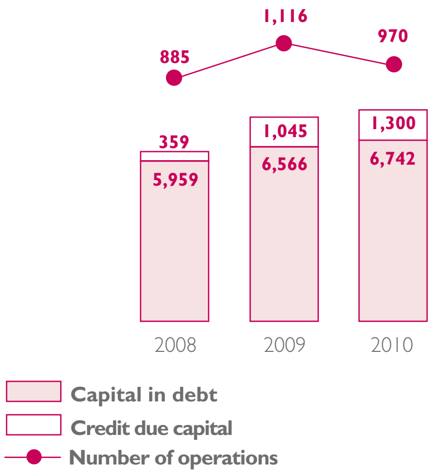
- **Commercial Approach:** focus on liquidity through customer fund acquisition, the integration of end-to-end solutions involving suppliers and business Customers and attracting internal Stakeholders, such as Employees;

- **Risk and Impairments:** focus on the preventive analysis of business activity, in an integrated approach with the Credit Department and the Specialised Recovery Department;

- **Trade Finance:** focus on supporting companies with a strong product export component, with diversified support solutions and centralising their commercial relationship with Millennium bcp as the "Exporters' Bank";

- **Cross Networking:** encouraging Customer's involvement as a whole, through the inclusion of its Stakeholders in Bank's business (Employees, Customers and Suppliers, by actively recommending the Bank).

MICROCREDIT LOAN PORTFOLIO
Activity in Portugal
Thousand euros



MICROCREDIT

Millennium bcp Microcredit Autonomous Network remains a national benchmark in microcredit sector, participating and being involved in numerous promotions and other informational events. The good business monitoring and development practices in this sector are recognised in Europe, with the Bank having been invited to join the Board of the European Microfinance Network (EMN), an organisation of which it is a corporate member.

In 2010, there was a decrease of almost 20% relative to 2009 in terms of the number of proposals submitted. In terms of production (including National Association of Right for Credit and Autonomous Region of Azores protocols), 237 new operations were implemented, with total loans amounting to 2.2 million euros, which has helped to create 320 jobs. Loans volume granted to the 970 operations as at 31 December 2010 reached 8.9 million euros.

Between 1999 and 2010 the total amount loaned came to 16.5 million euros to 2,055 entrepreneurs, with a total of 3,195 jobs having been crerated.

Taking into account the present financial and social crisis, which also explains the reduction of the number of entrepreneurs submitting proposals, the monitoring of default and pre-default situations was intensified, in order to maximize the mitigation of overdue loans.

The publicity of the microcredit product and the partnerships set up are essential for the information to reach potential entrepreneurs. As such, a proactive conduct with numerous initiatives was maintained, with emphasis on:

- Launching a microcredit page on Facebook, with the aim of reaching organisations and institutions engaged in social action and their users in an easer way and, at the same time, creating a discussion forum to encourage micro-entrepreneurs;

- Holding of 544 meetings with institutions, out of which 220 were with the main Private Institutions of Social Solidarity (IPSS), which actively work with citizens claiming Social Benefits;

- Signing of protocols with Portuguese Red Cross – Faro Delegation, Amadora Intercultural School of Professions and Sport and Youth Foundation with the aim of bringing microcredit to young people also, supporting them in their transition from university to labour market. This last protocol is the result of a joint partnership between Millennium bcp, the Youth Foundation, the Portuguese Catholic University, the University of Aveiro and ADDICT – Agency for the Development of Creative Industries, S. Brás de Alportel City Hall and the Cultural and Youth Association Batoto Yetu Portugal.

Within the framework of institutional partnerships and collaborations, microcredit hosted, for the first time in Portugal, the exchange visit promoted by European Microfinance Network (EMN). In 2010, it joined the EMN working group on the analysis of Microfinance growth in Europe, having already participated in the first meeting.

In partnership with the Direct Banking Department, a challenge was launched on the Bank's website, inviting handicapped entrepreneurs to submit a microcredit project. The selected idea will receive an award of 5,000 euros. This action was also disseminated to the most relevant institutions that support people with disabilities, with particular emphasis on the APD – Portuguese Association of Disabled People, which has provided the use of its newspaper as an informational channel for the competition (about 23,000 copies).

For 2011, the strategic focus will continue to be on fostering the Millennium bcp microcredit among city halls, parishes and local entities, which work with the socially excluded populations, that have difficulty in accessing information.

SPECIALISED CREDIT

In 2010, the strategic priorities of the Specialised Credit Department focused on small and medium sized businesses, particularly in lower risk Customers, which present cross-selling opportunities, and on the financing of goods in active secondary markets and with shorter maturities. It is also important to highlight the better pricing adjustment, influenced by funding cost increase and by the clear differentiation of good risks.

For the renting product offer, as an integral part of the "Auto Solution", the Bank entered into a partnership agreement with the company SGald Automotive, a fleet management company that is part of Société Generale Group. Portfolio management of contracts under way, as at May 2010, remains with the former partner (GE Capital).

The evolution of the Specialised Credit business continued to be strongly influenced by economic activity developments and the contraction of investment, such that the overall value of new production of Leasing and Long-Term Rental (LTR) decreased from the previous year, reaching about 139 million euros in 2010, corresponding to a decrease of 19.1% when compared to 2009. However, motor loan products performed positively with an increase of 22.1%, with the Bank maintaining its leadership in this segment, with a market share of around 17%, according to the latest data available from banking operators. With regards to equipment leasing, business volumes growth was below market, reflecting the reduction of investment and efforts to adjust the price paid, which resulted in a reduction of the Bank's share to 9%. A similar situation occurred in the real estate leasing sector, with Bank's share standing at around 18%. Leasing and LTR loan portfolio stood at 4.1 billion euros in 2010, declining 7% relative to the previous year.

In 2010, the factoring business registered a performance consistent with market's trend for liquidity, with the Bank's market share standing at around 18%, reflecting a significant increase in profitability.

The following initiatives implemented in 2010 are also worth highlighting:

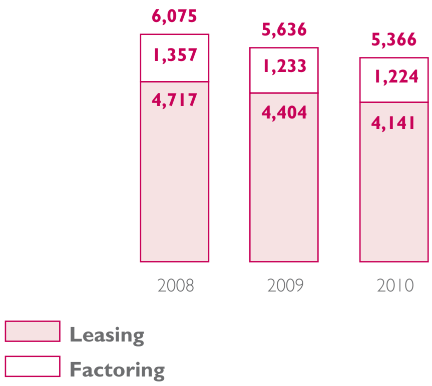
- The launch, in June 2010, of a comprehensive integrated training programme, aimed not only at improving knowledge within the more specific area of specialised credit, but also in technical areas associated with finance, accounting and market risks, including general behavioural areas, leading to the certification of Specialised Credit managers;

- Continuation of efforts to streamline the Specialised Credit Department, with further integration between the commercial areas of leasing and factoring, as well as the development and introduction of operational improvements for dealing with factoring operations, allowing, on the one hand, to be a single representative for the leasing, renting and factoring businesses and, on the other hand, to significantly improve service and satisfaction levels, namely in factoring;

- Maintenance of campaigns and actions to boost sales, as a way to promote the financing of vehicle purchase among Retail Customers, as a result of partnerships established with car dealers and by combining the offer of price discounts and other offers with special financing conditions, integrating the offer of renting and of all motor loan products.

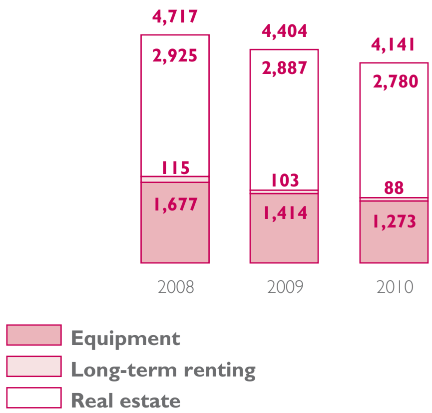
SPECIALIZED CREDIT PORTFOLIO

Thousand euros



LEASING PORTFOLIO

Million euros

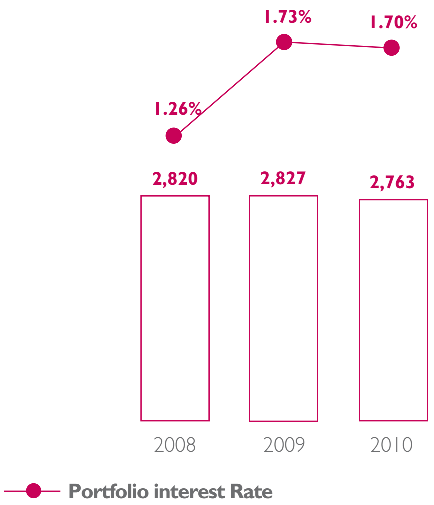


In 2011, the activity of the Specialised Credit Department will mainly focus on supporting investment and business activity, with emphasis on the business of small and medium sized Customers with a good risk profile; on the maintenance of the integrated approach between leasing and factoring areas, seeking to preserve a high level of monitoring of Customer needs and quality of the service provided; and the focus on monitoring and control of overdue loans, reinforcing the policy of discipline in the area of credit risk and correct pricing, adjusted to the risk profile of the Customer, the maturity and level of protection for operations, as well as to the evolution of funding costs.

REAL ESTATE BUSINESS

In the last quarter of 2010, the Bank reorganised the real estate business with the aim of increasing efficiency, resulting from greater integration of all processes associated with real estate, having created the Real Estate Business Department. This Department has incorporated the Credit units for Property Development, Property Management, Real Estate Project Management and Real Estate Sales, having defined the following action plans:

REAL ESTATE DEVELOPMENT CREDIT PORTFOLIO
Million euros



- **Property Development:** strengthening of adequate credit operations pricing to their respective risk, along with emphasis on their liquidity risk and on a control policy of the operational and financial risk of outstanding loans, contributing to improve service levels and mitigation of operational risk;

- **Property Management:** consolidation of the organisational structure by creating three functional areas of action (Property Management, Maintenance Technical and Administrative Technical), aimed at reducing the time that real estate remains within the scope of the Bank. Functional improvements were also introduced at the application level of property management, in particular in the cases of payments and receipts, especially rent and condominiums, the integration of various computer applications to support business and property management having been completed. Regarding property legalisation, focus was maintained on rapid adjustment of those real estate assets acquired as a result of credit recovery processes, allowing their speedy disposal;

- **Real Estate Sales:** business focused exclusively on the sale of repossessed assets, due to leasing resolution, judicial enforcement or decommissioning from exploitation. Given the real estate assets increase in portfolio, the sales policy was reinforced with an emphasis on the organisation of various auctions and resorting to "campaigns" and "batch" sales conducted by real estate agents.

During 2010, 187 new contracts worth 293.6 million euros were entered into, based on 314 proposals corresponding to 518.2 million euros. Property development loans portfolio balance reached a value of 2,763 million euros, corresponding to a reduction of 2.3% relative to 2009. Net interest income margin of property development loans, bearing in mind the profound changes in market conditions, particularly with regard to funding, decreased by 3 b.p. compared to 2009. It should also be noted that the commercial goal for 2010, with respect to the number of properties sold, was superseded, and the value of sales remained in line with what had been budgeted.

For 2011, the strategic priorities of the Real Estate Business Department involve making changes to the IT platform supporting the property development loan process, creating conditions for efficency gains and better coordination with the other business units involved; strengthening risk control methodologies, namely the early detection of warning signs, as well as greater proximity to undertakings in progress, via more frequent contact with Customers, in a search for ongoing improvement in service levels; and superseding, in the real estate sales area, the goals set for 2010, with specific emphasis on the use of direct sales channels, such as the Internet, as well as the intensification of cooperation with Bank's commercial areas.

INTERFUNDOS

The activity of the Closed Private Subscription Investment Funds industry, managed by Interfundos, was severely affected by a number of important factors over the course of 2010. From the beginning of the year it was affected by the continuing difficult economic environment and the deterioration of access to credit by the majority of economic agents. Mortgage loans in particular saw tightened eligibility requirements for families and property developers as a result of the structural failure of equity in most of their projects, together with the maintenance of sales at very low levels (particularly in residential tourism projects), revealing difficulties in developing and streamlining their business. Furthermore, there were significant changes within the applicable fiscal framework. The positive changes, which also occurred in the Legal System for Urbanization and Construction, aimed at increasing its simplicity, as well as the long announced but not yet fully regulated Real Estate Investment Companies, appear to be clearly insufficient to strengthen and improve business at this stage.

In 2010, in an adverse environment, Interfundos maintained market leadership. On 31 December 2010, Interfundos held a market share in the management of Closed Private Subscription Investment Funds of 16.8%, managing 48 investment funds, totalling 1,123 million euros in assets under management in December 2010, a decrease of 6.86% compared to the same period of the previous year.

During the first half of 2010, Interfundos reorganized its operating structure by integrating a set of responsibilities that up to that date had been part of the Asset Management area.

In 2011, the real estate market is expected to remain subdued, as a result of the difficulties affecting the activity of most main economic agents, an environment of persisting uncertainty, combined with an unfavourable regulatory and tax framework. The expected entry into force of a proposed law on the tax assessment of real estate investment funds points to new and profound changes in legal framework and will have significant impact on funds managed by Interfundos. Uncertainty about the legal framework for the rehabilitation and upgrading of urban roads still contributes to the delayed renewal of real estate of uninhabited urban centres. Notwithstanding this fact, the Urban Renewal Funds embody a number of tax incentives that the legislator has decided to allocate to all investors who contribute to the development of urban heritage centres, with notable tax effects. These constitute, together with the Housing Rental Investment Funds, if there is a greater dynamism at market level for housing rental, a window of opportunity that Interfundos seeks to take advantage of in 2011. Finally, along with the reintroduction of tax benefits regarding IMT and IMI, allocated through the 2011 State Budget, for Closed Private Subscription Investment Funds, the tax system for Real Estate Investment Companies was defined, which could constitute an important engine in the real estate area and encourage the emergence of a new business area for Management Companies.

CORPORATE & INVESTMENT BANKING

The Corporate & Investment Banking segment includes: i) the Corporate network in Portugal, targeting corporate and institutional Customers with an annual turnover in excess of 100 million euros, providing a complete range of value-added products and services; ii) the Investment Banking unit, which specialises 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 & Investment Banking segment showed a net contribution of 77.2 million euros in 2010, compared to 148.6 million euros posted in the same period in 2009. The uncertainty surrounding the public finances of several Euro Zone countries led to an increase in risk premiums and a reduction in market liquidity and significantly affected the performance of this segment.

In this context, the net contribution of the Corporate & Investment Banking segment was determined by the strengthening of impairment charges in the Corporate network. Net interest income, in turn, was constrained by an unfavourable interest rate effect, resulting from lower spreads on deposits, despite the focus on profitability by improving the process of repricing, to reflect the cost of risk and liquidity.

The decrease in other net income dues to lower results from financial operations, despite the increase in commissions in the Corporate network, in line with the strategic priority of focusing on profitability through a systematic collection of fees, especially commissions associated with credit by signature, commercial paper, financial services and demand deposits. In the activities undertaken by the Investment Banking segment it is worth noting the significant position of the Bank's brokerage activity on Euronext Lisbon, the pace set for organising and structuring commercial paper programmes, the several projects for corporate finance and equity capital markets and the active role in structured finance and project finance operations.

In terms of customer funds and loans to customers, and in accordance with the strategic priority of deleveraging, in 2010, there was a reduction in new loan operations, while the effort to further increase customer funds was reinforced. As a result, total customer funds increased 0.8% to 11,236 million euros as at 31 December 2010, compared with 11,150 million euros as at 31 December 2009. Loans to customers amounted to 13,245 million euros at the end of December 2010, increasing 2.2% compared to 12,962 million euros recorded at the end of December 2009, benefiting from the performance in national currency loans and commercial paper.

Million euros

	31 Dec.10	31 Dec. 09	Change % '10/'09
PROFIT AND LOSS ACCOUNT			
Net interest income	198.3	209.4	-5.3%
Other net income	159.8	201.9	-20.9%
	358.1	**411.3**	**-12.9%**
Operating costs	74.9	73.2	2.3%
Impairment	178.2	135.1	31.9%
Contribution before income taxes	**105.0**	**203.0**	**-48.3%**
Income tax	27.8	54.5	-48.9%
Net contribution	**77.2**	**148.6**	**-48.1%**
SUMMARY OF INDICATORS			
Allocated capital	1,045	947	
Return on allocated capital	7.4%	15.7%	
Risk weighted asset	16,082	14,569	
Cost to income ratio	20.9%	17.8%	
Loans to customers	13,245	12,962	2.2%
Total customer funds	11,236	11,150	0.8%

Note: loans to customers and customer funds in terms of average monthly balances.

CORPORATE NETWORK

In 2010, business activities in Portugal continued taking place in an environment characterised by financial institutions difficulties on accessing to international financial markets. In this context, the performance of the Corporate Network was characterised by:

- Rigorous management of the commercial gap, focusing simultaneously on raising funds and prudent loans management, with greater selectivity of supported projects and strengthened mitigation;

- Focus on profitability, both in terms of new business and in the current portfolio, adjusting interest rates to risk and to the increased cost of funding and undertaking the systematic collection of the associated commissions;

- Even closer monitoring of companies business, aimed at identifying new business opportunities and preventive detection of any signs of possible difficulties, in order to define potential solutions of value and the occurrence of defaults or impairments.

With a view to the implementation of business strategy, the following initiatives were undertaken in 2010:

- In the area of the promotion of trade finance, the creation of two new Business Support Lines for Trade Finance, amounting to 300 million euros. For transactions placed by 31 December 2011, this initiative aims to encourage investment by supporting national exports of consumer goods (e.g., food products, footwear, clothing), as well as investments to support national exports, in the form of credit to the importer with the support of COSEC credit insurance;

- Sponsorship of the 4th Annual Conference on Financial Management, Treasury and Risk for Companies in Portugal, organised by EuroFinance, the world leader in organising events in this area. Attended by some of the most important Portuguese companies, the issues addressed related to macroeconomic developments, financing alternatives, improved cash flow, current assets and liquidity structures. Furthermore, presentations were also made regarding investment and financing in Angola and Brazil, hedging strategies, SEPA and the future of the payments system.

Since the economic and financial difficulties are expected to continue in most sectors in 2011, the action strategy of the Corporate Network will be to continue to closely monitor Customer activity, carefully manage risk and impairments and also to maintain focus, in terms of business approach, on liquidity by raising treasury funds; on preventive analysis of companies' activity, on an integrated perspective with Loan Department; and on supporting companies with a strong export component in their products. With diversified support solutions and by centralising their commercial relationship on Millennium bcp as the "Exporters' Bank".

INVESTMENT BANKING

In the Investment Banking area, the Bank maintained a leading position in brokerage services on Euronext Lisbon in 2010, with a market share of around 6%. The number and activity of Customers with direct access to the trading room, domestic institutional and foreign, as well as large private investors, has been increasing significantly. The amount invested in certificates grew by more than 23% this year and Customer base increased at an even higher rate, as a result of wider dissemination and understanding of the benefits of this financial instrument to investors in shares. Certificates were listed on Euronext Lisbon so as to make this offer available to all Portuguese investors, whether Customers of the Bank or not. The Banks warrants program continued to be a favourite for local investors, together with those of two international institutions.

The worsening instability in debt markets, triggered by the climate of uncertainty surrounding the public finances of several Euro Zone countries, led to a significant increase in risk premiums and a sharp reduction in market liquidity in the second quarter of the year. Therefore, the major bond issues were made in the first half of the year. It is worth noting Millennium bpc's role in the organization and issue of EDP – Energias de Portugal, S.A. (500 million euros in private placement format), as well as that of Controliveste (issue of bonds, convertible to Portugal Telecom, SGPS, S.A. shares, amounting to 224 million euros, guaranteed by Millennium bcp) and Benfica SAD (40 million euros, through a Public Subscription Offer). The organization and issue of commercial paper programs, although also affected by adverse market conditions, remained fairly active throughout the year. It is worth noting Millennium bcp's involvement in a number of new programs for major Portuguese companies: EP – Roads of Portugal, S.A. (Estradas de Portugal, S.A.) (250 million euros), Brisa (50 million euros), Refer (150 million euros), Secil (75 million euros), Amorim Investimentos e Participações (40 million euros), Group Opway (50 million euros) and Galp Energia (50 million euros).

In view of the Bank's objective of expanding its portfolio of assets eligible for refinancing operations, some of these programs have been endowed with features that ensure the eligibility of their issues as ECB collateral. The structure and assembly operations for the Bank itself was, to a large extent, also focused on that goal, with the completion of two securitization transactions involving, respectively, a portfolio of real estate, automotive and equipment leasing amounting to 1.2 billion euros (called "Tagus Leasing No.1") and a portfolio of current accounts and contracted overdrafts in the approximate amount of 2.7 billion euros (called "Caravela SME No.2"). Still within the same scope, during 2010, there were three issues of mortgage bonds amounting to 3.75 billion euros. Two issues of senior unsecured debt were placed to institutional investors with the aggregate amount of 1,050 million euros, which took place under the "Euro Note Program of Millennium bcp". The setting up of interest rate products distributed by Bank's Retail networks gained increased visibility and importance as a tool for stable customer funds acquisition, with the total amount reaching more than 2.4 billion euros. The offer of more sophisticated structured products was mainly directed to private banking Customers, with emphasis on equity linked structures. Taking advantage of widening credit spreads, several issues were structured using indexed credit linked to various underlying sovereign risk, corporate institutional and reference credit.

Despite the difficulties related to the macroeconomic environment, positive results continued with the sale of treasury products, both regarding cash (foreign exchange spot and forward trading, investments and short-term debt at fixed rate) and interest rate, exchange rate and commodities hedging derivatives.

In the corporate finance area, the Bank participated in several relevant projects. The role played as "Financial Advisor" of Cimpor – Cimentos de Portugal, as part of the takeover bid launched by CSN – Companhia Siderúrgica Nacional, is of particular interest. At the same time, the Bank continued to develop several projects of advisory to Customers in the valuations segment, as well as mergers and acquisitions, with some of these operations still ongoing.

In the area of equity capital markets, the Bank was "Global Coordinator" of the Tender Offer of Teixeira Duarte – Engineering and Construction, S.A., launched by Teixeira Duarte, S.A. The purpose of this transaction relates to the objective of achieving a corporate partnership restructuring process in Teixeira Duarte. The Bank was "Joint Global Coordinator" in the organization and set up of the Public Subscription Offer of VAA – Vista Alegre Atlantis, SGPS, S.A., and also "Joint Coordinator" of the Offers of Sporting SAD, integrated within –the financial restructuring process of SCP Group, which consisted of a capital increase and issue of Convertible Mandatory Securities (VMOC), convertible into shares of Sporting SAD. In the latter operation, the Bank was also mandated to assure the guarantee of placing the joint issue of the VMOC of Sporting SAD.

In 2010, the Bank maintained an active role in structured finance transactions, with notable contributions such as "Mandated Lead Arranger & Agent" in the following operations: long-term loan amounting to 81.5 million euros to finance the Shareholder structure reorganization of the Salvador Caetano Group and a syndicated loan of 168.5 million euros for Sport TV, to refinance existing debt. The Bank led and participated in several financial restructuring transactions, including syndicated transactions, most notably Holmes Place and La Seda de Barcelona (loans volume involved of 64.5 million euros). The Bank continued the follow-up, including acting as agent, for structured finance transactions where the loans amounted to 1.3 billion euros (about 67% of the total portfolio).

In the area of project finance, the Bank participated in many operations of note at national and international levels, including the following: "Mandated Lead Arranger" in the organization and structuring of the financing operation, amounting to 467 million euros, of a portfolio of 12 wind farms in Portugal, called "ENEOP 2", with a total installed capacity of 480 MW; "Financial Advisor" of the concessionaire ELOS – High Speed Links, S.A., where the Bank is one of the Shareholders, and "Mandated Lead Arranger" in the financing of the project finance to construct and to operate the section between Poceirão and Caia of the High Speed Railway; transaction for credit assignment on EP – Roads of Portugal, S.A., by Mafratlântico for a syndicate co-led by Millennium bcp, totalling over 200 million euros; the "Financial Advisory Mandate" for EDP Renováveis (Relax Wind Park I) for the wind farm Margonin, with a capacity of 120 MW in operation in Poland, being the largest funding in the renewable energy sector that has occurred in Poland, with Bank Millennium SA (Poland) acting as one of the "Mandated Lead Arrangers"; "Financial Advisory Mandate" for EIH – Energy and Innovation Holding, S.A. to develop a project of a Combined Cycle Centres for Natural Gas to be built in the Soyo region, Zaire province in Northern Angola, in partnership with another financial institution of Angolan origin.

As an entity adhering to the Equator's Principles, Millennium bcp undertakes to ensure that projects funded under project finance are developed in a socially responsible manner and with respect for good environmental management practices.

In historical terms, the project finance loan portfolio is structured as follows:

PROJECT FINANCE PORTFOLIO SINCE 2006

CLASSIFICATION ACCORDING TO EQUATOR'S PRINCIPLES		PROJECTS FINANCED SINCE 2006	MILLENNIUM BCP PARTICIPATION (Million euros)
A	High social and environmental risk	1	41
B	Limited social and environmental risk	41	4,370
C	Low social and environmental risk	1	27

Beginning in 2010, banks adhering to the Equator's Principles have widened the scope of application of financial advisory work principles. Hence, in accordance with this, Millennium bcp has included in advisory mandates a clause in which it undertakes to orientate the work and to develop with their Customers respect for the above mentioned Principles.

In 2010, following the criteria applied by the International Finance Corporation, the financial arm of the World Bank Group, which led to the creation of the Equator's Principles and, in the case of Margonin, also by the specific criteria of the European Bank for Reconstruction and Development (EBRD), four projects were evaluated, three classified as level B, which implies a limited social and environmental impact and one project ranked as level A, which implies a high social and environmental impact.

PROJECT FINANCE OPERATIONS APPROVED IN 2010

Million euros

Project	Classification	Millennium bcp participation
MARGONIN (POLAND) Portfolio of two wind farms with an installed capacity of 120 MW.	A	Financial Advice
ENEOP 2 (PORTUGAL) Portfolio of 23 wind farms with an installed capacity of 480 MW.	B	43
ELOS (PORTUGAL) Grant of railway infrastructure (high-speed Poceirão-Caia)	B	49
MAFRATLÂNTICO (PORTUGAL) Refinancing of road infrastructure (Highway A21 Ericeira-Mafra)	B	15(1)

(1) Finance increase.

For 2011, the strategic guidelines for the area of Investment Banking are based on maintaining focus on products and structures that allow for the growth and diversification of Bank financing sources; on maintaining its position as a reference institution in the national market and on continued international expansion of the activity, namely through the provision of advisory services in project and/or corporate finance, preferably in places where Millennium bcp is already present, and also exploring potential opportunities in the strategic axis China/Macao –

Portuguese speaking Africa – Europe; and close monitoring of the Clients and operations which are currently in portfolio.

CIMPOR CIMENTOS DE PORTUGAL SGPS, S.A.
Financial Advisor
€ 4,153 Million
Financial Advisor of CIMPOR in CNS's tender offer
2010
Millennium investment banking

edp renováveis
Relax Wind Park I Wind Farm in Poland
Project Finance
PLN 535 Million
Financial Advisor
2010
Millennium investment banking

ELOS
ElOS – Ligação de Alta Velocidade, S.A.
High Speed Rail Concession
Poceirão-Caia Stretch
Lisbon-Madrid Link
Project Finance
€ 780 Million
Financial Advisor & Mandated Lead Arranger
2010
Millennium investment banking

SECIL
Commercial Paper
€ 75 Million
2010
Sole Lead Manager
Millennium investment banking

controlinveste
Guaranteed Exchangeable Bonds
€ 224 Million
2010
Joint Lead Manager
Millennium investment banking

edp
EDP Finance BV
Bond Issue Private Placement
€ 500 Million
2010
Sole Lead Manager
Millennium investment banking

TEIXEIRA DUARTE ENGENHARIA E CONSTRUÇÕES, S.A.
Exchange Offer
Of up to
132,119,201 shares
of Teixeira Duarte – Engenharia e Construção, S.A.
Global Coordinator
2010
Millennium investment banking

Certificates
Wheat Future Contract (CBOT)
€ 15 Million
Issuer
2010
Millennium investment banking

Certificates
Millennium bcp Technical EU Index
€ 33 Million
Issuer
2010
Millennium investment banking

INTERNATIONAL

The International Department, together with the Treasury and Markets Department, has focused its strategy on the attraction of new sources of funding for the Bank, becoming actively involved in the raising and maintenance of lines and limits on money market operations and the sale of Bank debt.

This action was developed through roadshows, meetings and participation in international events, where about 350 entities were contacted, not only in traditional markets of Europe and USA but also diversifying the counterpart base of the Bank, through the exploration of networking opportunities in Africa, the Middle East and Asia.

Together with local and foreign institutions, the Bank negotiated financing for project finance transactions and leasing companies in the Group totalling 200 million euros. The institutional custody business developed positively with the increase of 1.3% to 111.5 billion euros of assets under custody, held by non-resident institutional investors, representing a market share of 48%. We also maintained commercial payments received compared with 2009. These represent 25% of the Portuguese market share.

Partnerships were strengthened with organisations to support internationalization and export through participation in seminars focusing on markets, business opportunities and investment for the Group's Customers.

In 2011, the International Department will continue its action plan to promote the Bank and the country, along with current and potential counterparts, in order to diversify the Customer base and ensure success in achieving cross-border operations.

PRIVATE BANKING & ASSET MANAGEMENT

The Private Banking and Asset Management segment, for purposes of the geographical segments, comprises the Private Banking network in Portugal and subsidiary companies specialised in the asset management business in Portugal. In terms of business segments, it also includes the activities of the Banque Privée BCP and Millennium bcp Bank & Trust.

The Private Banking & Asset Management segment, considering the geographical segmentation criteria, posted a net loss of 6.9 million euros in 2010, compared with a positive net contribution of 2.8 million euros in 2009. This evolution includes the decrease in net interest income, reflecting the reduction in both the business volumes and the interest rates for customer funds and loans to customers, despite the effort to keep following the repricing process to reflect the cost of risk and liquidity.

The increase in other net income by 5.5% results from the Private Banking business in Portugal and is associated with the increase in commissions related to securities custodian and to credit by signature, following the review of pricing in terms of its adequacy to the Bank's value proposition.

The decrease in impairment charges by 2.3% reflects the strategy followed in the management of the loan portfolio quality, including the strengthening of collaterals. Operating costs also showed a favourable evolution compared to 2009, evidencing reductions in other administrative costs related mainly with advisory services.

Total customer funds amounted to 5,804 million euros, maintaining the same level as at 31 December 2009, supported by the good performance in capitalisation products which partially offset the evolution of customer deposits.

Loans to customers amounted to 1,391 million euros as at 31 December 2010, compared to 2,211 million euros as at 31 December 2009, as a result of the reduction in loans to customers from Private Banking in Portugal.

Million euros

	31 Dec.10	31 Dec. 09	Change % '10/'09
PROFIT AND LOSS ACCOUNT			
Net interest income	19.2	36.9	-48.0%
Other net income	22.8	21.7	5.5%
	42.1	**58.6**	**-28.2%**
Operating costs	31.5	33.8	-7.0%
Impairment	20.4	20.9	-2.3%
Gross contribution	**(9.8)**	**3.9**	**-**
Income tax	(2.9)	1.0	-
Net contribution	**(6.9)**	**2.8**	**-**
SUMMARY OF INDICATORS			
Allocated capital	63	82	
Return on allocated capital	-11.0%	3.6%	
Risk weighted assets	975	1,266	
Cost to income ratio	74.8%	57.7%	
Loans to customers	1,391	2,211	-37.1%
Total customer funds (1)	5,804	5,741	1.1%

Note: loans to customers and customer funds in terms of average monthly balances.
(1) Excludes Interfundos' total customer funds.

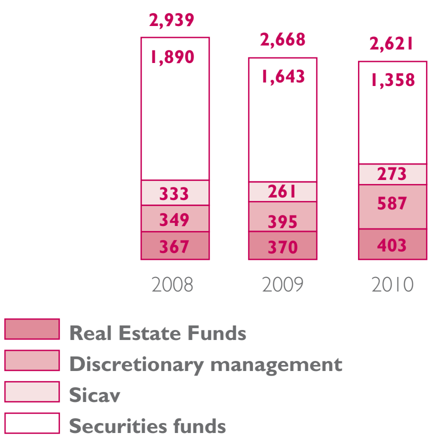
PRIVATE BANKING

The restructuring of Private Banking was completed in 2010, consolidating structural changes in the model and the organization of this business area. The implementation of the new business model had a direct impact in the commercial, investment advisory and support areas, with the most visible elements being the following:

- A new value proposition that strengthens the pillars of this business sector by introducing new principles for adaptation to the current economic and regulatory environment;
- A set of management tools that enables teams to obtain qualitative and quantitative information on the trade agenda, also giving them control mechanisms related to credit approval and orders execution;
- An advisory model which improves business supervision, streamlining and monitoring the alignment of Customer portfolios compared to their risk profile, which is a distinguishing factor of this offer compared to traditional banks;
- A new structure, the Investment Control Committee, responsible for transaction monitoring and control, analysis of asset concentration and the consistency of investment process;
- A global segmenting of Customers in relation to their portfolios and investment profiles;
- An intensive program of commercial stimulus that covers from the stage of attracting new Customers to monitoring existing Customers, seeking to retain and increase share of wallet;
- An optimized structure in terms of human resources, with greater empowerment, skills, more Investment Advisors and the adaptation of the structure to support the new branch framework and sales personnel, thus enabling efficiency gains at costs level. Taking into account the need to ensure that implementation of this model and business development are in accordance with its legal framework, Millennium bcp proceeded with a comprehensive legal review and validation of the whole business.

The broad lines of action for 2011 will focus on consolidating the advisory model as support for the new business model, having as key requirements the level of consistent quality in financial advisory services, a regular review and monitoring of the portfolios and deviations between portfolio risk and Customer profiles. Greater discipline in commercial activity, adjusting the number of contacts and the supply depending on the type of Customers, attracting new Customers and upgrading existing Customers in the Bank, served by operations from other private banking institutions. Fostering the use of alternative channels, especially homebanking. A new image will be adopted for the Private Banking segment. Also, to focus on marketing value-added products, particularly via enhanced management mandates, which could provide a more predictable return to Customers and a strong contribution to improving the results.

ASSETS UNDER MANAGEMENT
On a comparable basis
Million euros



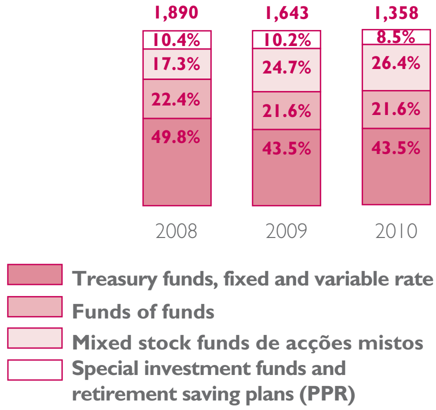
ASSET MANAGEMENT

The Asset Management area incorporates the development of the mutual funds management activities and of discretionary management business. The strategy adopted in 2010 was based on the adjustment of a varied range of products and services, and focuses on diversification of investments, risk and terms, bearing in mind the needs of different investor profiles and improving profitability. This objective was pursued in a year characterized by uncertainty regarding the recovery of many economies, the conditions of their financing and high volatility in financial markets. In this context, the local investment fund industry showed, in 2010, a significant reduction in assets under management, off-setting the 20% growth of 2009. During 2010, total assets under management of the local mutual funds industry decreased by 17.5% from 17.2 billion euros at the end of 2009 to 14.2 billion euros at the end of 2010.

The total assets under management by investment funds managed by Millennium bcp Gestão de Activos declined from 1.6 billion euros at the end of 2009 to 1.4 billion euros at the end of 2010, -17.3%. Despite these developments and the lack of liquidity that involved the financial system, Millennium bcp Gestão de Activos has maintained its market share, which stood at 9.55%. In the field of harmonized funds, which embody the core of the asset management industry, in particular mutual funds, Millennium bcp Gestão de Activos recorded a 14.9% share. Millennium bcp Gestão de Activos also maintained leadership in a sector with high added-value funds, funds of funds, with a share of 57%.

Regarding management performance, on 31 December 2010, it is worth noting the four Millennium funds that occupied first place in their respective performance ranking since the beginning of the year: "Millennium Disponível", "Millennium Obrigações Mundiais", "Millennium Prestige Conservador" and "Millennium Prestige Valorização" and reaching second place in their classes "Millennium Acções Portugal", "Millennium Obrigações", "Millennium Obrigações Europa" and "Millennium Prestige Moderado".

BREAKDOWN OF SECURITIES FUNDS
On a comparable basis
Million euros



The investment funds commercial activity grew in line with the commercial campaigns cycle of the Retail network's business plan. In each cycle, a basket of funds was selected and overall objectives were set for sales, as well as specific objectives per branch. This methodology allowed a more effective placement of funds. To ensure the diversity of investment options in terms of assets and market coverage, the basket comprised treasury funds, fixed rate bonds and shares. In addition, from a standpoint of savings in the medium to long-term, which take advantage of tax benefits, the "Millennium PPR" funds have been part of the campaign the whole year. In this case, the commercial activity focused on the promotion of monthly business investment plans as the best option for the gradual accumulation of a retirement supplement, which includes the chance of a lump sum investment before the end of the year.

The offer of funds was widened in 2010, with the launch, in April, of the new treasury fund "Millennium Liquidity" and, in August, the new Special Investment Fund (FEI) "Millennium III Extra Treasury". Low risk funds, targeting conservative Customers, both joined the basket of funds selected for the respective business cycles. Additionally, we adjusted the commissioning of some funds (equity and variable rate bonds), in order to improve their competitiveness.

Between March and July, the Asset Management area participated with a representative speaker in Seminars on Investment in Equity Markets in some major cities. Intended for Customers and Employees of the respective Retail network areas, the workshops provided an opportunity to highlight the Millennium Investment Funds as instruments for investment in shares and to promote the Discretionary Management service.

Continued rationalization of the supply of investment funds and increasing the market share of Millennium bcp Gestão de Activos is planned for 2011, through the launch of new investment funds, in the form of FEI. The marketing of investment funds will also be promoted through the Bank's website, taking into account the increasing importance of the Internet as a preferred channel for Customers to search for information and to purchase goods and services. The anticipation of new regulations being prepared by the European Union and trends in the business of investment funds will remain as basic guidelines.

Internally and in relation to the management of securities investment funds, the structure of Millennium Asset Management has been reinforced. The Investment Management unit was set up earlier this year and is now responsible for the management of treasury funds, the major bond funds, funds of funds and the FEI now being marketed.

In the area of Real Estate Investment Funds, the volume of assets under management, in December 2010, was 403 million euros. Although considerably affected by the performance of various real estate sectors hit hard by the economic and financial environment, this business area grew by 9.0% in comparison with December 2009. In a way that cuts across almost all sectors, 2010 was marked by the reduction of market profit rates, increased unemployment and also by reduced demand.

The Real Estate Fund Portfolio AF, an open-ended accumulation fund, was particularly penalized by the difficulties highlighted by the major sectors, particularly Retail, offices and industry/logistics.

Of the set of initiatives undertaken during 2010, it is worth noting the campaign for commercial placement of the Fund within the networks of Retail and Private Banking. On the other hand, and in order to adjust the criteria for property market recovery, the funds management company started valuing the Fund assets based on annual assessments (it was previously evaluated every two years), anticipating regulations. At the end of the year, despite adverse conditions, the Fund showed a 10.8% increase compared to the same period last year.

Millennium bcp Gestão de Activos will seek to develop initiatives in 2011, aimed at alleviating the main negative effects observed in 2010, to allow real estate funds to reach results in line with investor expectations.

The Millennium Sicav was implemented to replace the Management Company in Luxembourg, the partnership Luxcellence (a subsidiary of Grupo Caceis) having performed these functions previously carried out by RBS Bank. This change provided for Millennium Sicav Investors not only a cost saving, which translates into improved levels of profitability, but also a more robust overall solution in terms of risk control and quality management.

Following the sale process of almost all of Millennium bcp's stake in the share capital of Millennium bank in Turkey, the distribution contract of Millennium Sicav was terminated, with the withdrawal of all Turkish Customer operations, the impact of this operation being immaterial, given the amounts involved. Instead, we emphasize the sustained growth of transactions by Customers of Millennium bank in Greece over the year, creating positive expectations about the future development of the distribution of Millennium Sicav in Greek Retail.

The amount of funds under Millennium Sicav management, domiciled in Luxembourg, amounted to 273 million euros at the end of 2010, registering an increase of 4.5% of assets under management in comparison with the end of 2009.

The discretionary management business area, under the responsibility of the Millennium Wealth Management Unit, was marked, in 2010, by a significant increase in turnover. Assets under management at year end amounted to 587 million euros, a growth of 48.6% over the balance at the end of 2009. This growth reflects, on one hand, the quality of supply and, on the other, the strong commercial momentum focused on insurance-based products. Launched in mid 2007, this product has shown an increase of approximately 136.0%.

In an integrated philosophy of optimization of synergies, the Asset Management area will, in 2011, proceed with a business strategy of growth in turnover, through the expansion of supply, focusing on competitive products and intensifying the relationship with the commercial networks, in order to ensure high levels of satisfaction.

FOREIGN BUSINESS

The Foreign Business segment, for the purpose of geographical segments, comprises the operations outside Portugal, in particular Bank Millennium in Poland, Millennium bank in Greece, Banque Privée BCP in Switzerland, Banca Millennium in Romania, Millennium bim in Mozambique, Banco Millennium Angola in Angola, Millennium bcp Bank & Trust in the Cayman Islands, Millennium bank in Turkey (operation sold on 27 December 2010) and Millennium bcpbank in the United States of America (operation sold on 15 October 2010).

The Foreign Business segment, in terms of the business segments, comprises the Group operations outside of Portugal referred to above, excluding Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands, which are included in the Private Banking & Asset Management segment.

In Poland, the Group is represented by a universal bank offering a wide range of financial products and services to individuals and companies nationwide; in Greece by an operation based on innovative products and services; in Switzerland by Banque Privée BCP, a Private Banking platform 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 companies and individual Customers; in Angola by a bank focused on private Customers and companies, as well as public and private institutions; and in the Cayman Islands by Millennium bcp Bank & Trust, a bank designed for international services in the area of Private Banking to Customers with high net worth (Affluent segment).

The net contribution of the Foreign Business segment, considering the geographical segmentation criteria, totalled 96.2 million euros in 2010, compared with a net contribution of 11.8 million euros in 2009, benefiting from the rise in net operating revenues and the reduction in impairment charges.

The increase in net interest income by 35.7% from 2009 was driven by the performance achieved in most geographies, boosted essentially by the operation developed in Poland, due to the volume and interest rate effect, and by subsidiaries in Angola, Mozambique and Romania, based on the growth in business volumes.

In other net income, highlights include the performance of commissions sustained by the contributions of the subsidiary company in Poland (related to the increase in fees associated with the cards business, account maintenance and investment funds), Angola (associated with the increase in the business volumes, in both loans to customers and customer funds) and Switzerland (supported by brokerage commissions). In the activity in Mozambique it is worth noting the gains associated with foreign exchange operations obtained in transactions with Customers.

The decrease in impairment charges and provisions of 11.6% from 2009 is associated with the lower provisioning level posted by the operation developed in Poland and Romania, which offset the increase in impairment charges booked in Greece, Angola and Mozambique.

Loans to customers rose 6.7% to 16,926 million euros as at 31 December 2010, benefiting from the performance in loans to individuals, reflecting the growth evidenced in the operations developed in Angola, Mozambique, Poland and Romania.

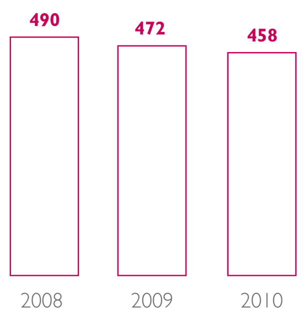
Total customer funds increased 6.8% to 16,483 million euros as at 31 December 2010, influenced by the performance in customer deposits, which grew 5.8%, as well as in capitalisation products.

Million euros

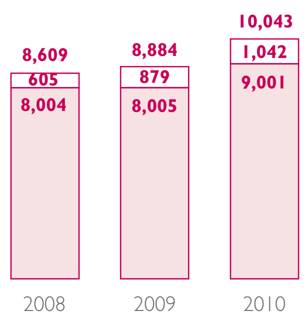
	31 Dec.10	31 Dec. 09	Change % '10/'09
PROFIT AND LOSS ACCOUNT			
Net interest income	544.2	401.1	35.7%
Other net income	365.7	383.2	-4.6%
	910.0	**784.3**	**16.0%**
Operating costs	617.9	561.6	10.0%
Impairment	171.0	193.6	-11.6%
Contribution before income tax	**121.0**	**29.1**	**-**
Income tax	24.8	17.4	43.0%
Net contribution	**96.2**	**11.8**	**-**
SUMMARY OF INDICATORS			
Allocated capital	1,241	1,321	
Return on allocated capital	7.8%	0.9%	
Risk weighted assets	14,272	14,381	
Cost to income ratio	67.9%	71.6%	
Loans to customers (1)	16,926	15,868	6.7%
Total customer funds (1)	16,483	15,430	6.8%

(1) Does not include the subsidiaries Millennium bank Turkey and Millennium bcpbank USA.

NUMBER OF BRANCHES
Units



TOTAL CUSTOMER FUNDS
Excluding FX effect
Million euros



Balance Sheet
Off Balance Sheet

EUROPEAN BUSINESS

Poland

Bank Millennium is an 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 458 branches, Bank Millennium is one of the main operators in the Polish market, with a leading position in Retail Banking, supported by an efficient sales industrialisation platform and by the growing reputation of the Millennium brand. Bank Millennium develops its activity through various Business Areas providing customised and specific products and services in Retail, Companies and Investment Banking. Bank Millennium has the fourth largest Retail Network in Poland, with 1.1 million active Customers, being the international operation with the highest net contribution to the net income of the Bank (17.7% in 2010, which compares favourably with the 0.1% contribution in 2009).

After 2009, focused on internal reorganisation and in which the Millennium 2010 strategic programme was successfully concluded a year before its expected deadline, aimed at: i) strengthening the Bank's Retail business based on the branch network; ii) focusing the business on the companies segment related to SME; iii) increasing efficiency and strict cost control and iv) implementing a more conservative risk management policy. At the end of 2009, Bank Millennium approved and began the implementation of a new strategy for the period 2010-2012.

The new guidelines for this three-year period seek to return to the expansion of its business, based on an operating model which is more simplified, flexible and efficient in terms of costs, on a realigned commercial platform, with a greater focus on net income, with increased recurrent income, an improved risk profile and a comfortable capital and liquidity position. Based on a balance between business growth and profitability, with strong emphasis on sustainability, the main ambitions for the next few years include: 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 Company Banking; ii) achieving a level of sustainable profitability comparing favourably with its peer group; iii) developing a highly efficient operation and, at the same time, establishing high standards 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 all its Stakeholders. In order to bring about these ambitions, the Group also assumes, as short/medium-term financial objectives, the achievement of a minimum ROE of 15%, a cost to income ratio below 60%, a solvency ratio comfortably above the regulatory minimum and a market share of 7% and 5% in the Retail and Companies segments, respectively.

In terms of the business development in 2010, the Bank once again focused on the funds growth in the Retail and Companies segments, highlighted by the savings accounts campaigns, during May and June, that were particularly successful, that included a promotional rate of 6.5% for new applications up to 200 thousand zlotys. A second campaign was launched in August and September, where the main objective was to retain the levels of funds of previous months. During the second quarter of 2010, Bank Millennium launched a new credit card Millennium Visa Impresja, designed for women, representing one of the greatest innovations of the Bank in this area up to now. The main characteristic of the card is a refund of 5% of transactions value in a group of top retailers and brands. Market reaction to this product was very positive, with more than 85 thousand cards sold in 2010. The card was distinguished as the most innovative in the "Innovative Cards" category at the Publi-News Trophees.

The Bank also dedicated particular attention to recovering its natural market share in mortgage loans, which translated in an effective marketing campaign supported by a well-known Polish brand, the adjustment of various characteristics in the offer and the participation in the programme "Family at Home" subsidised by the State. Nonetheless, market share in 2010 stood at 9.3%, which compares with 10.2% in 2009. Also worth mentioning the launch of the first current account exclusively via Internet, which was supported by a campaign based on the Internet channel, designed specifically for Youtube. On the other hand, in line with the strategy of focusing on loans to companies through collateralised products, Bank Millennium significantly expanded its leasing and factoring activity.

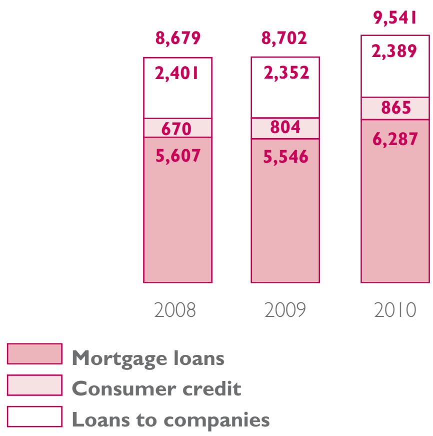
In 2010, and in view of the success of the implemented campaigns, Bank Millennium maintained its position of leadership in Retail banking, mainly in deposits, mortgage loans and cards, also having strengthened its competitive position in other products for individuals, such as investment funds and consumer credit. These actions led to number of Customers consolidation, which stood at approximately 1.1 million in 2010.

Net income increased significantly over this last year, from 0.3 million euros to 81.3 million euros, essentially as a result of core income significant increase (+49% versus 2009), both on net interest income (+69%) and net commissions (+24%), and the maintenance of a cost control policy (+15% versus 2009, +6% excluding fx effect). Results improvement was boosted by a rational management of term deposits spread, by the impact of the efforts, initiated in 2009, to adjust the loans to companies spread to the current market conditions and by the significant increase in cross-selling ratio. Regarding costs, the reduction of cost of risk, when compared to 2009, was especially noteworthy, essentially due to the maintenance of conservative underwriting criteria and the stabilization of the loan portfolio quality.

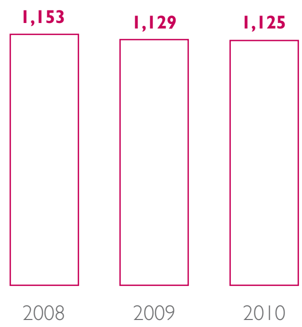
In this way, the combination of core income significant growth with operating cost control and cost of risk reduction enabled Bank Millennium to considerably improve all of its profitability indicators. Notwithstanding the negative impact on the loan portfolio of the zloty depreciation, the deposits growth has translated into the slight decrease of the transformation ratio, which remained at 99.5%, comparing to 100.4% in 2009.

The management of the capital base is an ongoing challenge in the life of the Bank and 2010 was no exception. Thus, for the purpose of achieving an even more solid capital and liquidity structure, complying with all the solvency

LOANS TO CUSTOMERS (GROSS)
Excluding FX effect
Million euros



NUMBER OF CUSTOMERS
Thousands



ratios, a capital increase was concluded successfully in February 2010, through the issue of rights by Bank Millennium in the amount of 1.1 billion zlotys (approximately 259 million euros). This positioned Bank Millennium as one of the most highly capitalised banks in the Polish banking sector. Furthermore, during 2010, the Bank established two funding agreements: one with the European Bank for Reconstruction and Development (EBRD) in the amount of 35 million euros and another with the European Investment Bank (EIB) in the amount of 100 million euros. These measures, combined with the detailed analysis of the risk weighted assets, the adoption of significant restrictions with respect to involvement in large loan transactions, the reduction of capital requirements for market risks and the maintenance of the value of the loan portfolio, enabled Bank Millennium to increase its solvency ratio from 11.3%, at the end of 2009, to 14.4%, by the end of 2010, and the Tier 1 ratio from 8.9% to 12.3%.

BANK MILLENNIUM – POLAND

Million euros

	'10	'09	'08	Change% '10/'09	'09	Change % '10/'09
					excluding FX effect	
Total assets	11,820.0	10,942.6	11,341.0	8.0%	11,299.1	4.6%
Loans to customers (gross)	9,541.1	8,427.7	8,305.6	13.2%	8,702.2	9.6%
Loans to customers (net)	9,242.4	8,158.1	8,125.2	13.3%	8,423.9	9.7%
Customer funds	10,043.0	8,603.7	8,238.6	16.7%	8,884.0	13.0%
Of which: on Balance Sheet	9,001.2	7,752.7	7,659.9	16.1%	8,005.3	12.4%
off Balance Sheet	1,041.8	850.9	578.7	22.4%	878.7	18.6%
Shareholders' equity	1,029.2	679.1	677.7	51.6%	701.2	46.8%
Net interest income	231.4	137.2	266.6	68.6%	149.3	55.0%
Other net operating income	196.8	197.7	260.7	-0.4%	215.2	-8.5%
Operating costs	270.3	234.5	339.9	15.3%	255.2	5.9%
Impairment and provisions	56.2	100.0	38.5	-43.8%	108.8	-48.4%
Net income	81.3	0.3	117.9	23,630.4%	0.4	21,704.7%
Number of Customers (thousands)	1,124.9	1,129.1	1,153.1	-0.4%		
Employees (number)	6,135	6,245	7,049	-1.8%		
Branches (number)	458	472	490	-3.0%		
Market capitalisation	1,495	993.1	588.8	50.6%	1,025	45.8%
% of share capital held	65.5%	65.5%	65.5%			

Source: Bank Millennium
Foreign exchange rates:

Balance Sheet 1 euro =	3.975	4.1045	4.1535	zloty
Income Statement 1 euro =	4.0078625	4.36182083	3.50572917	zloty

In 2011, Bank Millennium will strengthen its focus on the expansion of its activity, with a view to maintaining the growth of core income in the Retail and Companies segments and, at the same time, maintaining a tight control on the cost base and a conservative risk profile, taking into account the medium-term strategic objectives announced for 2012. The acceleration of the process of attracting new Customers will also be a priority, based on the Bank's vast and modern network of branches, its complete offer of products and services, the brand notoriety, the high quality service and the effective marketing campaigns. For this purpose, the Bank will focus on the cross-selling of products and services, so as to strengthen its relations with the present Customer base.

The rebalancing of the loan portfolio is another important goal for the Bank for the near future. Bank Millennium intends to considerably increase its market share of loans to companies in different sectors, the SME in particular, with special emphasis on asset-backed products, such as leasing and factoring, and to decrease the weight of loans denominated in foreign currency on actual portfolio, thus maintaining a well-diversified portfolio of moderate risk.

The rigorous cost control and the maintenance of a conservative approach to risk will continue to be important aspects of the Bank's activity. Regarding liquidity, the Bank will maintain its focus on balanced growth of deposits and loans and, at the same time, will continue its efforts directed towards the diversification of sources of funding. Bank Millennium will continue to impose strict discipline in capital management, involving the allocation of capital to products and segments showing greatest potential profitability.

Greece

In September 2010, Millennium bank celebrated its 10th anniversary, initially under the brand Novabank and with 45 branches. Its activity over this decade has focused on Retail under a strategy of organic growth, based on the combination of market segmentation in four Business Areas: Retail Banking, Private Banking, Business Banking and Corporate and Investment Banking, with an offer of innovative products, high service levels and highly-skilled human resources. By the end of 2010, Millennium bank had a network of 155 branches, serving 563 thousand Customers.

2010 was a very difficult year for the Greek banking sector, due to the serious economic and financial crisis being experienced by the Hellenic Republic, which led to the preparation of an Economic Adjustment Programme and the implementation of comprehensive budget consolidation measures, with a broad impact on internal demand. The impact at the Greek banking sector was reflected, essentially, in the significant increase of banks funding costs and the deterioration of the loan portfolio quality. In order to mitigate these impacts on the Bank's activity, in 2010, Millennium bank implemented various measures aimed at increasing deposits and new Customers attraction together with a strict control of loan defaults.

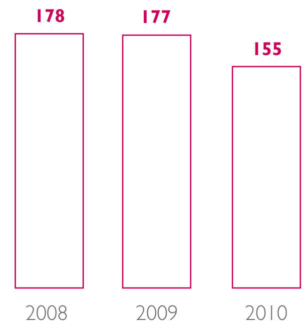
This last year was characterized by an alteration of the corporate governance model, with the segregation of the functions of the Chairman of the Board of Directors (Chairman) and Managing Director (CEO) and the establishment of a new management structure, so as to enable the fast and successful implementation of the new strategic agenda. The Bank also paid particular attention to the strengthening of risk management and control, establishing new strategic guidelines covering the areas of risk identification, acceptance, measurement, monitoring, reporting and control, in order to deal with the adverse impacts resulting from the deterioration of the economic environment.

From November 2010 onwards, the Bank entered into a new stage of its life, with the alteration of its business model, which was, as of this date, based on a single distribution channel, as a result of the unification of the Retail, Business and Private Banking networks. This unification enabled economies of scale and the achievement of various operating synergies, with each of the 155 branches offering the same service and strengthening Customer relations.

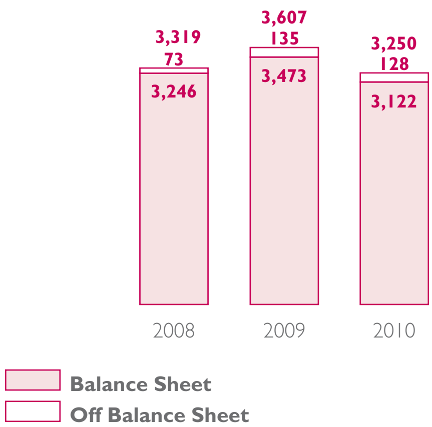
In order to achieve the defined objectives, the Bank launched various campaigns, in particular the new salary and pension programme ("Millennium Dimosiou") for civil servants and pensioners, a segment of the population, which has been especially affected by the Greek sovereign debt crisis. This programme includes a deposit with an interest rate of 2% for the first 1,500 euros invested, an overdraft facility up to one salary or pension with a maximum of 1,500 euros and exemption from the annual fee paid for the Millennium bank credit card. The launch of this programme was supported by a highly visible campaign, including a lottery of 1,000 euros for ten Customers each month, communicated as a mean for Customers to recover the amount lost as a result of salary cuts following Greek austerity measures.

Inspired by its 10th anniversary, Millennium bank also launched a new ten months deposit with the monthly payment of interest and at a preferential interest rate which reaches 10% in the 10th month. The product was publicised

NUMBER OF BRANCHES
Units

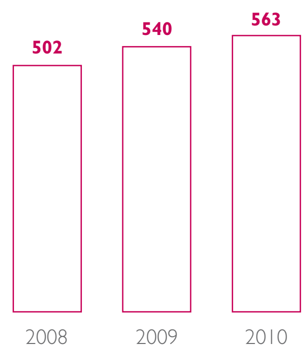


TOTAL CUSTOMER FUNDS (*)
Million euros



(*) The values presented exclude securities' custody.

NUMBER OF CUSTOMERS
Thousands

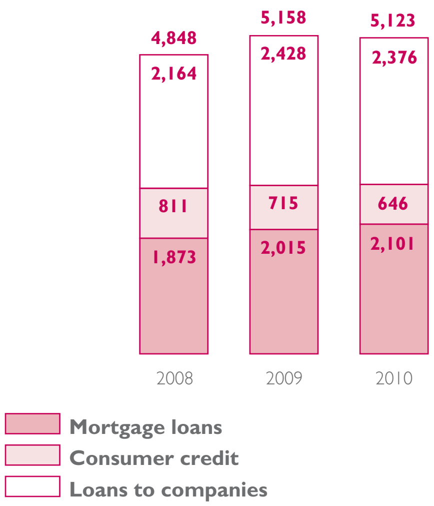


emphasising and promoting its association with number 10. Since its launch, on 10th May, the Bank has attracted approximately 480 million euros. Millennium bank continued to focus on its most successful products: the "Savings for all" programme, a savings plan which paid an interest rate of 2% provided that the Customers undertook to save a certain amount each month. Customers acquisition was also supported by the promotion of a new health insurance programme "Privileged Care", which provides direct access to medical counselling 24 hours a day, the possibility of emergency medical assistance at home and ambulance transport at a competitive price.

The increased Customer base was also the result of the continued partnership with the Greek subsidiary of the company Ikea and maintenance of focus on the "Ikea" credit card, enabling the acquisition of products through interest-free consumer credit. It should also be noted in particular that these two institutions promoted various actions and campaigns aiming at Customers retention.

The Bank maintained its tradition of offering innovative products as one of its factors of differentiation on the market. In the area of bancassurance, Millennium bank promoted, in 2010, the "Privileged Care – Health Card" programme, which offers a vast range of services, from prevention, diagnosis and treatment, for only 10 euros/year, including home visits by doctors of all specialities at accessible prices. The Bank also promoted the "New Home Protection" insurance product, aimed at Customers who wish to protect their homes at a very attractive price. The "Protection of Goods" insurance product which provides Customers with effective coverage for any possible loss or theft of credit and/or debit cards, as well as their personal belongings, purse, keys, documents, telephone, amongst others, is yet another example of product innovation offered by the Bank.

LOANS TO CUSTOMERS (GROSS)
Million euros



For the purpose of improving its Customer service and satisfaction levels, Millennium bank implemented the first stage of the "Mille Desk" programme, which consists of a new computer application with a greater number of commercial and operational functionalities, aimed at improving and ease sales procedures in the branches and reducing time spent on administrative tasks. Also regarding the improvement of products and services offered by the Bank, Millennium bank started the process of renewal and upgrade of its debit cards, through the incorporation of chips in the cards, so as to reduce risks associated to fraud and increase security for transactions carried out.

By the end of 2010, even taking into account the initiatives implemented during the year, the effect of the economic crisis had a negative impact reflected in decreased customer funds, which fell from 3,607.4 million euros, at the end of 2009, to 3,250.4 million euros, at the end of 2010. Even in such unfavourable circumstances, Millennium bank maintained its support to Greek economy, as illustrated by the maintenance of customer loans (gross) levels, which stood at 5,157.5 million euros, at the end of 2009 and 5,123.2 million euros, at the end of 2010. Net income, essentially as a consequence of the adverse economic situation of the country, fell from 9.0 million euros to -16.0 million euros in 2010.

Following previous years practice, Millennium bank's focus on service quality was reflected in the high Customer satisfaction levels achieved and in the various prizes with which it was distinguished by several renowned institutions. Millennium bank was awarded the "2009 EUR Straight – Through Processing Excellence Award" for the third year consecutively, by Deutsche Bank, which once again recognised the exceptional service provided in the processing of euro transfers to the entire world.

MILLENNIUM BANK – GREECE

Million euros

	'10	'09	'08	Change % '10/'09
Total assets	6,858.3	6,669.1	6,104.0	2.8%
Loans to customers (gross)	5,123.2	5,157.5	4,848.0	-0.7%
Loans to customers (net)	4,996.8	5,083.2	4,793.7	-1.7%
Customer funds	3,250.4	3,607.4	3,318.8	-9.9%
Of which: on Balance Sheet	3,122.4	3,472.6	3,246.4	-10.1%
off Balance Sheet (*)	128.0	134.8	72.5	-5.0%
Shareholders' equity	372.3	388.5	314.1	-4.2%
Net interest income	127.5	124.7	126.0	2.2%
Other net operating income	32.5	45.1	41.8	-27.9%
Operating costs	124.1	125.8	126.3	-1.3%
Impairment and provisions	57.3	24.7	16.7	131.9%
Net income	-16.0	9.0	15.1	-277.2%
Number of Customers (thousands)	563.2	540.4	502.1	4.2%
Employees (number)	1,470	1,527	1,554	-3.7%
Branches (number)	155	177	178	-12.4%
% of share capital held	100.0%	100.0%	100.0%	

(*) The values presented exclude securities' custody.

During 2011, Millennium bank will maintain the guidelines began in 2010, focusing on: i) the attraction and increase of the market share of deposits, ii) the safeguarding of loan portfolio quality and iii) improved efficiency, namely through the continued implementation of the new model of an unified distribution channel and reduction of operating costs.

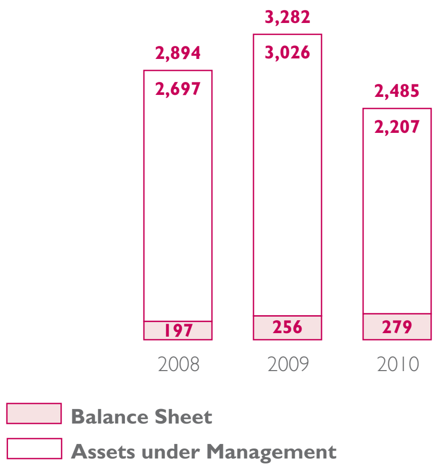
Switzerland

Banque Privée BCP is a private banking platform established in Switzerland in 2003, which provides services to Group Customers with high net worth.

The difficult macroeconomic circumstances experienced in 2010 in the main strategic markets led to the reduction of assets under the management of Banque Privée BCP, which fell from 2,550.6 million euros, at the end of 2009, to 2,206.6 million euros, at the end of 2010. However, this is considered a temporary problem because, even in this difficult context, Banque Privée BCP pursued its marketing activities in the main markets and obtained growth in the Customer base, representing markets and segments where the Bank is increasingly better positioned to serve its Customers over the coming years.

It is important to highlight that in these adverse economic circumstances, where there has been a decrease in the asset base of Portuguese Customers, the adoption of a process of deleveraging by Customers and the appreciation of the Swiss franc, Banque Privée BCP, nevertheless, recorded an increase in operating income in 2010, to 28.6 million euros from 24.0 million euros in 2009, based on higher net interest income and commissions. However, this improvement was insufficient to compensate for the unfavourable effect arising from the increase in provisions and impairment, leading to a decrease of net income from 7.8 million euros in 2009 to 4.2 million euros in 2010.

TOTAL CUSTOMER FUNDS
Excluding FX effect
Million euros



MILLENNIUM BANQUE PRIVÉE – SWITZERLAND

Million euros

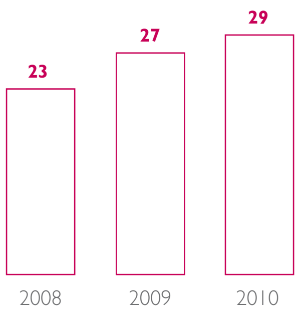
	'10	'09	'08	Change % '10/'09	'09 excluding FX effect	Change % '10/'09 excluding FX effect
Total assets	744.7	880.1	872.1	-15.4%	1,044.3	-28.7%
Loans to customers (gross)	602.3	752.4	753.8	-19.9%	892.7	-32.5%
Loans to customers (net)	568.4	723.7	723.0	-21.5%	858.7	-33.8%
Customer funds	2,485.4	2,766.0	2,436.7	-10.1%	3,281.8	-24.3%
Of which: on Balance Sheet	278.7	215.4	165.9	29.4%	255.6	9.1%
Assets under management	2,206.6	2,550.6	2,270.9	-13.5%	3,026.3	-27.1%
Shareholders' equity	103.4	83.2	42.3	24.2%	98.8	4.7%
Net interest income	8.5	7.0	7.6	21.8%	7.6	11.4%
Other net operating income	20.1	17.0	12.0	18.1%	18.6	8.0%
Operating costs	18.1	15.1	14.5	19.9%	16.5	9.7%
Impairment and provisions	4.9	-1.4	45.2	445.0%	-1.6	415.6%
Net income	4.2	7.8	-30.4	-46.1%	8.6	-50.7%
Number of Customers (thousands)	1.9	2.1	1.8	-9.8%		
Employees (number)	71	65	66	9.2%		
Branches (number)	1	1	1	0.0%		
% of share capital held	100.0%	100.0%	100.0%			

Foreign exchange rates:				
Balance Sheet 1 euro =	1,2504	1,4836	1,485	Swiss franc
Income Statement 1 euro =	1,37895	1,50777917	1,5836375	Swiss franc

For 2011, the strategy involves the maintenance of strict rules on compliance, cost control, increase of organisational efficiency and focus on the constant improvement of investment management solutions, so as to increase proximity to Customers and the presence of Banque Privée BCP in the markets where it operates, while remaining attentive to the portfolio of Portuguese Customers.

NUMBER OF CUSTOMERS

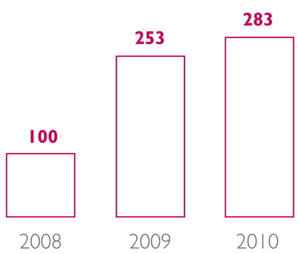
Thousands



TOTAL CUSTOMER FUNDS (*)

Excluding FX effect

Million euros



(*) Includes only On-Balance sheet Funds

Romania

Millennium bank, a greenfield operation launched in Romania in October 2007, is a nation-wide bank offering a vast range of innovative financial products and services to individuals and companies, leveraged by a network of 74 retail branches, covering the main Romanian cities. The Bank expects to achieve the breakeven point in 2013. In a rather fragmented market, with over 40 institutions, Millennium bank is already, after only three years of activity, the 23rd bank in the ranking in terms of total assets, according to the data published in September by the National Bank of Romania.

The adverse macroeconomic circumstances have continued to constrain Romanian banking activity, with an impact in terms of the deceleration of customer loans, a significant increase in loan defaults and liquidity shortage, leading to more conservative and rigorous management policies.

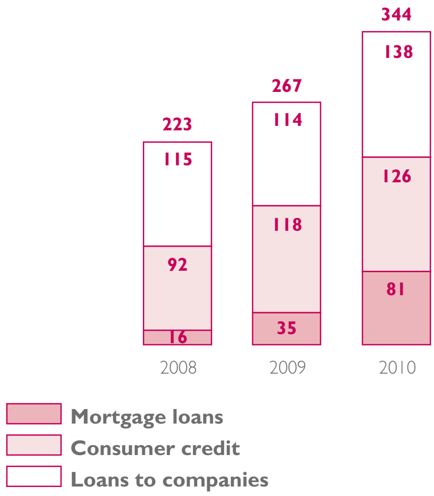
In this scenario, Millennium bank has pursued its strategy, implemented in 2009, with the objective of improving net income, based on higher efficiency levels in terms of costs, the improved quality of the loan portfolio, better allocation of funds and stricter risk and capital management. Millennium bank thus remained focused on its core income, which has already shown an improvement relative to the same period of the previous year, as a result of a selective policy in terms of loan concession, and on the adoption of a cost control policy, aimed at the improved efficiency of the Bank. Millennium bank is confident it will strengthen its position on the market, which, according to the trends of other European markets, will be subject to greater regulation and control.

With the objective of implementing its strategy, Millennium bank has also focused on the development of new approaches to its Customer relations, by expanding the offer with products such as salary accounts, deposits with constant and growing interest rates and accounts for entrepreneurs, so as to increase its position in terms of funds. According to the most recent information available (October 2010), the market share of deposits of individuals reached approximately 1.0% and company deposits were at 0.5%. Note should also be made of the launch of wealth management products and services at the end of 2010, which are expected to have an important impact on the Bank's income in the short-term.

In view of the current economic climate, the Bank has adopted a very strict and rigorous policy on loan concession, in order to improve the portfolio quality, focusing on mortgage loans, where the market share, for the period referred to above, stood at over 1% in a very competitive market.

Millennium bank recorded a negative net income of 23.6 million in 2010, which compares favourably with the 38.0 million euros recorded in 2009, mainly due to the good performance of net interest income and commissions, as well as to the reduction of cost of risk.

LOANS TO CUSTOMERS (GROSS)
Excluding FX effect
Million euros



Millennium bank's prospects for 2011 consist of the consolidation of its position in a very fragmented and competitive market, the seizing of opportunities during the expected improvement of the country's economic conditions, the expansion of the market share of the Bank through the attraction of new Customers and increased cross-selling of value added products. The guidelines for 2011 are based on the continuation of the strategic plan started in 2009, concentrating on: i) the improved profitability of its distribution network, through the increased Customer base, supported by innovative and differentiating service, with mortgage loans being the anchor to retain Customers; ii) focus on the SME segment; iii) increased efficiency in the implementation of specific cost cutting and control policies and iv) more conservative risk and capital management, namely in terms of procedures for loan approval and recovery.

MILLENNIUM BANK – ROMANIA (*)

Million euros

	'10	'09	'08	Change % '10/'09	'09	Change % '10/'09
					excluding FX effect	
Total assets	521.1	472.0	310.4	10.4%	469.2	11.1%
Loans to customers (gross)	344.1	268.2	236.2	28.3%	266.5	29.1%
Loans to customers (net)	304.4	242.9	225.3	25.3%	241.5	26.1%
Customer funds	282.5	254.5	105.4	11.0%	252.9	11.7%
Of which: on Balance Sheet	282.5	254.5	105.4	11.0%	252.9	11.7%
Shareholders' equity	80.8	58.9	32.5	37.3%	58.5	38.1%
Net interest income	16.8	5.9	3.4	185.0%	5.9	182.7%
Other net operating income	9.9	16.9	10.0	-41.7%	17.1	-42.2%
Operating costs	40.7	41.4	41.7	-1.6%	41.7	-2.4%
Impairment and provisions	13.7	16.6	10.7	-17.5%	16.7	-18.2%
Net income	-23.6	-38.0	-32.9	37.9%	-38.3	38.4%
Number of Customers (thousands)	29.3	27.1	22.7	8.1%		
Employees (number)	731	700	691	4.4%		
Branches (number)	74	74	65	0.0%		
% of share capital held	100.0%	100.0%	100.0%			

* Bank started its operations in October 11, 2007. Values include Banca Millennium (Romania) and Banpor Consulting (Romania).
Foreign exchange rates:

Balance Sheet 1 euro =	4.262	4.2363	4.0225	new Romanian leu
Income Statement 1 euro =	4.21037083	4.24474583	3.68775417	new Romanian leu

Turkey

Under the analysis carried out on the portfolio of international operations, and in view of the Bank's strategy of focus on priority markets, BCP proceeded with the sale of 95% of the share capital of Millennium Bank A.S. in Turkey to the financial institution Credit Europe Bank, N.V., an entity owned by the financial group FIBA Holding, A.S., for the adjusted total price of 58.9 million euros.

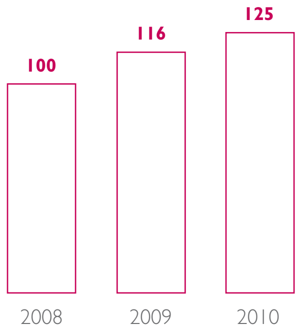
As a result of this transaction, BCP maintained a 5% stake in the company, having agreed with the buyer a put and call mechanism for the possible sale of its remaining stake for a price per share not lower than that received at this point. This transaction generated pre-tax capital gains of 1.2 million euros and had a positive impact of 5 basis points on BCP's Tier I capital ratio.

OTHER INTERNATIONAL BUSINESS

Mozambique

Millennium bim, which celebrated its 15th anniversary in 2010, is Mozambique's biggest bank, with 125 branches, offering 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 business structure and to helping to improve the living standards of its people, not only through involvement in social responsibility measures, but also through the offer of innovative banking products and services that contribute to meeting the financial needs of the Mozambican people.

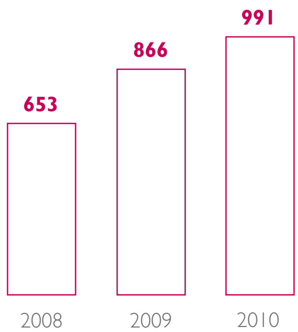
NUMBER OF BRANCHES
Units



The strategic guidelines defined for 2010 involved the maintenance of a culture of service quality and continued commitment to innovation, at the same time seeking to promote the expansion of the Customer base, maximising profitability and intensifying cross-selling. Special attention continued to be paid to the strengthening of the commercial capacity, business segmentation, broader electronic banking use and to the programme of branch network expansion. At the same time, discipline has been maintained in addressing compliance and risk management related matters.

In 2010, and particularly in the second half of the year, the Mozambican financial sector experienced liquidity difficulties, with a negative impact on financial costs. Millennium bim took various measures in order to deal with these constraints, in particular an issue of 5-year bonds for the total value of 20 million euros and the adoption of a policy of protection of net interest income through the repricing of the loan portfolio, favouring, in new loans, loan operations with a short-term profile and good risk level.

TOTAL CUSTOMER FUNDS (*)
Excluding FX effect
Million euros



(*) Includes only On-Balance sheet Funds

The leadership position maintained by Millennium bim, with a market share between 34% and 39%, relative to funds and loans, is the result of its capacity for innovation and the diversification of its offer of products and services aimed at the Corporate and Retail segments.

2010 was strongly orientated towards acquisition of customer funds, with various campaigns having been launched, in particular the "Save More Deposit", which consists of a financial application at 365 days, with an accessible minimum amount; for its constitution and attractive interest rates by bracket of amount, the "DP 15 years", a product commemorating the 15 years of Millennium bim, which consisted of a financial application at 365 days, with pre-defined and constant monthly interest rates and 15% interest rate during the month of November, and "DP Special", which consisted of a financial application with attractive interest rates by bracket of amount and various options regarding amount and maturity.

Millennium bim continued to focus on innovation in order to meeting the financial needs of its Customers, whom it serves on a segmented basis, seeking to meet their expectations and requirements. Regarding credit cards, the "Come with me to Rock in Rio and World Cup" campaigns were launched. The institutional campaign "We are born for all" was also launched, aiming to strength the positioning of Millennium bim as the "Bank of all and for all". These campaigns are in line with the strategic objectives defined for 2010, of focusing on attracting and retaining funds and increasing transactions with credit cards and at POS. The initiatives seek to increase and improve the offer of products and services, in order to meet the growing and increasingly more demanding needs of the Customers, while at the same time strengthening the profitability of the Bank.

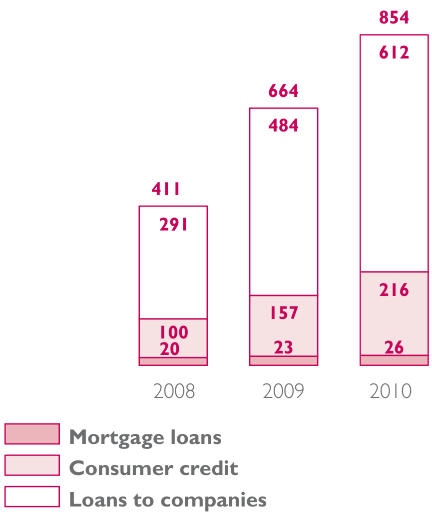
In terms of loans, particular note should be made of the marketing of the following products: "University Loans", aimed at university students intending to carry out university degrees or post-graduate studies, with attractive/subsidised interest rates, an exemption period for the payment of principal and extended repayment terms, the "New Agricultural Credit Line" which consists of a credit line to finance individuals, companies and small businessmen linked to the agricultural sector in the provinces of Maputo and Gaza; and the "Documentary Credit for Imports Campaign" (DCI), with a lower price list for operations contracted until the end of December.

The actions initiated in 2009 in terms of training were maintained during 2010, with strategic focus on the improvement of Employees skills and on Bank's service quality, in order to best serve the Customers. Note should also be made of the fact that the market once again recognised and awarded the value proposition presented by Millennium bim, through the adherence and confidence in its products and services, confirmed by the increased Customer base, which exceeded 860 thousand Customers, an increase of 22% relative to 2009.

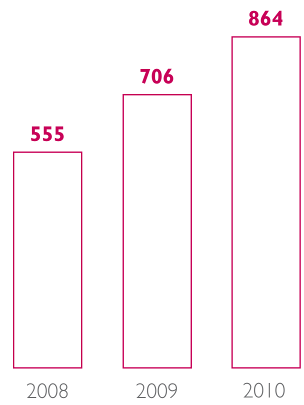
Particular note should also be made of the national and international recognition received by Millennium bim, which obtained the largest number of distinctions and awards received in 2010 in the financial sector, namely the "Corporate Social Responsibility" award attributed by the publication Emeafinance in the context of the "African Banking Achievement Awards"; the "Best Banking Brand" award, a study promoted by the multinational GFK; the "Best Bank of Mozambique" award attributed by two renowned institutions – Global Finance and Emeafinance – and the recognition of being "One of the 5 Best National Banks of Africa" by IC Publications.

At the end of 2010, consolidated net income reached 52.8 million euros, representing a growth of 1.4% comparing to 2009, even taking into account the devaluation of the metical in relation to the euro. The core income continued on the trend of growth shown over the past few years, with net interest income increasing by 13.8% and banking income by 11.9% in 2010. Return on equity stood at 32.3%, compared with 35.6% in 2009, with this financial institution being the most solid one of the market with a robust own funds structure and a comfortable solvency ratio, standing at 15.5%. Notwithstanding the impact of the branch network expansion programme and the adverse macroeconomic situation, which have exerted pressure on costs and net interest income, the cost to income ratio was slightly lower than in 2009, standing at 43% by the end of 2010 (44% in 2009).

LOANS TO CUSTOMERS (GROSS)
Excluding FX effect
Million euros



NUMBER OF CUSTOMERS
Thousands



These indicators show the success of the strategy of Millennium bim, directed towards the customer funds acquisition, as well as the rigorous management, with particular focus on good practices of corporate governance and adherence to the International Financial Reporting Standards, which were part of the factors leading to the financial stability achieved by the Bank, in spite of the international crisis currently being experienced. The value proposition of Millennium bim, based on high quality and innovative products and services, is clearly one of the main factors of its differentiation from its market peers.

The subsidiary of Millennium bim, Millennium seguros, maintained its position of leadership in the insurance market, recording a revenue growth of 4.3%. Net income stood at 5.5 million euros, an increase of 1.2%.

MILLENNIUM BIM – MOZAMBIQUE

Million euros

	'10	'09	'08	Change %'10/'09	'09 excluding FX effect	Change %'10/'09 excluding FX effect
Total assets	1,292.6	1,205.2	1,042.4	7.3%	1,138.5	13.5%
Loans to customers (gross)	853.6	703.1	506.3	21.4%	664.2	28.5%
Loans to customers (net)	807.8	673.2	484.1	20.0%	636.0	27.0%
Customer funds	990.8	916.1	804.2	8.2%	865.5	14.5%
Of which: on Balance Sheet	990.8	916.1	804.2	8.2%	865.5	14.5%
Shareholders' equity	194.8	159.1	143.5	22.5%	150.3	29.6%
Net interest income	95.6	84.1	78.1	13.8%	71.0	34.7%
Other net operating income	55.8	51.3	41.8	8.8%	43.4	28.8%
Operating costs	65.1	59.6	54.3	9.3%	50.3	29.4%
Impairment and provisions	21.2	11.6	2.5	82.1%	9.8	115.6%
Net income	52.8	52.0	51.5	1.4%	43.9	20.1%
Number of Customers (thousands)	863.6	706.4	554.9	22.2%		
Employees (number)	2,088	1,936	1,762	7.9%		
Branches (number)	125	116	100	7.8%		
% of share capital held	66.7%	66.7%	66.7%			

Foreign exchange rates:				
Balance Sheet 1 euro =	43.305	40.91	35.155	metical
Income Statement 1 euro =	45.63333333	38.545	35.77020833	metical

Since its foundation, Millennium bim has assumed the social function as a fundamental part of its mission, reflected in the valorisation of its Employees and through the exercise of its social responsibility in the surrounding communities of which it is a part. For this reason, in addition to compliance with the internal codes of conduct, Millennium bim has been committed to following and disseminating the United Nations Global Pact principles since 2003, as well as FEMA (Corporate Forum for the Environment), adopting, as such, the best international practices and guidelines on good governance and on corporate social and environmental responsibility.

Millennium bim's decision making always incorporates the principle of respect for human rights, investment in personal valorisation, protection of the environment, the fight against corruption, compliance with social standards and respect for the values and ethical principles of the society of which it is a part. The Bank's objective is to foster the role of Millennium bim in the area of social action through its Social Responsibility programme "More Mozambique for Me", focusing on what is really important and what can make a difference, having carried out various actions under the programme with a view to reducing the social inequalities of the country.

For 2011, Millennium bim will pursue the main strategic guidelines described above, with greater focus on the defence of its market share, based on continuous search for improved service quality and profitability, through prudent risk management and the optimisation of operating performance.

Angola

The mission of Banco Millennium Angola, S.A. (BMA), incorporated on April 3, 2006, as a result of the transformation of the local branch into a bank under Angolan law, is to contribute to the modernisation and development of the financial system in Angola. BMA thus intends to assume a key role in increasing the level of participation of the Angolan people in the banking sector, through the marketing of innovative and personalised financial products and services, designed to ensure high levels of satisfaction, Customer loyalty and the involvement of the Customer base, offering the market higher standards of quality and specialisation. The strategic focus on the development of Angola's financial system also involves investment, job creation, focus on the qualification of people and the transfer of know-how.

BMA aspires to become one of the reference banks on the Angolan market, and to this end, in 2010, assumed a strategic agenda based on five pillars: i) Business Development, ii) Retail Network Expansion, iii) Recruitment and Training, iv) Risk Management and v) Performance.

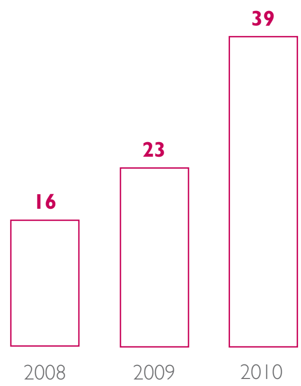
The commercial network expansion plan was carried out through the opening of 16 new branches, with the year closing with a total of 39 branches in 12 of the 18 provinces of Angola, and 714 Employees (+43% compared to 2009). The strengthening of the recruitment and training programmes (initial and continued) of Angolan staff continues to be a critical factor for the sustainable and efficient development of the Bank. It should be noted that, in 2010, over 100 training actions were promoted, corresponding to a total of 2,165 hours.

In 2010, the Bank had a total of 80.6 thousand active Customers, representing an increase of 142% in relation to the same period of the previous year, having attracted approximately 47.4 thousand new Customers compared to the 16.7 thousand new Customers attracted in 2009.

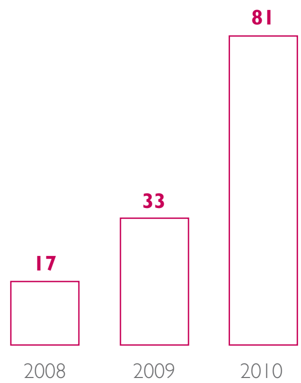
Various innovative initiatives were launched and implemented during 2010 for the purpose of complying with its strategic agenda. Particular note should be made to the fact that the Bank showed a pioneering attitude with the opening of 21 of its branches on Saturdays, thus adding a further business day to the week for the provision of banking service. Also noteworthy is the fact that the Western Union fast transfer service is now available at all branches for Bank's Customers and non-customers.

Regarding marketing and products, the Bank has added the "Cacau Card" to its offer, an innovative service which enables companies to assign a pre-paid card to their Employees, not necessarily Millennium Customers; the "Visa Advantage Programme" the only Angolan credit card which allows its holders to benefit from discounts at certain commercial establishments selected for the effect; and the "Family Savings Plan", a product encouraging Angolan families to maintain savings. Regarding loans, the "Salary Advantage" and "SME Advantage" products were launched, respectively for individuals and companies, comprising an innovative service, which allows for the advance of monthly revenue. With respect to means of payment, the "Non-Personalised Debit Card" was introduced, with immediate delivery to the Customer upon opening of an account.

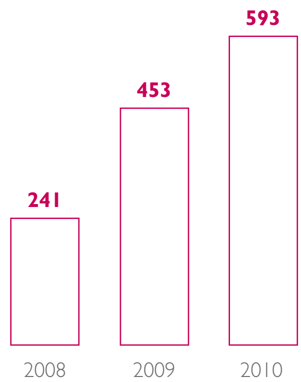
NUMBER OF BRANCHES
Units



NUMBER OF CUSTOMERS
Thousands



TOTAL CUSTOMER FUNDS (*)
Excluding FX effect
Million euros



(*) Includes only On-Balance sheet Funds

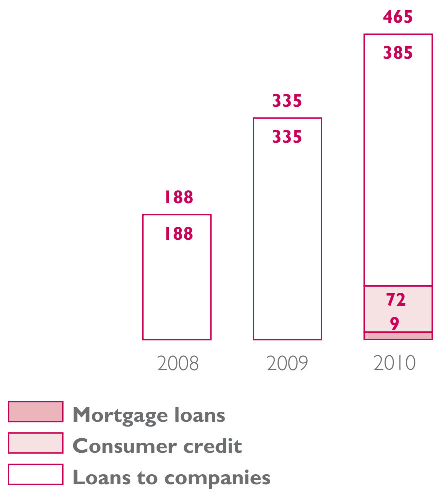
It should be noted that, at the end of the year's third quarter, a new Data Processing Centre was inaugurated, which now supports all the Bank's operations. This new IT infrastructure enables greater effectiveness meeting BMA's needs, with positive impact on internal procedures and on the offer of products and services, thus constituting a decisive step in the consolidation of the quality service provided to the Customer.

2010 was also a particularly positive year for BMA due to the three awards received in recognition of the effort and dedication shown in its process of establishment in Angola. It was considered "Brand of Excellence 2009/10" by the international organisation Superbrands, the "Best Foreign Bank in Angola 2010" by the magazine Emeafinance and "Bank of the Year – Angola 2010" by the magazine The Banker.

In the communication area, note should be made of the beginning of the association of the brand "Millennium Angola" with the renowned singer Yola Semedo, which has enhanced the visibility of the brand among the Angolan population and contributed to the increase in new Customers. The "Millennium Lunches", regular initiatives of the Bank for the purpose of getting together personalities of the national economy and discussing subjects of interest for the country, have strengthened the proximity of the Bank to the Angolan business community.

The Millennium Atlântico Academy, a pioneering project in Angola in partnership with Sonangol and Banco Privado Atlântico, was presented to the public in July and seeks to provide high quality training to meet the needs of the Angolan business market, namely in the areas of finance, banking and insurance. The project aims to train approximately 10 thousand Angolans by 2015.

LOANS TO CUSTOMERS (GROSS)
Excluding FX effect
Million euros



Regarding management information and control, note should be made of the profitability analysis system's implementation and its operationalisation in January 2011.

2010 was a positive year at all levels. The activity grew in a profitable manner, with great dedication being channelled towards ensuring a culture of discipline and permanent focus on results, based on sustained action plans, suitable risk, costs and investment management and improved operating efficiency.

BMA achieved a net income of 23.6 million euros, having grown by 61.4% year-on-year, with a strong improvement in the return on equity, which stood at 18.6% (13.2% in 2009). Despite the Bank's current engagement in the expansion of its commercial network, there was an improvement of its cost to income ratio, which stood at 55% in 2010 (68% in 2009). This growth resulted from a positive evolution in operating income, which increased by 58% to 94 million euros, exceeding the 26% growth in operating costs. Particular note should be made to the strong contribution of net interest income and net income from foreign exchange operations to the growth of operating income, which increased, respectively, by 91% and 28%. It should also be noted that, in 2010, the Bank was placed in the third place in terms of ranking of U.S. dollar purchases from the National Bank of Angola, with a share of 10%.

MILLENNIUM ANGOLA (*)

Million euros

	'10	'09	'08	Change % '10/'09	'09 (excluding FX effect)	Change % '10/'09 (excluding FX effect)
Total assets	1,012.0	746.2	459.3	35.6%	787.8	28.5%
Loans to customers (gross)	465.2	317.3	218.7	46.6%	335.0	38.9%
Loans to customers (net)	447.3	310.0	212.6	44.3%	327.2	36.7%
Customer funds	593.3	428.9	279.4	38.3%	452.8	31.0%
Of which: on Balance Sheet	593.3	428.9	279.4	38.3%	452.8	31.0%
Shareholders' equity	140.1	110.2	43.3	27.1%	116.4	20.4%
Net interest income	51.0	26.7	12.6	90.7%	24.1	111.9%
Other net operating income	42.8	32.5	11.4	31.6%	29.3	46.2%
Operating costs	51.3	40.6	17.2	26.4%	36.5	40.5%
Impairment and provisions	14.1	5.0	2.9	180.6%	4.5	211.8%
Net income	23.6	14.6	4.4	61.4%	13.1	79.4%
Number of Customers (thousands)	80.6	33.3	16.6	142.3%		
Employees (number)	714	499	311	43.1%		
Branches (number)	39	23	16	69.6%		
% of share capital held	52.7%	52.7%	100.0%			

(*) On February 2009, new Shareholders (Sonangol, E.P. and Banco Privado Atlântico, S.A.) have entered in Banco Millennium Angola's share capital, with a 47.3% stake.
Foreign exchange rates:

Balance Sheet 1 euro =	121.6	128.38	104.69	kwanzas
Income Statement 1 euro =	122.23	109.98629167	110.64008333	kwanzas

The year 2010 was also marked by the positive evolution of the volumes of loans to customers and customer funds, which grew by 46.6% and 38.3%, respectively. The total assets of the Bank reached 1,012 million euros, representing an increase of 35.6% relative to 2009. It should also be noted that the securities portfolio reached 257 million euros, corresponding to approximately 25% of total assets.

The strategic initiatives for the coming years continue to involve business growth based on the implementation of the expansion plan with the opening of new branches, increased Customer base and attraction of balance sheet funds in every business segment, the strengthening of the Angolan staff recruitment and training programmes, continued focus on the implementation of risk management and monitoring processes, in addition to continued investment in information technologies and systems.

Macao

In 2010, Millennium bcp inaugurated its first branch in Macao with a full license (on-shore), aimed at the establishment of an international platform for business between China, Europe and Portuguese speaking Africa. This alteration, from an off-shore branch to an on-shore branch has also enabled the Bank to work with the resident population. It should be mentioned that the Bank has been present in Macao since 1993.

With this decision, combined with the signing of cooperation agreements with the Canton Business Association and Canton Municipal Finance Bureau, Millennium bcp has taken yet another step in its support to the economy of Macao and to the businesspeople of this region. The activity of Millennium bcp in the region is also ensured by its representation office in Canton (capital of the province of Guangdong, Southern China), which, together with the Macao branch, has become an essential platform for the exploration of potential business opportunities in the China/Macao, Portuguese speaking Africa and Europe.

In view of the Bank's expansion strategy, it is also important to highlight the signing of a memorandum of understanding with the Industrial and Commercial Bank of China (ICBC), which seeks to strengthen cooperation between the largest Chinese bank and the largest Portuguese private bank. This agreement extends to other countries and regions, beyond Portugal and China, aimed at covering the aforementioned strategic triangle.

Both Banks show preference in the use of reciprocal global networks in the pursuit of their respective activity in Business Areas such as trade finance, treasury, covering the money market, foreign exchange and swaps, cash management and international payments in euros and renminbi, corporate lending and investment banking, namely project finance, syndicated loans and advisory services in related businesses with potential crossborder mergers and acquisitions.

Cayman Islands

Millennium bcp Bank & Trust has its head office in the Cayman Islands, with a "B" category banking license, directed towards the provision of banking services to high net worth individuals and corporate Customers.

The Cayman Islands were considered as a cooperative jurisdiction, in light with the regulations published recently by the Bank of Portugal. As with other jurisdictions, the Cayman Islands also signed an information exchange agreement with Portugal.

The Bank follows its Customer portfolio focused on the lusophone communities resident outside Portugal and in the Portuguese speaking countries of Africa.

The Millennium bcp Bank & Trust net income stood at 6.0 million euros in 2010, compared with 9.6 million euros in 2009. This reduction resulted from net operating income decrease, namely on net interest income due to activity contraction.

MILLENNIUM BCP BANK & TRUST – CAYMAN ISLANDS

Million euros

	'10	'09	'08	Change %'10/'09
Total assets	4,117.7	4,312.6	4,365.7	-4.5%
Loans to customers (gross)	565.3	684.2	734.9	-17.4%
Loans to customers (net)	559.1	676.9	732.4	-17.4%
Customer funds	1,070.4	1,346.1	1,683.7	-20.5%
Of which: on Balance Sheet	1,040.1	1,312.0	1,651.1	-20.7%
off Balance Sheet	30.3	34.1	32.6	-11.1%
Shareholders' equity	269.5	245.7	266.2	9.7%
Net interest income	6.8	12.7	17.5	-46.3%
Other net operating income	1.8	6.0	6.2	-70.5%
Operating costs	2.5	2.5	2.6	2.2%
Impairment and provisions	0.1	6.7	0.1	-99.2%
Net income	6.0	9.6	20.9	-37.3%
Number of Customers (thousands)	1.0	1.3	1.5	-26.8%
Employees (number)	15	15	18	0.0%
Branches (number)	0	0	0	
% of share capital held	100.0%	100.0%	100.0%	

United States of America

In the context of the analysis of the international operations portfolio, BCP decided, in 2010, to leave the United States of America market, and, on 15th October, concluded the transaction with Investors Savings Bank to sell the entire branch network of Millennium bcpbank, the respective deposit base, for approximately 627 million US dollars (circa 445 million euros, based on a EUR/USD exchange rate of 1.4089) and part of the loan portfolio, for approximately 208 million US dollars (circa 148 million euros).

As a result of this transaction, BCP no longer has a banking operation in the United States of America. However, BCP also established a cooperation agreement with Investors Savings Bank with respect to financial remittances derived from this country, which will enable the maintenance of a service of excellence for the former Customers of the Bank. This transaction had no significant impact on BCP's capital ratios.

BANKING SERVICES

The Departments comprising the Banking Services area – Information and Technology Department, Operations Department, Credit Department, Standardised Recovery Department, Specialised Recovery Department, Litigation Department, Administrative and Logistics Department and Prevention and Safety Office – provide a number of specialised services supporting the different business units in Portugal and abroad, contributing to lower operating costs, better quality service, the maintenance of a differentiating level of technological innovation and to the 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, strict management of new investments and operating costs, and implementation of measures designed to improve service levels of the major processes relevant to commercial activity.

In 2010, the main alteration to the structure of the Banking Services was the result of the need to focus the Bank's effort on credit recovery, as a consequence of the significant increase in overdue loans, reflecting the deterioration of the economic environment. The Credit Recovery Department was thus transformed into the Standardised Recovery Department, focused on the Retail segment and on loans of smaller value, and the Specialised Recovery Department, directed towards the Companies and Corporate segment, in the follow-up of major risks. At the end of the year, the perimeter of the Banking Services expanded with the recently created Cards Department, so as to provide greater and more dedicated attention to a business of growing complexity, aimed at attracting Customers and retaining Customer loyalty through more highly valued services. The Real Estate Business Department was also created in 2010 and allocated to the Companies and Specialised Credit Committee, thus removing from the Banking Services all the functions which had been related to management, legalisation and divestment in real estate property not allocated to the operation.

Careful cost management enabled concluding 2010 with positive budget deviations. The total operating costs of all the Departments of the Banking Services fell in nominal terms by 7.0% relative to the budget. The volume of investments increased by 7% relative to 2009 and by 31% in relation to the budget.

The number of Employees of the Banking Services areas decreased by 2.5%, to stand at 1,842 Employees, due to the reductions which took place in the Operations Department and the transfer of the Real Estate Business Department, created in 2010, to the Companies and Specialised Credit Committee.

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 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.

The main initiatives of a strategic nature included the special focus on cost reduction and process rationalisation and reengineering, the technological support provided to innovative value proposals, with the development of new IT applications for different platforms of smartphones, enabling the creation of an offer of reference on the market, as well as the renewal of the ATM and CAT network, optimisation of the management of operational risk, consolidation of the organisational model of credit risk management, so as to best meet the requirements of the IRB application, and the specialisation of the credit recovery function in the Retail, Companies and Corporate segments.

INFORMATION AND TECHNOLOGY DEPARTMENT

In 2010, the Information and Technology Department has focused its activity and resources so as to ensure the achievement of the Bank's business objectives in Portugal and in the other countries in which it operates.

The Information and Technology Department supported the process of the relaunch of ActivoBank, having developed specific solutions to support new products, improve the efficiency of processes for account opening and credit decision making, as well as processes relative to coordination with the commercial network and operating areas. This project involved the implementation of innovative solutions for production and distribution of informative contents by the commercial network and the development of an innovative new site on the Internet, which is simple and easy to use.

Accompanying the technological developments in the areas of mobile devices, the Customers of ActivoBank and Millennium bcp were provided with applications for the different smartphone platforms, thus enabling access to the main bank transactions and which, as a whole, constitute the reference offer in the national market. The process of renewal of the ATM and CAT network was also continued and a project to replace the Call Centre solution was started. This group of developments comes under a vision of integrated architecture for the management of the direct access channels to the Bank for the purpose of ensuring the Customers of Millennium bcp a total offer of transaction platforms, improving the effectiveness and consistency of the commercial action.

At an internal level, note should be made of the series of initiatives for the purpose of providing the Employees with better technical resources and application support for the implementation of their commercial action. In this context and as result from joint work with the commercial areas, the Retail network was provided with a new version of the Commercial Action Platform (iPAC), including an overall vision of the Customer, commercial action plans, management information and enabling greater integration of the sales actions with the associated back-office processes.

A new version of the cashier application (PAB) has been developed, with a series of new financial management functionalities of the branches, also including support for legal requirements, namely relative to the recirculation of notes and more effective control over the operations carried out.

In the central services and branches, the "Milloffice" project has started the upgrading of the base software (Windows 7) and productivity software (Office 2007/10) at the workplaces of most of the Employees.

Sixteen initiatives have been developed for the purpose of improving the credit concession decision making processes, incident particularly on the Workflow System of the Credit Operations (SWOC), aimed at supporting the rating of Customers, implementation of the new credit regulations, development of scoring and pricing models and adaptation to the legal and regulatory requirements.

Important improvements were also made to the applications used in the credit recovery process, in particular in the collection areas.

The high levels of application availability reached in 2009 were surpassed in 2010, as well as the service levels associated to the Helpdesk. Among the factors which most contributed to this performance are the technological renewal project on the central infrastructure supporting the distributed applications, the improvement of the internal management and control processes and the continuous improvement of the incident management processes.

Culminating work carried out over three years, 2010 was the year when the testing of the technological recovery processes (DRP) reached their highest levels, ever both in terms of scope and performance. The simultaneous recovery was made of 20 critical business processes and approximately 150 applications were used in six different countries in an activity that mobilised over 100 Employees of the Information and Technology Department and users of various units of the Bank.

In the context of the "IT Academy", a significant investment was made in technical, behavioural and leadership training, promoting the professional development of the Employees, the implementation of good work and management practices, communication between areas and relations with the business and external supplier areas.

OPERATIONS DEPARTMENT

The main objectives of the Operations Department in 2010 consist of increased efficiency, the development of the skills of the Bank's Employees and improved service quality provided to the Customers of the Bank.

In order to achieve the above mentioned objectives, the Operations Department has sought to dedicate continuous effort towards streamlining, seeking to optimise the Bank's operatives, in a perspective of reducing overall costs, within suitable quality standards. This effort has involved not only the reformulation of processes, but also its incorporation in the Operations Department, with efficiency gains, similar to the integration carried out in 2010 of the Credit for Real Estate Promotion and of the management of the special Price Lists for the Retail segment operatives. At the same time, the development of the "Distinctive Service Levels" Project, in partnership with the Retail network, enabled the diagnosis and implementation of a series of actions of impact on the improvement of the quality of the service provided to the Customers of the Bank and on increased operative efficiency.

The continued development of the "SER.DO" Programme, namely through the training and entertainment actions carried out and the associated communication methods, contributed to Employee development and motivation, expressed in the positive evolution obtained in the satisfaction indicators. Note should also be made of the partnership developed, in 2010, with the Risk Office, with special focus on the Bank's level of the risk weighted assets (RWA).

For 2011, it will be maintained the focus on improved operative efficiency, on the valorisation of the Employees and on the improved quality of the service. In addition to the continuation of the "SER.DO" Programme, note should be made of the consolidation and implementation in the entire Operations Department of the "SER Lean DO" Programme, as a common methodology and motto for the effort towards continuous improvement, developed and participated in actively by all Employees.

CREDIT DEPARTMENT

In this very unfavourable economic environment, there was an increase in the complexity of the proposals analysed and the need to strengthen the mechanisms and resources allocated to monitoring the loan portfolio, with a view to the early identification of situations of potential default.

As expected, in 2010, there was a significant reduction in the demand for new loans, in all business segments and in product classes.

In view of the fundamental concern to ensure and maintain the solidity and quality of the decision making process, efforts were made to ensure the adequacy of the resources of the Analysis Units to the efficiency objectives of the Credit Department. The credit policies were adjusted with enhanced measures of rigor regarding the identification of the most suitable levels of exposure, the selection of the most convenient purposes, modalities and products, with prudence adopted relative to configurations, maturities, collateral and other risk factors.

The resources available in the automatic decision making models were strengthened, with very intense activity having taken place and with excellent results. Of the group of projects which were implemented, note should be made of the development of new credit decision making models and processes for the Group's domestic and international operations, the expansion of the application of the tools and methodologies of this area to other spheres of action of the Bank, namely credit recovery and the contribution to the fast and efficient application of new decision making policies which were enforced over the year.

Particular note should also be made of the progress obtained in the harmonisation of the decision making criteria of the automated models and credit analysis teams, with a view to strengthening the quality and robustness of the underlying credit processes and increasing the respective efficiency levels.

The collaboration between the Credit Department and the Rating Department was maintained, in order to promote consolidation and provide support for the achievement of its objectives.

Since significant improvements are not expected in the reference economic context, the strategy of action of the Credit Department will continue to follow high standards of discipline, indispensable for the safekeeping of the Bank's assets.

STANDARDISED RECOVERY DEPARTMENT

The Standardised Recovery Department resulted from the split, in February 2010, of the Credit Recovery Department, the mission of which is the follow-up of Customers with total liabilities lower than 1 million euros. The deterioration of the economic-financial environment of the Portuguese economic business structure, with a significant increase in overdue loans, impairments and provisions, justified the focus on the segmented treatment of Customers under a process of loan recovery or which have been declared insolvent.

The Standardised Recovery Department defined as its main strategic vector the consolidation of the operative model of Retail recovery, having for the effect developed a series of initiatives over the year, in particular the launch of a injunction procedure whose operative enabled its broad application and the strengthening of the mechanisms for the control and follow-up of Customers whose debts had been sent to the National Injunction Office.

In the area of judicial recovery, a survey was carried out on the operative procedure of these Recovery Units, with the assistance of internal consultancy, with a view to procedural standardisation and the alignment in the legal recovery strategy, when at a decision making phase of various of the proposed initiatives, namely the dematerialisation of the physical archive, within the legal applicable framework, and the automatic distribution of due debts to law firms, an essential requirement for the definition and assessment of its respective performance.

Another important initiative taken in 2010 was the "Optimisation of Credit Recovery Management Project". This initiative aimed at endowing the recovery process with greater effectiveness and higher efficiency levels. This project included, in particular, the following initiatives:

- Process of automatic collection of information for the effect of the calculation of Loss Given Default (LGD), with the ongoing collection having been implemented by the teams, and the collection and processing of historic information being at a final stage;

- Implementation of the new tool supporting the calculation of LGD;

- Definition of a measurement of effectiveness for loan recovery associated to the phase of the process and to the Recovery Unit;

- Preparation of a dashboard with the key indicators on portfolio management, efficiency and performance, with daily updating and available to all levels of the structure;

- Introduction of communication and collection scripts aimed at increasing the efficiency of the teams through the standardisation of the manner Customers are approached, according to their profile and products in default.

Note should be made of the Outsourcing Management, which, in 2010, completed its first year of collaboration with companies specialising in non-performing loan (NPL) market servicing, which has enabled the maturing of these partnerships and the testing of solutions to complement those adopted internally.

Regarding the operational support given to loan recovery, particular note should be made, in 2010, of the area of process investigation, of the reorganisation of the respective teams, the start-up of documental digitalisation and the automation of the underlying written communication.

A difficult economic environment is expected for 2011, which will require the different Recovery Units to search for new and better restructuring solutions, adjusted to the real capability of the Customers, the implementation of better international practices in the use of judicial and extrajudicial recovery instruments, with a view to the achievement of significant gains in effectiveness to enable mitigating the aggravation of the portfolio of overdue loans. In this context, plans have been made for the implementation of the broad application of the judicial process of execution – execution in batch – with a view to endowing the recovery process with greater swiftness following the obtaining of executive title resulting from the injunction.

In order to support the compliance with the challenges of this Department, an Integrated Solution of Credit Recovery will be developed as a tool to support the recovery process end-to-end and to provide operational, technical and recovery strategy support, with priority being given to the judicial recovery process.

SPECIALISED RECOVERY DEPARTMENT

The Specialised Recovery Department resulted from the autonomy given to the Major Risk and Insolvency Centre Units, formerly under the Credit Recovery Department. Its mission consists essentially of the follow-up and management of the liabilities assumed by Customers or economic groups with foreseeable or effective default, involving over 1 million euros, as well as all Customers in solvency proceedings, through actions which seek to minimise the Bank's risk of economic loss. In this way, the Bank seeks to achieve greater specialisation and efficiency in loan recovery in the company segment.

The recovery work carried out in this Department essentially seeks the recovery of the values of overdue loans, provisions and impairment, in the perspective of reducing the value of loss or costs to the Bank. The recovery actions are essentially processes of restructuring of overdue loans, associated to the increased levels of protection of Bank loans, especially the strengthening of the guarantee levels and increase of collateral.

The adjustment of the recovery processes developed is underway, in order to comply with the new format of autonomous action and to the market conditions resulting from the segmentation. For this purpose, a functional analysis was carried out of the necessary alterations, various working parties were constituted in a project perspective which should conclude their work during 2011. These projects involve issues related to the Reorganisation of the Insolvency Process, Employee Training, Motivation, Organisation, Methods and Communication, Outsourcing, Facilities and Contracts, among others.

LITIGATION DEPARTMENT

2010 was the first full operational year of the Litigation Department. The actions developed during the year had three major objectives: i) a strong focus on increasing the judicial recovery of loans; ii) optimisation of results in Litigation proceedings and iii) consolidation of the recent structure and internal reorganisation, so as to endow the new Department with resources regarding information technology and control, indispensable to increasing the activity levels.

The progress achieved is visible in the area of management information, especially in the Litigation area, awaiting developments in the Credit Recovery System (software managing the recovery proceedings in litigation), which will enable better follow-up, information and control of this type of proceeding and, at the same time, the possibility of responding in a more effective manner to internal and external requests. The following are also of importance in the activity of the Litigation Department: i) collaboration in training actions, especially those aimed at Employees of all areas of credit recovery and the legal advisory services, provided by the lawyers of the Litigation Department to the Credit Recovery Departments and ii) the internal legal counsel provided in credit recovery proceedings, in particular those involving greater banking technicality, so as to streamline costs related to lawyers and favour results.

The Credit Recovery activity, apart from the technical-legal support provided to the more complex restructuring of loan recovery of the Specialised Recovery Department, recovered 106.4 million euros of overdue loans and promoted the recovery of litigious loans not immediately due, in the value of 39.1 million euros.

In Litigation activity particular note should be made of the Bank success rate of approximately 95% in actions against the Bank, in the obtaining of favourable judicial decisions and agreements/transactions, with a very positive impact on the costs supported by the Bank arising from indemnities payable. 264 proceedings were settled, corresponding to 115.8 million euros, of which 100 proceedings were related to labour issues. Regarding criminal proceedings, there was an increase in the number of entries of proceedings and an increase in their complexity. 151 new proceedings entered and 70 were closed.

ADMINISTRATIVE AND LOGISTICS DEPARTMENT

In the administrative and procurement fields, and with the objective of cost control, particular note should be made to those related with procurement costs, with the alteration of the software solution, the reduction of postage costs and travel costs, the release of warehouse space through donations and the destruction of obsolete articles and the reduction of approximately 10% in Employee/branch costs. All these actions were carried out without lowering the overall quality of performance. For 2011, the effort towards the streamlining of procedures will be continued with the consequent reduction of costs, in particular in the heading "Other administrative costs", namely in terms of the revaluation of the procurement system and fleet management and, taking advantage of the liberalisation of the postal system, regarding negotiations conducted with all the operators, aimed at obtaining better terms.

The activity of the Insurance Management Unit, in 2010, involved negotiation focused on the products with greatest impact on costs and savings through the reanalysis of contracted objects and guarantees in the order of 2 million euros. In 2011, the focus implied the negotiation/renewal of contracts, with a view to the sustained reduction of costs related to the Bank's own insurance portfolio.

In the Works Management and Maintenance Department, the focus, in force since 2009, continued in terms of control of costs and investment. For this reason, great pressure was placed on the review of processes and release of space, with 12,000 m^2 of office, archive and warehouse space released, while programmes were developed for the renegotiation of contracts.

In 2010, the Procurement Department continued and consolidated the strategy which had been followed over the last few years, comprising the activities of: i) negotiation and contracting of goods and services for the Group with best quality/price relation; ii) search, together with the internal Customers, for more efficient and economic alternative solutions; iii) support the international operations of the Bank, through direct negotiations, consolidation in overall contracts advisory and benchmark services, and the provision of integrated management tools for procurement and contracts; and iv) assessment of suppliers and consequent taking of corrective measures. An analysis was recently made on the Procurement function at Millennium bcp by an international consultant who concluded that the Procurement Department is well positioned in relation to its Peer Group in terms of: i) areas under negotiation; ii) empowerment and achievement of results and iii) efficiency of processes in terms of the size of the department versus the level of national and international coverage and depth of the action.

PREVENTION AND SAFETY OFFICE

The Prevention and Safety Office is structured in three areas: i) Physic Security, ii) IT Systems Security and iii) Business Continuity.

The Prevention and Safety Office continued to develop its activity in minimising the likelihood of the occurrence and impact of harmful situations to the personnel and operations of the Bank's institutions, through improved effectiveness and efficiency of the safety system and consequent decrease of risk and reduction of the associated operating costs. Among the series of actions developed during this period, the following were of particular importance:

- Conclusion of the roll out process of the Digital Video Surveillance System, with 893 systems having been installed in branches and 22 in buildings;

- Technological renewal of the safety systems against theft and intrusion in 312 branches and in two central buildings;

- Technological renewal of the access control system, to be implemented in a phased manner and starting in the buildings of Tagus Park;

- Installation, under the SR-07 project, of the information systems platform (SITUATOR) in the new Safety Room which internally centralises the monitoring of alarms;

- Evacuation exercises in all central buildings with a view to testing the Emergency Response Plans.

During 2010, the Bank continued to develop its activity relative to the security of the information systems, applying strict control based on the international standards, namely " Standard ISO2700".

Particular concerns for 2011 include, in particular, the: i) continuation of the roll out for the implementation of the SR-07 project, which is expected to integrate all the branches in 2011; ii) continuation of the technological renewal programme of the intrusion centres, with this intervention being planned for 250 branches; iii) continuation of the process, in phases, of the technological renewal of the access control system in the central buildings; iv) migration to segregated VLAN of the digital video surveillance system; v) evacuation exercises in all central buildings to test promptness and emergency response capacity and vi) review of the entire framework of rules on physical safety.

Creating awareness of the importance of Security, indispensable to developing a permanent culture of security at the Bank, namely among the Stakeholders, was one of the priorities for 2010. This awareness was carried out through different initiatives, namely the publication of newsletters on security aimed essentially at Internet Banking Customers, the insertion in the internal and external portal of recommendations and notices on security, participation in the Bank's initiatives regarding the Culture of Rigor and the publication of an internal framework of rules covering a broad group of sectors.

The major concerns for 2011 were evident in the development of the activity associated to the classification of information to be carried out by the different areas of the Bank, based on a computer application developed to this effect, to which clear rules on the handling of this information will be associated, based on the level of the respective classification. The assessment of high level risk to the Bank as a whole and the assessment of detailed risk for some highly critical applications will also be considered a constant concern in all the activities that the Information Security Unit will develop in the following year.

The resilience of the Bank's Business Continuity Plan was strengthened through the definition of contingency procedures for critical Business Processes and information systems.

The Bank approved the strategy of Business Continuity exercises and the programme of tests for the two-year period 2010-2011. The test strategy determines the training of all the Business Units operating critical business processes, through regular tests of increasing complexity and realism. Note should be made of an integrated exercise, carried out in June, which covered, in a coordinated manner, emergency response, crisis management and business recovery in an alternative place, and mobilised approximately 600 Employees of the Bank, as well as teams providing logistic and technological services.

In 2011, the consolidation of the Business Continuity culture at the Bank will also be pursued through the strengthening of communication and the launch of a training action for all Employees.

CORPORATE AREAS

The Corporate Areas include the Compliance Office, the Planning and Budget Control Department, the Research Office, the Management Information Department, the Accounting and Consolidation Department, the Investor Relations Department, the Audit Department, the Legal Department, the Tax Advisory Department, the General Secretariat, the Millennium bcp Foundation, the Communications Department, the Company Secretary, the Foreign Business Support Unit, the Strategic Projects Unit, the Staff Management Support Department, the Risk Office, the Rating Department, the Financial Holdings and Valuation Department, the Quality Department, and the Assets and Liabilities Management Department.

During 2010, the activity of the Corporate Areas remained focused on initiatives regarding Employee management, support to strategy development, the strengthening of discipline in risk and capital management, simplification of the Bank and improved efficiency.

COMPLIANCE OFFICE

In 2010, the process of reorganisation and restructuring of the Compliance Office was consolidated, with the definitive implementation of the procedures for the formalisation and control of fundamental tasks, analyses, recommendations and mechanisms for effective compliance with the philosophy of action inherent to the internal control system.

The Compliance Office continued to meet the demands of the fundamental issues of control of compliance attributed to it, namely the prevention of situations of non-compliance and the follow-up of the most critical processes – regarding issues of compliance with basic rules on the formalisation of transactions and operations by all commercial areas, coordination of the implementation of new rules and legal and regulatory standards and the strengthening of the most critical areas in the context of money laundering, the financing of terrorism and market abuse processes.

It was also possible to comply with the objective of systematisation and proactiveness in the control of compliance risk in terms of operating processes (Know Your Processes), thus continuing the Group's Employee training processes. The efforts dedicated to interaction with external operations and harmonisation on matters of structural and structuring policies were strengthened, through the systematic review of the Compliance Manual and the different policies included therein, namely Policy on Conflicts of Interest, Policy on Customer Acceptance, Policy on Account Opening and Policy on the Monitoring of Money Laundering Risk, as well as the formal adoption of these structuring compliance documents by the Group's operations.

Regarding action within the Group, the scope of systematic intervention was expanded. Simultaneously, it was developed relations in the follow-up of the operations and the institutionalisation of formal mechanisms for the coordination and interaction of the different Compliance Offices.

PLANNING AND BUDGET CONTROL DEPARTMENT

The Planning and Budget Control Department, under its attributions, ensured compliance with the duties to provide information and periodical reporting to the supervisory authorities, collaborated in the preparation of relevant financial information for disclosure to the market and proceeded with the analyses and preparation of documents for the meetings of the Executive Board of Directors, CALCO, Audit Committee and Supervisory Board.

In addition to the activities focused on the regular sphere of action, the Planning and Budget Control Department collaborated in the strategic planning process, namely in the preparation of the individual and consolidated budgets for 2011, and also coordinated and/or participated, in collaboration with other Business Units of the Bank, in a variety of initiatives and projects involving developments in progress to meet new regulatory requirements and in the identification and implementation of opportunities for improvements in terms of the internal control system. Also of importance was the strengthening of the proactive role in the control of the Bank's costs, through the close follow-up of its main drivers and the strengthening of the connection of the Balanced Scorecards methodology to the strategic process, its expansion to other Central Service Departments and the deepening of its use as a tool to follow the performance of the Organic Units, on a monthly basis, to achieve Bank's strategic objectives.

In 2010, the organic structure of the Planning and Budget Control Department was simplified, through the incorporation of the functions of the former Performance Management Area in the Analytical Information Area, enabling synergies to be gained and greater coordination regarding the budgetary process, derived from the strategic reflection of the Organic Units and the consequent definition of their objectives, evidenced in the Balanced Scorecards, in addition to the subsequent monitoring of compliance with the budget and objectives of the Organic Units.

RESEARCH OFFICE

In 2010, the Research Office ensured compliance with the Bank's periodic reporting obligations as a public company, supported the preparation of the Internal Control Report, collaborated in the preparation and analysis of documentation for the meetings of the Executive Board of Directors and Supervisory Board, prepared the presentations, interventions and communications of Members of the Executive Board of Directors, ensured BCP's debt investor relations and prepared meetings with the rating agencies, at the same time coordinating the replies to their occasional requests for information.

The Research Office monitored and analysed the situation of the economy, markets and financial systems, and collaborated in initiatives organised by the different Organic Units of the Bank, directed at internal and external Customers, drawing up economic publications on a regular basis for internal disclosure and taking part in forums related to subjects on regulation and supervision of financial systems.

The Research Office prepared the internal study of the sum of parts of the BCP Group, including analysis by activity segment in Portugal, and various studies on capital management and optimisation and on the performance of the Portuguese and European banking sector. It also collaborated in the process of the assessment of any existence of impairment in relation to the financial holdings of the Group and participated in various corporate finance projects, in particular the sale of 95% of the holding in Millennium Bank A.S. in Turkey.

During 2010, the sustainability area ensured the reporting to the Stakeholders through: i) the sustainability report; ii) response to international analysts of Corporate and Social Responsibility; iii) participation in national initiatives involving the assessment of Governance practices and social and environmental impacts arising from the Bank's activity and iv) publication on the Bank's internal site of studies carried out on sustainable development. The Research Office carried out the monitoring and reporting to the Sustainability Coordination Commission and Stakeholders Commission, on the execution stage achieved in the activities laid out in the Sustainability Master Plan for 2010-2012.

Under the protocol signed with Universidade Nova de Lisboa/School of Technical Sciences, it organised an environmental workshop to explore the main opportunities for and risks to the banking sector arising from climate change. In the field of innovation, 2010 was marked by the continued exploration of the concept of directed creativity, with the most mobilising ideas having been implemented together with the Staff Management Support Department, the commercial area, Millennium bcp Ageas and the Operations Department. "Open Door" workshops were also carried out to foster the exchange of experiences and sharing of best practices, and the "One Thousand Ideas" workshop to award the best participation of 2009. In 2010, this programme was distinguished by the Corporate Executive Board, through its human resources and leadership management practice (CLC Human Resources) as the "Best Demonstrated Practice" in the involvement of the human capital in the Organisation.

MANAGEMENT INFORMATION DEPARTMENT

In 2010, the main strategic objective of the Management Information Department was the very close monitoring of the evolution of the revenue of the Commercial Networks, detecting constraints, recommending methods for their resolution and indicating possible means for the creation of new income sources.

In addition to the normal process of control of the performance of the Networks, both in terms of volume and regarding the operating budget, monitoring of margins on the constitution of deposits and loan operations, and evolution of the main types of commissions, the Management Information Department was given the responsibility for the income improvement project teams, which are also composed of members of the Marketing Department and Employees of the IT and Operations Departments. The objective of these teams was to increase the revenue generated by the Commercial Networks, adjusting prices, creating new sources of revenue and reducing the operational risk associated to the generation and accountancy process of the operations.

The Management Information Department is also responsible for the proposals of adjustments in deposits and liquidity premiums associated to the loans, a fundamental aspect of the price fixing model, which it also generates and controls. At the same time, the Management Information Department is responsible for the management and control of the different incentive systems of each of the Networks, also aimed at increasing the revenue of the Commercial Networks.

Furthermore, as has become usual, the Management Information Department played the role of coordination of the budget process of the Commercial Networks, gathering proposals, notifying on the need for corrections and preparing the presentations for the Executive Board of Directors and Coordination Committees of each Network.

ACCOUNTING AND CONSOLIDATION DEPARTMENT

In 2010, the Accounting and Consolidation Department pursued its mission to prepare the Consolidated Financial Statements of the BCP Group, always with the objective of presenting a true and appropriate reflection of the entire Group in accordance with the accounting standards and rules defined by the different regulatory entities. Regarding the activity developed by the Accounting and Consolidation Department, during 2010, special mention should be made of the reformulation of the reporting on Monetary and Financial Statistics to the Bank of Portugal, the continued implementation and fine-tuning of new control mechanisms, as well as the strengthening of partnerships with centres of control of the operating areas of the Bank, with a view to improving the quality and accuracy of the accounting information, the development of a series of ratios, indicators and warnings for the improved analysis and reporting of accounting information.

AUDIT DEPARTMENT

The main focus of the activity of the Audit Department lay in the priority action areas defined in the Strategic Plan approved for the four-year period of 2010/2013. In this context, the Audit Department proceeded with an internal reorganisation of its staff, with the creation of teams specifically dedicated to the issues of Supervision/ Permanent Team of the Bank of Portugal, Internal Control System and Withholding Tax/MFID Audits in the Financial Area and to Fraud in the Prevention Area, redefining the procedures in terms of all its areas. At the end of 2010, the Audit Department had 82 Employees and one intern and the Employee/Auditor ratio was 124.

The Audit Department was responsible for the preparation of the Reports on the Internal Control System of 2010 of Banco Comercial Português, S.A. and other institutions of the Group, presented to the Bank of Portugal and to the Securities Market Commission (CMVM) at the end of June, having centralised the contributions received from them and sent the final versions of the documents in question. The Audit Department also ensures continuous monitoring, with the periodic preparation of progress reports for the Executive Board of Directors and Audit Committee, on the implementation by the different organic units of the recommendations issued by the actual Department, the Supervisory Authorities and the External Auditor reported in these documents.

Pursuant to the competences attributed in this matter, the Audit Department followed the actions of the Supervisory Authorities, in particular the Permanent Team of the Bank of Portugal and the CMVM and ensured complete and prompt compliance with the respective requests for information.

The Audit Department also ensures the implementation of activities relative to the Independent Review Function, necessary for the good pursuit of the Bank's candidacy under Basel II, with special focus on the audits to credit risk, monitoring and implementation of the recommendations issued by the Bank of Portugal and by the actual Audit.

As an integral part of its Audit Plan, the Audit Department proceeded with the systematic analysis of all loan operations, entries into recovery and impairment variations of values above the limits defined for the effect in the Strategic Plan and carried out a series of audits, especially regarding the analysis of matters of behavioural nature, with particular focus on procedural rigor with greatest impact on Customer relations.

The prevention and mitigation of the risk of fraud, as well as the detection and investigation of situations or attempts of fraud, internally or externally, and the conduct and follow-up of any disciplinary or judicial proceedings resulting thereof also constituted a priority in the allocation of the Department's resources. As result of investigations carried out in Portugal related with potential improprieties occurred in 2010, 38 Employees had been sanctioned for violation of rules.

EMPLOYEES SANCTIONED AS RESULT OF RULES VIOLATION

	'10	'09	'08	Change % '10/'09
Infringement of rules				
Internal rules	15	15	14	0.0%
External rules	23	14	25	64.3%
TOTAL	**38**	**29**	**39**	**31.0%**

At the Group level, the Audit Department exercised its function as coordinator of the Internal Audit function and proceeded with the follow-up of the activity of the subsidiaries in Portugal and abroad, in particular with respect to liquidity management and information systems, providing internal audit services to entities which, due to their size, do not have their own audit services.

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.

TAX ADVISORY DEPARTMENT

In 2010, the Tax Advisory Department was reorganised and now concentrates exclusively on tax matters with its functions and competences defined more precisely.

In the context of these functions and competences, and with a view to minimising risk regarding tax matters, during 2010, the Tax Advisory Department supervised compliance with obligations related to tax by the companies of the Group, in particular the tax statements relative to Corporate Income Tax (IRC) for 2009. It also answered or coordinated the answers to the requests on tax matters of the companies of the Group.

The Tax Advisory Department supervised the various operations involving the liquidation or disposal of companies of the Group, participating in their design and analysing their respective context and the respective consequences for tax purposes. It also participated in various other operations carried out by companies of the Group, with a view to their optimisation for tax purposes or reduction of risks related to tax.

The year 2010 featured numerous alterations to tax legislation with relevant impact on the companies of the Group, relative to the products traded by them and services provided by them. This was the case of the State Budget for 2010 and the successive packages of measures related to the Stability and Growth Programme. The Tax Advisory Department monitored the disclosure of these alterations and followed their implementation at the level of the Group. Likewise, the Tax Advisory Department analysed and issued an opinion, when applicable, on the proposed alteration of Portuguese and community legislation which was subject to the assessment of the companies of the Group through the associations to which they belong (such as, for example, the Portuguese Banking Association and the Banking Federation of the European Union) and represented the Group at meetings with the Tax Authorities.

Following the creation of the Price Table established in Notice of the Bank of Portugal nr. 8/2009, the Tax Advisory Department began the systematised review of the tax framework and all the items established therein, in order to ensure the respective updating and minimise the risk of any inaccuracies.

GENERAL SECRETARIAT

In the context of its mission, in 2010, the General Secretariat assumed the administrative management of and logistic support for all the statutory bodies of the Bank, the functions in the area of institutional relations and representation of the Bank, the logistic organisation of events with the presence of the statutory bodies or any of its members, the management and coordination of the people providing services to the governing bodies, the coordination of the service of the corporate areas, the management and maintenance of the meeting rooms and their equipment, dining rooms and vehicles at the disposal of the governing bodies, the management of the invoicing of expenses related to the activity of the statutory bodies, the organisation and preparation of the ceremony for the Awards of the 25th Anniversary of Millennium bcp, as well as other activities of administrative nature. The General Secretariat sought to develop its activities in strict observance with good budget and cost management, without placing in question the quality required in these activities.

COMMUNICATIONS DEPARTMENT

The communication strategy of Millennium bcp is based on the pursuit of real proximity to Customers, Employees, institutional entities and all other Stakeholders. Regarding commercial communication, the advertising campaigns combined commercial aspects with a conscious discourse placed within the context of the current economic situation, constraints and challenges of the market. For this reason, savings products were highlighted during 2010 as the most important part of the Bank's commercial campaigns. Furthermore, and as a result of the Bank having celebrated 25 years of existence this year, the opportunity was taken to thank all the trust that Customers and Shareholders have shown in the Bank, as well as the dedication of its Employees. The communication strategy as of the second semester of 2010, both commercial and institutional, was based on a brief history of the path taken by the Bank over the past 25 years, combined with a series of commemorative actions for Employees and Customers, as well as the general public. In this way, the Institutional Campaign – Bank Anniversary – "25 Years of sharing the future with You" was developed, and used as the starting point for the rest of the campaigns. Particular note should be made of the Millennium Meetings in the districts of Viseu, Portalegre, Beja, Vila Real, Guarda and Viana do Castelo – in which 2,909 Customers and 711 Employees participated, with the objective of reaching all the Portuguese districts thus being achieved – and the activation of the Millennium Cup of Portugal and Rock in Rio-Lisbon 2010 sponsorships. This last event, which registered over 330 thousand visitors, strengthened the perception of Millennium bcp as the dominant banking brand in the field of music, and reached the highest point of fame ever with 72.6% of brand awareness, according to the BrandScore study of Grupo Consultores. Finally, in the context of internal communication, particular note should be made of the internal portal, Millenniumnet, the main communication platform, whose objective is informing Employees on the most important aspects of the life of the Organisation. The video-on-demand technological solution is increasingly the vehicle of choice for the Bank's Employees, making communication more effective and guided. This technological integration enables Millennium TV to be increasingly used as an essential resource in the process of dissemination of information and good practices within the Bank. Special note should be made of the start-up of a cycle of ten interviews by the journalist António Perez Metelo with senior executives of the Bank – an initiative which reflects the commitment to transparency that the Administration has with the constituents of Millennium bcp, starting with its own Employees. While not on a regular basis, the scope of the action of Millennium TV in 2010 was extended to external audiences, with the placement of videos on its own channel on Youtube, as was the case of the interview with the Chief-Economist of Millennium bcp in May.

COMPANY SECRETARY

The Company Secretary carried out integrated supporting activity in the Corporate Areas of the Bank. The Corporate Secretary reports to and depends directly on the Executive Board of Directors. The central and predominant mission of this position is to ensure the secretarial work of the meetings of the Credit Commission, a specialised commission of the Executive Board of Directors and the meetings of the Governing Bodies, certifying the acts carried out and empowering the respective members. The Company Secretary also fulfils the requests of the supervisory entities with respect to issues related to good compliance with the principles of corporate governance, schedules Shareholders' requests in the exercise of their right to information, certifies copies of minutes and other corporate documents, and follows the process recording all the acts of the Company at the Bank of Portugal and Commercial Registers. The holder of this position participates actively in the promotion of the Annual General Meeting of Shareholders and preparation of the Corporate Governance Report. The Company Secretary contributes to and collaborates with all the services of the Bank, both executing and validating any act related to the activity pursued by the Bank.

FOREIGN BUSINESS SUPPORT UNIT

The Foreign Business Support Unit is an advisory unit of the Executive Board of Directors, with competences in the follow-up of the activity of the international operations. Included in its scope of action is the analysis of performance and support to local Executive Board of Directors, organization and participation in the quarterly meetings of the European Business Committee, as well as the analysis of the matters assessed by the Governing Bodies and Audit Committees relative to these operations.

This area also coordinates and participates in international projects of a strategic, corporate development and financial nature in terms of the international operations, such as the review of business models, the review of specific business areas and other projects with a structural impact.

In 2010, the Foreign Business Support Unit integrated and stimulated various initiatives such as the strategic reformulation in Poland, Romania, USA and Greece, in addition to providing support for the process of the sale of the operations in Turkey and in the USA.

STRATEGIC PROJECTS UNIT

The mission of the Strategic Projects Unit, created in the first quarter of 2010, is to provide technical support to the Executive Board of Directors in strategic decision making processes concerning the Group's business and operations through the preparation of strategy reports, studies and analyses, coordinate or participate in structural or transversal projects, in coordination with other organic units and external consultants, request, centralise, analyse and provide information relative to strategic projects, promote the disclosure of relevant strategic information and ensure relations with a variety of external entities of diversified scope.

Following its constitution, the Strategic Projects Unit proceeded with the collection of information on the strategic projects implemented at the Bank since 2008, the construction of an Info Centre with a view to the centralisation and dissemination of information relative to strategic projects, research and Employees, the Unit began quarterly reporting to the Executive Board of Directors on the strategic projects in progress or concluded in the last 12 months, assumed the coordination of relations with the external consultants of the Bank and coordinated the renewal of collaboration with different external entities and respective dissemination and promotion in the relevant areas of the Bank.

In the context of its collaboration with the Staff Management Support Department, the Centre participated in the "Ser Millennium" ("Being Millennium") programme, in the proposal of topics for the "Grow Together" forum and in the celebration of a partnership with AESE School for the writing of case studies on Millennium bcp.

The Strategic Projects Unit participated in and promoted various projects of structural and/or transversal nature, in articulation with other units of the Bank and external consultants.

STAFF MANAGEMENT SUPPORT DEPARTMENT

The activity developed by the Staff Management Support Department, in 2010, was characterised by strong dedication to the strengthening of motivation in terms of the Employees' involvement with the Bank's values and strategy. Significant investments were made in the improvement of skills and the professional valorisation of the Employees, promoting increasingly higher standards of excellence and discipline. Programmes such as "Being Millennium", "We Value Experience" and "A day with the Customer" reflect the main values of the Bank, namely regarding respect for People and Institutions, the drive towards excellence, trust and focus on the Customer.

The pursuit of the daily practice of discipline, in a perspective of compliance, ethics and risk management, led to the development and implementation of the "Culture of Rigor" programme, applicable across the entire Bank and which will remain in progress during 2011.

In partnership, and providing support to the activity of the different units of the Bank, specific training programmes were designed for the area of IT ("IT Training Academy"), and Companies and Retail ("Quality of Sales"). Leadership skills were strengthened, namely through the pioneering partnership with the Military Academy, which involved 50 managers of the Bank.

The strong involvement with the academic world was maintained in a perspective of sharing of experiences and attraction of talent, as well as in the development programmes aimed at specific segments of Employees (Grow Plus, People Grow, Young Specialist, Grow Fast, Grow in Retail, Master in Retail and Leadership in Retail).

Mobility continued to be encouraged. The Commercial Skills Development Programme (PDCC) and "New Routes" programme are stimulating career opportunities and challenges for those participating in them, at the same time, contributing to strengthen the proximity of the Bank to its Customers.

Underlying the process of counselling and supervision towards the development of skills, the Individual Performance Assessment System offers opportunities for dialogue between the senior staff and the rest of the Employees, enabling the deepening of the culture of personal accountability for the respective careers of the Employees.

RISK OFFICE

In 2010, the Risk Office pursued activities relative to the promotion and coordination of risk management and control, and reporting – both external and internal – relative to the different types of risk incurred by the Group, in accordance with business development. These functions are included under the strategic objectives of the Group relative to the improvement of solidity and trust, in addition to being integrated in an effective manner the Group's internal control framework. In this way, the activity developed by the Risk Office contributed in an important manner to the improvement of the internal control environment, through the fine-tuning and strengthening of the policies and instruments for the measurement and control of risks. In this regard, note should be made, for example, of the strengthening of the promotion and coordination of actions which enable the policy of better and greater collateralisation of credit to take effect – especially amongst major debtors – or the implementation of precise classifications for non-performing loan positions (or in situations equivalent to default, within the framework created by specific internal rules. At the same time, the Risk Office coordinated the application of the Group to the use of regulatory capital calculation methodologies for credit risk based on Internal Ratings (IRB), which was formally approved by the Bank of Portugal with effect from 31 December 2010 onwards. The activities and developments in the risk management area are covered in detail in the chapter on "Risk Management".

RATING DEPARTMENT

The Rating Department, created in 2009, stabilised its internal structure during 2010, which is based on five units: i) the Financial Analysis Unit, responsible for ensuring the quality of the accounting information of the Customers and its availability in the Bank's system, generating the qualitative and quantitative information used in the statistical and application models for companies; ii) three Rating Units, responsible for assessing Customer risk and organised according to the respective segmentation: Small, Mid or Large Corporate and Specialised Financing, Real Estate, Bank and Sovereign, among others and iii) the Technical Support Unit, with responsibilities in terms of planning and organisation, of databases, production of management information and monitoring of results.

Regarding portfolio risk assessment and the internal models used, in 2010, the following were of particularly noteworthy:

- Stabilisation of the application of the Small Corporate and Mid Corporate model and conclusion of the portfolio review based on these models. The updating of the rating of these Customers, with accounts of 2009, is at an advanced stage, with approximately 80% of the portfolio based on this information having been reviewed; it is expected the revision, by the end of the first quarter of 2011, of the entire portfolio;

- Conclusion of the development of the Large Corporate model and review of the portfolio of this segment, after the agreement of the Bank of Portugal on the new approach;

- Acquisition of new models and know-how from the rating agency Standard & Poors, to enable the assessment of the risk of the different types of Customers included in the loan portfolio of the real estate sector. The full conclusion of this portfolio is expected during the first quarter of 2011;

- Full review of the Project Finance portfolio, kept under supervision in view of any need to carry out revaluation due to alteration of the base scenarios;

- Updating of the information and ratings attributed by the External Credit Assessment Institution Source (ECAIS) to the Sovereign Countries and Banks with which Millennium bcp is involved, with internal criteria having been used for the classification of Banks without public rating. The use of these criteria was extended to other Customers with activities not included in the assessment, based on the models referred to above.

In 2010, the Rating Department was involved in the development of an expert judgment model for the attribution of risk levels to Customers of the Large Corporate segment, prepared according to an approach differentiated by activity sector, concerning, namely:

- The preparation of 22 different matrices, adapted to the various sectors of economic activity – including two matrices for holdings, one for investment holdings and another for the parent company of the economic group – whose answers enable the qualitative assessment of risk;

- The internal development of new local programmes for the calculation of the economic-financial component of the different sectors covered by the matrices, as well as an associated simulator to enable the corrections established in the rating assignment report;

- The internal development of IT resources with a view to the preparation of proforma consolidation for economic groups which do not present consolidated accounts;

- The preparation of validation tests for the Large Corporate model;

- The supervision of the work relative to the development of a new IT tool for the management of the rating proposals of the Large Corporate segment imposed by the new approach;

- Processing of databases with a view to the identification of the models applied to each Customer.

During 2010, the Rating Department was also involved in the adaptation of the software managed by the Department to the National Accounting System and in the updating of all the information of the internal application XCRI, covering the entire portfolio. Activities are currently underway for the fine-tuning, based on acquired experience, of the Large Corporate assessment models, the preparation, together with the Risk Office, of new classifications for the Mid and Small Corporate models which should be introduced as of the end of the first quarter of 2011, scheduling the review of these portfolios, the preparation and fine-tuning of the multicriteria assessment approaches so as to transform these approaches into assessment matrices enabling the coverage of risk segments which do not yet have an internal model, the analysis and fine-tuning of the SME models, small business application scoring for Customers without behavioural model TRIAD, total review of the loan portfolio of the real estate sector and of real estate investment funds and the development, together with the IT Department, of an adequate workflow system for the needs of the Rating Department.

FINANCIAL HOLDINGS AND VALUATION DEPARTMENT

In the beginning of 2010, the Financial Holdings and Valuation Department expanded its activity, and now also carries out the follow-up of subsidiaries and associated companies. At the same time, a process of validation was carried out for the holdings in entities outside the consolidation perimeter, identifying positions for sale, in relation to which processes were developed to encourage the interest of investors or sales intentions were realised. Regarding the investments in liquid instruments and other loans, the Department acted to reduce the size of the portfolio, with all the financial instruments having been derecognised, in 2010, generating a cash inflow in excess of 500 million euros. The Department will assume, in July 2010, the responsibility for the supervision and reporting to the Executive Board of Management of the actions conducted by the different Departments of the Bank with a view to the sale of non-liquid assets and the respective cash inflow generated in this process. Analyses were also pursued relative to the restructuring of participated entities, with a view to optimising the structure of the Bank.

During the year, the Bank defined its orientation towards the strengthening of the current action in the internal control of the Trading Rooms, reflected in the expansion of the reporting portfolio and greater coverage of the respective scope. The valuation processes were subject to initiatives aimed at their fine-tuning, with new processes having been adopted in Coverage Accounting.

QUALITY DEPARTMENT

The implemented Satisfaction Management System, which is based on Satisfaction relative to Employees, Internal Services and Customers, was updated, in view of the continuous evolution of the market. The use of the model, considered up-to-date and innovative, has evolved both in terms of the disclosure of results and, above all, in the widespread use of these results by the areas, through the ensuring of its autonomy in the preparation of diagnoses to enable improving the Satisfaction indices which contribute to the performance indicators.

The strengthening of Process Management was a priority in 2010, resulting in the definition of a centralised information structure to accommodate all the information associated to the processes, which had formerly been dispersed throughout the Organisation.

A Document Management system was created, transversal to all operations of the Group, based on a series of management principles and rules and on a technical solution which supports and ensures the feasibility of the application and control of these rules. This system was implemented successfully in Portugal, Angola and Romania, and is currently being finalised in Mozambique and Greece. With the conclusion of this project, the Group will be capable of accessing the best practices of each operation from any point and developing integrated systems for the management of knowledge, improving the efficiency and overall quality of the services provided and promoting creativity and the exchange of best practices.

The measurement of the internal service levels of the circuits for the preparation and authorisation of procedural documents was started. This project sought to reduce the period of time between the identification of the need for a certain procedural rule and its provision in a controlled manner to the entire Organisation. The results obtained show that in spite of the existence of some occasional bottlenecks which should be worked on, the process of production of procedural documents is efficient and meets the overall needs of Millennium bcp.

Service Orders were produced documenting the competences and responsibilities of each first line Unit of the Organisation so as to facilitate a more thorough understanding of the actual Organisation and, at the same time, ensure full compliance with the provisions in Notice nr. 5/2008 of the Bank of Portugal, related with the internal control System.

ASSETS AND LIABILITIES MANAGEMENT DEPARTMENT

During 2010, various models of the structure and scope of the intervention of the Assets and Liabilities Management Department were established, with their respective implementation having been considered appropriate for 2011.

MILLENNIUMBCP AGEAS

Millenniumbcp Ageas, of which 51% is held by Ageas 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 (in particular), agents and brokers channels. In health insurance, Millenniumbcp Ageas also operates via the direct channel, particularly through partnerships and distribution agreements with other insurers that operate in the Portuguese market. Millenniumbcp Ageas also has market leadership in Pensions Fund management and, for this business, it uses both the banking distribution channel and the traditional brokers channel.

In 2010, Millenniumbcp Ageas showed a decrease in the processed premiums of 17.9% relative to the previous year, having been penalised by the performance of the Life business (-20.3%), since the Non Life business, in contrast to market behaviour, maintained significant growth of 6.8%. With a volume of direct insurance premiums of 1,946 billion euros and a total market share of 11.9%, Millenniumbcp Ageas was positioned on the national market as the third largest insurance group in terms of direct insurance premiums.

In the Life business, the volume of premiums reached 1,724 million euros, having decreased by 20.3%, above all due to the weak performance of the unit-linked products, where demand has been strongly constrained by the lower level of interest shown by investors, in the current economic and financial context, for products of less liquidity or without guaranteed capital. However, particular note should be made of the positive evolution of Retirement Savings Plan (PPR) products (not linked to investment funds), reflecting investment policies suited to the needs and demands of the savers. In these circumstances of particularly high volatility and scarce liquidity in the economy, retirement products – which continue to enjoy tax benefits – and capitalisation products with guaranteed capital and returns have become safe haven products for Portuguese savers, who are averse to other financial products involving greater risk.

In the Non Life business, it is particularly noteworthy that direct insurance premiums grew by 6.8%, a remarkable fact in view of the stagnation recorded in the insurance market (0.9% growth), once again constrained by the poor performance of the Portuguese economy and intense competition amongst operators.

The consolidated net income for 2010, before Value of Business Acquired (VOBA), was 142 million euros. In spite of the difficult economic situation, Millenniumbcp Ageas showed that it has a solid and robust business model, able to overcome the demanding economic circumstances, maintaining a solvency ratio far above that required by the supervision entity.

With its excellent technical performance, a prudent investment management policy, a diversified product range and strict control of operating costs, Millenniumbcp Ageas has been successful in overcoming the adverse factors which have strongly undermined the growth and solidity of the insurance market over the last few years: the recessionary economic environment, the continuous rise in unemployment, the increasing pressure on financial markets, namely with respect to sovereign debt of the peripheral countries of Europe and the lack of liquidity of the markets.

The main strategic objectives that Millenniumbcp Ageas proposes to achieve in 2010 were included in the medium and long-term plan drawn up in 2005, the year of the start-up of operations, based on four pillars: Growth, Productivity, Quality and Profitability.

Growth: the total volumes of sale of Retirement Savings Plans (PPR) once again exceeded the values of previous years, making 2010, for the third consecutive year, the best ever in this line of products. In spite of the alterations to the tax system of Savings Retirement Plan (PPR) products arising from the implementation of the Stability and Growth Plan, which will enter into force as of 2011, the positioning of Millenniumbcp Ageas products, aimed at Customer needs in the perspective of the constitution of long-term savings for retirement, has permitted that the appeal of the PPR products, as a pension supplement, does not depend on the tax benefit, with the volume of subscriptions having been balanced over the entire year.

The evolution of capitalisation insurance, after 2009 having been marked by strong growth, was as expected and above the average of the last five years. Focus was maintained on the presentation of segmented, innovative and appealing solutions for the constitution of regular savings. This was recognised by the Customers, with the volumes of plans with scheduled contributions having grown by over 45%.

In 2010, unit-linked products continued on the trend of deceleration of new contracts began in 2009. Particular note should be made of the demand shown in this line of products in Private Banking, which registered a four-fold increase of the subscribed amounts in comparison with the previous year, being the best year ever.

In spite of the adverse economic context and increased penetration of health insurance in the market and Customer base of Millennium bcp, sales of Médis products registered a remarkable value. Médis closed the financial year of 2010 with a market share of 25%, with more than 455,000 Customers, a 97% level of satisfaction, assessed by an independent study, leadership in its segment and in terms of brand reputation and awareness and having received the "SuperBrand" award for the fifth year consecutively, in addition to the highest net income for the year ever achieved.

The continuous offer innovation and the diversification of business channels enable the total volumes of new risk product sold actively (Life and Non Life) to remain unaltered. In view of the particularly difficult economic climate for companies, it is important to highlight the close collaboration with EuroNegócio, the success of the specialised support model in the Business segment, and the double digit growth in Corporate bancassurance. The consolidation of the business channel directed at the SME segment, based on a carefully selected network of agents and brokers, contributed, as expected, to the increased market share of Ocidental Seguros (Non Life), once again a remarkable fact in such a challenging year as was 2010, and in a concentrated, mature and competitive market.

In spite of the expected decrease in the volume of loan concession and the increase in spreads, the penetration rate of insurance associated to loan operations remained based on levels of excellence constituting international benchmarks.

Productivity: this is a continuous process transversal to the entire Group, where the main objective is the development of processes, automatization and levels of control to enable the continuous and sustained improvement of service levels and, consequently, an increased efficiency of the different areas of the company. During 2010, under M4 – a transversal programme with the objectives of Improving productivity, Improving profitability, Improving service levels and Improving motivation – launched at the end of 2009, the restructuring of the back-office areas of the Non Life business were concluded.

Quality: the sustained improvement of the quality of the service provided to External Customers and Internal Customers has been and will continue to be a major priority and, although the satisfaction indicators evolved favourably in 2010, Millenniumbcp Ageas is committed to continuous improvement.

Profitability: this is a consequence of the three pillars noted above, where the objective is to ensure attractive remuneration and sustainability for Shareholders.

Evidence of the overall good implementation of the medium and long-term plan and the recognition from the market for the work it has undertaken over these past few years was shown by the fact that, once again, Ocidental Vida was awarded the prize of "Best Large Life Insurance Company" in Portugal by the Magazine Exame.

2011 will, once again, represent a huge challenge, possibly the greatest of recent years, with Millenniumbcp Ageas being expected to face yet another year of extremely adverse economic, financial and social conditions, where the punitive austerity measures approved recently in the State Budget for 2011 and in the Stability and Growth Programmes will place additional pressure on the Company. The strategic focus should continue to concentrate on profitability and financial solidity, based on aggressive commercial action, growth, productivity, quality and cost control.

SUMMARY OF INDICATORS

Million euros

	'10	'09	Change % '10/'09
DIRECT WRITTEN PREMIUMS			
Life	1,724	2,163	-20.3%
Non Life	222	208	6.8%
TOTAL	**1,946**	**2,371**	**-17.9%**
MARKET SHARE			
Life	14.2%	20.83%	
Non Life	5.3%	5.03%	
TOTAL	**11.9%**	**16.33%**	
Technical margin (1)	257	232	11.1%
Technical margin net of operation costs	165	146	12.6%
Net profit (2)	142	127	11.4%
Non Life claims ratio	65.5%	60.9%	
Non Life expenses ratio	25.9%	23.2%	
Non life combined ratio	91.4%	84.1%	
Life net operating costs / Life investments	0.83%	0.80%	

(1) Before allocation of administrative costs.
(2) Before VOBA (Value of Business Acquired).


EXTRACTOS BANCÁRIOS
1999
EXTRACTOS BANCÁRIOS 2004
1995
EXTRACTOS BANCÁRIOS 1993
EXTRACTOS
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FALTA DE ESPAÇO?
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Millennium

SOCIAL ANALYSIS

Millennium bcp has followed a strategy of promoting a culture of social responsibility, undertaking actions for and with various groups of Stakeholders with the purpose of contributing, directly or indirectly, to the social development of the countries in which it operates.

The implementation of this social responsibility policy includes the Bank's intervention into aspects related to:

- Involvement with the external community and with the internal community (Employees);
- The offer of products and services which contribute to financial inclusion;
- The offer of products which incorporate social principles;
- The development of social support solutions.

The actions developed under the last three items are described in the "Segmental Reporting" chapter, incorporated in the analysis of the business lines.

This chapter highlights the actions with direct impact on the community, which are not incorporated in the business lines, and are part of the dynamic of creating social value.

In Portugal, an important part of the actions with direct impact on the external community is carried out through the Millennium bcp Foundation and, in Mozambique, through the social responsibility programme "More Mozambique for Me".

INVOLVEMENT WITH THE COMMUNITY

EXTERNAL COMMUNITY	• Education and Research • Culture • Charity Work • Community Activities	INTERNAL COMMUNITY	• Insurance Plan • Medical Services • Loans to Employees • Support to Education • Culture and Leisure

DONATIONS [(1)]

Thousand euros

	'10	'09	'08	Change % '10/'09
Education and Research	719	692	990	2.8%
Culture	1,154	1,274	1,814	-6.6%
Charity Work	386	358	1,073	2.6%
Others	1,586	83	42	3,587.6%
TOTAL	**3,846**	**2,407**	**3,919**	**36.7%**

(1) Includes Portugal, Poland, Greece, Romania, Mozambique, Angola and Switzerland.

INVOLVEMENT WITH THE EXTERNAL COMMUNITY

MILLENNIUM BCP FOUNDATION

The patronage action of the Millennium bcp Foundation is guided by the principle of social responsibility, understood as the participatory activity of organizations in community development. In this way, the Bank seeks to ensure the implementation of initiatives in Education and Research, Culture and Charity Work, which can be identified with the institutional values and the major social needs and, thus, strengthen its role in the transformation of the society.

Alongside this exercise of social responsibility is the growing concern to incorporate a strategy of action in conformity with the principles of sustainability, in its various dimensions, to foster the constant and lasting development of the supported entities and, in this way, contribute to maintain their existence and to enhance their capacity of self-sustainability and the use of their potential and vocation.

With the major guidelines of the Foundation's work being thus configured and in order to implement its strategic purposes in the most efficient manner, a model of Analysis of the Impact on the Society is currently being implemented, which will enable the Foundation to select the projects that are most closely aligned with its principles of sustainability and to more accurately measure the impact of the donations on the society. Three dimensions are considered: i) immediate effect, ii) change in the society and iii) long-term benefit.

Education and Research

In order to foster Education and Scientific Research, the Millennium bcp Foundation has adopted a policy of supporting educational projects and initiatives in different levels of academic and post-academic education:

- **Scholarship programme managed by the Millennium bcp Foundation:** designed for students from the Portuguese speaking African countries (PALOP) and East Timor, this programme benefited a total of 36 scholarship students for the academic year of 2009/2010 and a total of 34 scholarship students for 2010/2011, of which 17 are new scholarship students who started in the current year;

- **Junior Achievement Association:** support to the implementation of the programmes designed for elementary school students and university students. Regarding this collaboration, the Millennium bcp Foundation is the exclusive sponsor of the entrepreneurial Graduate Programme, which seeks to foster the entrepreneurial skills of university students, through the creation, organisation and operationalisation of a micro-company;

- **AESE programme for NGO managers:** "GOS Programme – Management of Social Organisations" (third edition), aimed at improving the management skills of the persons in charge of social institutions, improving expertise available in the exercise of their social responsibility and sustainability policies and in the application of the existing resources in the pursuit of their mission;

- **Association of Entrepreneurs for Social Inclusion (EPIS):** skill building programme for school success among 7th and 8th year school students in ten national municipalities. The data for the academic year of 2009/2010 recorded the follow-up of a total number of 3,647 students, whose results indicate a 13% improvement of productivity compared with the results of the previous year;

- **Banking Law, Stock Market and Insurance Institute (BBS):** post-graduate support in Banking Law, in collaboration with the Law School of Coimbra University. Under this collaboration, the Foundation can indicate four candidates to attend the course free of charge. This year, the scholarships were attributed to Employees of Millennium bcp;

- **Universidade Nova de Lisboa, Endowed Chair "Millennium bcp Chair in Finance":** chair held at the Universidade Nova's School of Economics by Prof. Dr. Pedro de Santa-Clara. The creation of this chair falls under the policy of internationalisation of the faculty of this university, with the aim of achieving excellence in teaching;

- **Scholarship programme – Universidade Católica:** i) Lisbon MBA – support to three students from Italy, Australia and India; ii) Law School – "Master of Laws" 2009/2010 – support to two Polish and Romanian students; iii) Top + Scholarship – support to one student in the Management and Economics course;

- **Legal Cooperation Institute:** collaboration on the implementation of various activities supporting the internationalisation of teachig law (Angola, East Timor, Cape Verde, São Tomé and Príncipe, USA, India and China);

- **Eduardo Mondlane Law School:** support to Mozambican students for the Master's in Law, in collaboration with the Legal Cooperation Institute;

- **Forum for Freedom of Education:** cycle of conferences on education, in the context of the commemorations of centenary of the Portuguese Republic (nine conferences held in Lisbon, Oporto and Coimbra).

Culture

The Millennium bcp Foundation has adopted a strategy of defending and promoting culture, favouring initiatives related to the **Conservation and Exposition of the Bank's Cultural Property**:

This included continuing the Millennium bcp travelling exhibitions **Shared Art**, which organised and presented this year:

- Travelling exhibition – Viseu (11,933 visitors), Funchal (2,545 visitors); Bragança (3,932 visitors) and Oporto (still ongoing in 2011);
- “Abstraction” exhibition – Lisbon: National Society of Fine Arts (2,350 visitors); Gaia: Casa-Museu Teixeira Lopes (still ongoing in 2011). Production of the exhibition catalogues;
- Tapestry exhibition “Nets without a Sea”, inaugurated in April in Luxembourg (1,500 visitors) and also exhibited in Guimarães (74,500 visitors). Production of the exhibition catalogues.

One of the dimensions of the Shared Art Programme is the educational component associated with the presentation of the travelling exhibitions held throughout the country.

The production of the catalogue for children, for the educational follow-up and practical work on the “100 Years of Portuguese Art” collection, encouraged and created conditions for the educational service to be implemented during the exhibitions, especially the preparation of guided tours for the schools of the districts involved.

A school competition was also organised in partnership with the museums where the exhibitions took place and with the respective City Halls. This school competition, held in Évora and Viseu, took place during the academic year of 2009/2010, and individual and class awards were given.

The individual awards followed three principles: the valorisation of artistic and creative skills (attributing kits of material for artists), collector spirit (offer of a work – screen printing – of an important Portuguese artist) and the appeal of reading (through the awarding of an album for reading).

The class award valued the collective effort and spirit of mutual help and took approximately 90 children to Lisbon to visit the Rua Augusta building, including the Archaeological Centre, as well as providing a lunch and an entertaining visit to places such as the Oceanarium and the National Museum of Ancient Art.

Archaeological Centre of Rua dos Correeiros (NARC):

- In order to celebrate **15 years of activity**, a brochure with a brief description of the historical evolution and miniature replicas of amphorae to carry fish for consumption was produced and distributed to visitors during the week of the anniversary;

- Initiatives developed included: i) the creation of a guided tour for young people "Discovering the Archaeological Centre of Rua dos Correeiros"; ii) the organisation and presentation of the exhibition "Bones Containing History", where the visit could be accompanied by archaeologists; iii) the creation and production of the bilingual brochure "Bones Containing History" and iv) the introduction to the thematic exhibition "The Roman Sardine" in the exhibition "Bones Containing History", in collaboration with the Seixal Ecomuseum and in association with the City of Lisbon's Annual Festivities;

- The Foundation was also associated with other initiatives of national and international scope including: participation in the international initiative "International Day for Monuments and Sites" through the opening of the NARC outside normal hours on Sunday, 18 April 2010, free of charge; association with the "Museum Day" and "Museum Night" initiatives, respectively on 15 and 18 May, through the opening of the NARC outside normal hours; collaboration with the City of Lisbon entity responsible for the Equipment Management and Cultural Animation (EGEAC) on the "City Festivities" Programme, in June, with the exhibition "The Roman Sardine"; adherence to the "Heritage Days" initiative, 24, 25 and 26 September, with the opening of the NARC and the exhibition area beyond normal hours;

- Number of visitors: 28,330, of which 11% were primary school, secondary school and higher education students (from all over the country, albeit predominantly from Lisbon), included in organised groups by the respective schools.

Activity in the area of the **Promotion and Restoration of Artistic and Historical Heritage** included support to Ajuda Palace for the second and last phase of the historical reconstitution of the Room of the Ladies of the Diplomatic Corps and Parish of São Victor in Braga, for the restoration of the roof of the parish church.

Among the support granted for **Cultural Promotion**, the topics, contents and target groups were diversified to cover, as much as possible, an increasingly broader range of interests and people and, thus, participate in facilitating access to culture by the communities:

- Tile Museum: acquisition of audioguides for visually impaired and/or hearing impaired persons;

- National Museum of Ancient Art: acquisition of audiovisual equipment for the modernisation of the exhibition area;

- Children's Museum – "Concert Party": initiative to raise funds with a view to the construction of a specific museum;

- Carpe Diem: support for the "White Room" projects (exhibition area in Pombal Palace), which showed four exhibitions with the participation of 24 national and international artists, organised six international conferences and was visited by 3,838 persons;

- ALTHUM: support for the New Year's Concert in Lisbon Cathedral, Oporto Cathedral and Évora Cathedral, which received 1,600, 450 and 400 persons, respectively;

- São Carlos National Theatre: "Festival ao Largo 2010", attended by 45,100 spectators, and the 2010 Symphonic Season, with a total of 7,887 spectators;

- Architecture Triennial – Millennium bcp Award: aimed at distinguishing the career of a Portuguese or foreign architect, who has consistently shown outstanding work and contributed to the international architectural scene. This year the award was given to Architect Álvaro Siza Vieira;

- History of Art Institute – School of Social and Human Sciences of Universidade Nova de Lisboa: support for publication of the journal "História de Arte", a reference publication of scientific importance in the area of knowledge of the arts, with a circulation of 1,000 copies;

- Pro Dignitate – Human Rights Foundation: various actions were promoted and carried out, nationally and internationally, in the area of culture and the defence of human rights;

- Manuel Amado: support for the production of the exhibition catalogues of the painter's work (to be inaugurated in 2011);

- Albertina Mântua: support for the production of the exhibition catalogue;

- Manuel Cargaleiro: support for the publication of three books;

- Youth Foundation: Michael Sandoval Conference on "Cinematographic Production in the Development of Cities – Education and Industry";

- Lisbon City Hall – "A Walk Through Cultures": a project aimed at the mutual knowledge and coexistence of the different cultures resident in Lisbon, through street exhibitions, accessible to the general public, illustrating the most distinctive traditions and cultural and artistic aspects.

Charity Work
Regarding Charity Work, the Millennium bcp Foundation has mainly been involved in projects aimed to assist in situations of social and economic poverty and initiatives dedicated to children. In view of the current socio-economic conditions, which tend to accentuate the vulnerabilities of less favoured groups, both these areas of intervention have become priorities in terms of solidarity and maintenance of the principles of human dignity:

- Food Bank Against Hunger: provision of the plastic bags used in the food collection campaigns and donations for the acquisition of food. According to the data provided by the entity, in 2010, this part of the donation was converted into 16,500 kg of tuna fish, distributed by 17 operating banks, which together contributed to the meals of 280,000 persons, involving 1,800 social solidarity institutions;

- Refúgio Aboim Ascensão: support for 95 abandoned children aged between zero and five years;

- Centro Doutor João dos Santos: 2010 Therapeutic Holiday Centre, annually covering approximately 45 children at psychosocial risk;

- São Nicolau Parish Church: support to the residency of citizens of the Portuguese speaking African countries (PALOP);

- Cadin – Centre of Support for Children's Development: International Congress (to be held in 2011), which includes 13 conferences and 15 workshops on topics of children's development, considered relevant for knowledge and action on the integration of disabled children in society;

- National Confederation of Solidarity Institutions (through Consulting Network Portugal): training actions designed for private social solidarity institutions (IPSS) for the purpose of endowing institutions with specific management skills for the exercise of their activity and growth of their capacities of self-sustainability.

MILLENNIUM BCP PORTUGAL

Financial Education

In 2010, Millennium bcp launched a new informative area dedicated to financial planning. This new area, whose objective is to serve as an interactive educational tool, facilitates access to financial information, simulations and advice, where the level of detail is established by the user. In view of the growing need to create savings habits, it is important to promote and create awareness in a generalised manner throughout the population and, therefore, this information is available to any user, on the Bank's portal site at www.millenniumbcp.pt, and is not restricted to Customers.

A newsletter was sent to approximately 300 thousand Customers in order to publicize this new area.

Partnerships for Education

- Corporate partner of the Community of European Management Schools (CEMS): the participation as a corporate partner of CEMS, a strategic alliance of 27 management schools all over the world and 60 corporate partners, strengthens the Bank's links to the academic world, contributing to intensify experiences arising from the exposure of the students to the best corporate practices. In the context of the Master in International Management, which holds second place in the world ranking of master's of the "Financial Times", the students cover a series of interdisciplinary problems, in an international context, and are encouraged to adopt an analytical and critical attitude, in discussions and project work.

- The Economic, Financial and Tax Law Institute (IDEFF) of the Lisbon Law School: partnership in the context of the post-graduate courses in Financial Markets, Competition Law and Regulation, Tax Law, State and Local Government Partnerships and an Advanced Course in Tax Law, with the participation of the Bank's staff for lectures in the areas of compliance and taxation, attribution of awards for the best students and involvement in conferences.

Promotion of solidarity actions

- Opening of solidarity accounts to raise donations to support:

  - Victims of the storms in the archipelago of Madeira, where the funds led to the delivery of three school transport buses for students with special needs;

  - Three Private Social Solidarity Institutions (IPSS): Aldeias SOS, Associação A Casa do Caminho and Refúgio Aboím Ascensão. The promotion of this action was integrated in the initiative of the support granted by Millennium bcp, which converted the money usually used to buy Christmas gifts into donations to these three social solidarity institutions.

- Cooperation with Ecopilhas project: 2nd National Call for Used Batteries, with used battery containers having been provided in over 450 branches and central services of the Bank, for the collection of used batteries. This action assisted the Portuguese Oncology Institute (IPO), helping improve its diagnosis capacity through the acquisition of an orthopantomograph.

- Association to various initiatives carried out in Macao to support the victims of the Yusho earthquake in China.

Conservation and dissemination of the Bank's cultural heritage

- Monte Estoril exhibition: a new exhibition space was created in the rooms of Moradia do Monte Estoril. The exhibition – "From Romanticism to Contemporary Art" – presented 63 works by 45 artists:

  - Painting (Surrealism: Dali, Cruzeiro Seixas, António Quadros; Figurative work: Malangatana, Paula Rego, José de Guimarães and Julião Sarmento; Abstract work: Eduardo Nery, Nadir Afonso; and other artistic modes: Jorge Martins, Ana Vidigal, Noronha da Costa and Guilherme Parente);

  - Sculpture (João Cutileiro);

  - Lithography (Henrique Casanova);

  - Engraving (Pablo Picasso);

  - Drawing (Jorge Pinheiro, Júlio Resende, Júlio Pomar) and, simultaneously, in drawing and painting (Milly Possoz, Abel Salazar, Lima de Freitas, Relógio, Pedro Calapez).

- Loan of art works for exhibitions: the temporary loan of works of art has been another area where the BCP Group has focused, as an alternative channel for the general public to see its collection:

  - **Expo 2010 Shangai:** the 17th century Chinese Chest Lid was present, representing Canton. This item was the main attraction of the Portuguese Pavilion in this international event;

  - **Berardo Museum** – "Everything which is solid dissolves in air", which included four paintings – two by Cândido Portinari, one by Dordio Gomes and one by Augusto Gomes;

  - **Calouste Gulbenkian Foundation:** for the Commemorations of the Republic, in which three works by José Malhoa were exhibited;

  - **National Museum of Contemporary Art:** retrospective dedicated to Columbano Bordalo Pinheiro, in the Chiado Museum, which included an oil painting dated 1903.

INTERNATIONAL OPERATIONS

"MORE MOZAMBIQUE FOR ME" PROGRAMME

Education

- Millennium bim Banking Olympics: a pioneering project which aimed, with the participation of schools from all over the country, to disseminate the importance of the correct use of money, with the main objective of the Bank being to teach banking concepts related to the management and valorisation of money.

Charity work

- Escolinha do Quiduxo: Millennium bim supported the construction and equipment of Escolinha Comunitária do Quiduxo, situated in Congolote district, managed by Associação Comunitária pela Criança Sã (The Community Association for Child Health).

- Malhazine Secondary School: offer of a computer and a collection of school books from the 8th to 12th year to increase the number of books in the School library.

- Mozambican Recycling Association: support for the implementation of a system for the selective collection of urban waste and creation of procurement centres for recyclable materials.

- S. José de Cluny Centre – Tete: offer of food, medicinal products and education for the children at this Centre.

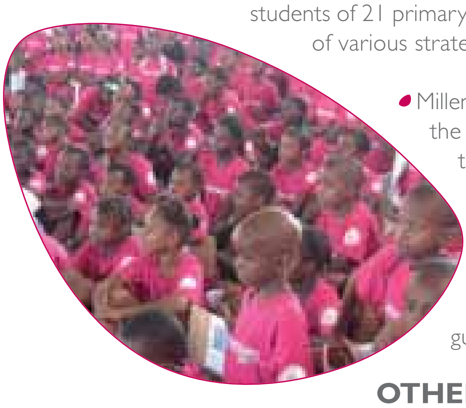
- Machava General Hospital: donation of vaporizers for paediatrics and equipment (one DVD device, one screen, books, educational games, plastic tables and chairs) for the social room of the interned patients.

- Ajuda a Crescer Association: offer of school material, uniforms, school books, kitchen material, a television and a DVD player.

- Provincial da Beira Nursery School: support for the construction of a storage room and a lean-to to be used as the laundry area.

Actions with the population

- "A Clean City for Me" project: in 2010, the fourth edition of this project involved the participation of 1,000 students of 21 primary and secondary schools of the cities of Maputo and Matola in the cleaning of various strategic points in the city of Maputo.



- Millennium bim Basketball Tournaments: fifth edition of this sporting event, where the objective is the revitalisation of children's basketball. In 2010, the tournament was present in the following provinces: Maputo, Beira, Nampula, Zambézia and Tete, with the participation of approximately 4,200 children.

- Maputo Central Hospital – Oncology: Millennium bim provided a boat trip along the river Matola and a tea for the children of the oncology ward of Maputo Central Hospital, who are under the guardianship of Associação Sorriso da Criança.

OTHER INTERNATIONAL ACTIONS

Millennium bank Greece

- Child's Smile – To Hamogelo Tou Paidiou: donation and maintenance of a solidarity account to support this organisation which assists, protects and takes care of abandoned and mistreated children all over the country.

- Primary and secondary schools: donation of computer equipment to schools all over Greece.

- Action Aid: acquisition of 2010 Christmas cards through an international non-profit making organisation.

- Pylea City Hall: donation to the employees of a small vehicle for social activities.

- Galatsi and Nea Ionia Municipality: support for social and cultural events.

Millennium Angola

- Grupo da Amizade: the funds collected by this group are used to support disadvantaged groups, helping with funding for projects such as the Pharmacy of the Group, the Centre for Nutrition, the School of the Tereseanas Sisters, the Mamã Muxima, the Dom Bosco School, the Happy Child Program, the Kikolo Orphanage, the Camanongue Mission School, the Charity Work of St. Elizabeth or the Camunda Catholic Mission. Banco Millennium Angola, in 2010, supported this initiative through:

  - Delivery of a cash donation of 1,500 US dollars to the Happy Child Program;

  - Organization of the collection, among the Bank Employees, of food, school supplies, clothing and toys to the Happy Child Program;

  - Dissemination of the Christmas Bazaar organized by the Grupo da Amizade to raise funds;

  - Participation in a fundraising dinner, buying 10 seats.

Millennium Banque Privée Switzerland

- Swiss Red Cross: participation in the fund raising programme, in a movement of world solidarity with the victims of the earthquake in Haiti.

Bank Millennium Poland

- Gdański Areopag: support to the Gdański Areopag Dialogue Forum.

- United Way Foundation: support to the foundation in Poland.

- Foundation Heart of the Child: support to research and treatment of children with congenital heart diseases.

- AIESEC Association: cooperation in the area of training initiatives.

- Warsaw University: support to the Foundation of Warsaw University.

COMMUNITY ACTIVITIES

Millennium bcp has encouraged and created opportunities for Employees to participate as volunteers in actions to promote education and social support.

- Junior Achievement Association – collaboration in their programmes aimed at the development of entrepreneurship, a propensity for initiative, creativity and innovation at an elementary and university education level:

  In Portugal, the volunteers worked with a total of 2,080 students, of various academic education levels in various regions of the country:

  - **99 Employees contributed 707 hours of work with elementary education students, in "The Family", "The Community" and "The Economy for Success" programmes;**
  - **24 Employees supervised 56 students of the Graduate Programme in the development of their projects, involving a total of 500 hours of voluntary work.**

  In Greece, collaboration with approximately 200 university students involved:

  - **6 Employees of Millennium bank participated, as teachers, in financial literacy actions.**

- Secure Internet Day: promoting awareness in schools for a safer and more responsible use of computers and the Internet, by 20 Employees of Millennium bcp in partnership with Microsoft and EPIS;

- SIC Esperança programme "A flower for Madeira – it's worth believing": voluntary participation of 100 Employees in a telethon to raise funds for the reconstruction of Madeira;
- Habitat for Humanity Foundation: cooperation of 23 Employees of Millennium bank Romania in a project for the construction of a house for eight persons with motor and cerebral impairments, in a town close to Bucharest;
- United Way Foundation: participation of ten Employees of Millennium bank Romania in the selection of NGO goals and projects to be financed by the Foundation in 2011;
- Responsible Millennium bim: Millennium bim volunteer programme launched in the São Roque Mission Orphanage, situated in Matutuíne. This project seeks to allow Employees to participate in actions of social and community interest, contributing to improve the quality of life and well-being of the community in which they are situated;
- ECCO Walkathon: participation of 150 Employees of Bank Millennium Poland in the 3rd edition of the ECCO Walkathon, a charity programme where, for every kilometre walked by the volunteers, the company ECCO donates one euro to a previously selected charity institution. With its participation, the Employees of Bank Millennium contributed to the donation of 900 euros to a social institution.

INVOLVEMENT WITH THE INTERNAL COMMUNITY

The Employees of the Millennium Group enjoy a vast range of social benefits beyond those defined legally, encouraging balance between work and personal life, thus contributing to a suitable level of well-being of the Employees.

INSURANCE PLAN

Through the insurance plan, the Employees have access to a variety of insurance products under advantageous conditions, fully covering their needs for protection. This plan includes insurance associated with family, property, savings, retirement, tax benefits, loans, sports and leisure.

All Employees of the Millennium Group, whether active or retired, and their respective families, are covered by health plans which seek to complement or provide any deficiencies in the respective national health services.

In Portugal, all Employees and their respective families may also benefit from Médis health insurance under special conditions, which ensures protection through the internal provision of healthcare and the attribution of contributions to expenses incurred outside of its services.

MEDICAL SERVICES

Millennium bcp Employees in Portugal benefit from localised medical units in various points of the country and a staff of dedicated doctors, which, and in a complementary manner to the existing healthcare plans, ensure the provision of medical services, occupational medical care, medical assistance to Employees and regular check-ups. In special situations of greater complexity, the Employees and their respective families, on medical recommendation, may also receive healthcare at the Navarra Clinic.

HEALTH

	'10	'09	'08	Change % '10/'09
MEDICAL SERVICES				
Appointments held				
Activity in Portugal	34,452	33,063	31,904	4.2%
International Activity (1)	7,366	6,930	4,287	6.3%
Check-ups made				
Activity in Portugal	7,517	7,839	7,839	-4.1%
International Activity (1)	3,895	3,095	3,882	25.8%
HEALTH INSURANCE (PERSONS COVERED)				
Navarra University Clinic				
Activity in Portugal	40,910	41,418	42,511	-1.2%
International Activity	291	281	267	3.6%
Other health insurance				
International Activity (2)	8,001	7,346	8,141	8.9%

(1) Excludes Angola and Romania in 2008 and Switzerland in 2008 and 2009.
(2) Includes Poland, Greece and Romania in 2008 and 2009 and Poland, Greece, Romania and Angola in 2010.

In Mozambique, Millennium bim has a healthcare centre at its headquarters, where doctors provide basic healthcare services to the Employees and their respective families, free of charge.

With the objective of preventing health risks, the following conditions are monitored regularly:

- The comfort and ergonomic quality of the equipment;

- The quality of the air, level of noise and lighting of the workplace are checked periodically by an accredited external entity, which develops its independent activity under the coordination of the Occupational Medical Services.

In 2010, in order to raise awareness among the Employees on the importance of maintaining a healthy attitude also during working hours, a film was produced, in Portugal, and broadcast by Millennium TV, with simple but effective stretching exercises which may be carried out at the workplace during brief breaks.

In Romania, the Safety and Health at Work Committee, which includes Members of the Board, Employees, a representative of the healthcare provider and an internal representative of safety and health at work, decides on various subjects related to the health and well-being of the Employees, namely by analysing the Employees' proposals on the prevention of work accidents and occupational diseases, as well as on improved working conditions.

LOANS TO EMPLOYEES

The Employees of the Millennium Group have access to loans for the purchase or construction of their own permanent house under special conditions, with no waiting lists or competitions to access this benefit. The loan is granted in observance of the principles of credit risk analysis established in the Bank's rules.

The Group's Employees may also benefit from loans for social purposes which, among others, include situations of need arising from expenses related to healthcare, own or rented housing benefits, or other goods and services of an exceptional nature.

CREDIT PORTFOLIO GRANTED TO EMPLOYEES

	'10	'09	'08	Change % '10/'09
MORTGAGE				
Amount granted (million euros)				
Activity in Portugal	1,036	1,063	945	-2.5%
International Activity (1)	61	54	56	13.1%
Number of Employees				
Activity in Portugal	11,735	11,973	11,645	-2.0%
International Activity (1)	1,201	1,402	1,465	-14.3%
SOCIAL PURPOSES				
Amount granted (million euros)				
Activity in Portugal	20	23	23	-13.9%
International Activity (1)	9	4	3	102.1%
Number of Employees				
Activity in Portugal	3,101	3,746	4,178	-17.2%
International Activity (1)	1,391	1,240	1,059	12.2%

(1) Excludes Angola and Switzerland in 2008 and 2009.

SUPPORT TO EDUCATION

Training is a strategic initiative of the Bank and it is also an instrument for personal and professional development available to all Employees who, on their own initiative, seek to develop their skills. The Bank continues to focus on the Academic Qualification Incentive Programme, providing financial support to Employees of demonstrated merit and potential for the pursuit of licentiate university degrees, post-graduate studies or executive training at a level equivalent to post-graduate or masters courses of interest to their careers and to the Group's business.

In 2010, under this programme, 113 Employees were supported, of which: i) 50 are working toward university degrees; ii) 29 are attending post-graduate courses; iii) 26 are attending masters courses; iv) four are attending MBA courses and v) four are in doctoral programmes. The investment involved in this support is 298.5 thousand euros, corresponding to an average contribution of 52% of the value of the teaching fees.

CULTURE AND LEISURE

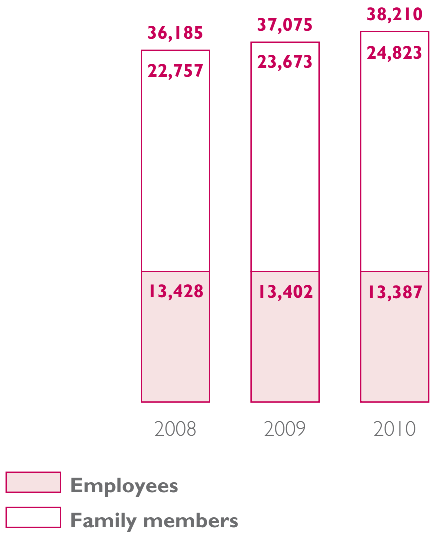
The Employees of Millennium bcp benefit from a series of advantageous conditions in various areas of culture and leisure, namely the Gingko gym, S. L. Benfica swimming pool complex, Comboios de Portugal trains and car hire.

The Millennium bcp credit card, free of charge for Employees adhering to the offer of the Employee branch, provides one cinema ticket free of charge at Lusomundo cinemas, with the purchase of another at a normal price.

Employees who work at Tagus Park may use the daily bus service, free of charge, covering the route between various points of the city of Lisbon and Tagus Park, and have access, under advantageous conditions, to the nursery school and health club located on the Bank's premises in Tagus Park.

Employees, as well as their families, may become members of the Millennium bcp Club in Portugal and MilleKlub in Poland, associations of a recreational nature which provide their members with access to various activities outside working hours, fostering the spirit of initiative, personal self-fulfilment and cultural enrichment, as well as participation in community life or support to social or humanitarian institutions.

MEMBERS OF THE MILLENNIUM BCP CLUB
Portugal



ENVIRONMENTAL ANALYSIS

THE ENVIRONMENT AND MILLENNIUM BCP

Millennium bcp views the management of the environmental aspects that influence the business as a responsibility of the entire Bank. The environmental policy of Millennium bcp focuses on three guiding vectors:

- Supporting Customers in the transition to an economy with a smaller environmental impact;
- Minimising the ecological footprint of the Bank;
- Involving, influencing and being influenced by society.

Monitoring the activities developed to pursue this policy is undertaken within the scope of the activity of the Sustainability Coordination Commission, which is responsible for proposing to the Executive Board of Directors the strategic action plan underlying the sustainability policy.

SUPPORTING CUSTOMERS IN THE TRANSITION TO AN ECONOMY WITH A SMALLER ENVIRONMENTAL IMPACT

The offer of value added financial products and services for Customers is a key element of Millennium bcp's success. The growing environmental impacts, the climatic changes and the loss of biodiversity have resulted in increasing pressure from Stakeholders and the development of more restrictive legislation for the protection of the environment. In response, the Bank has made significant efforts to create solutions that support Customers in adapting to or mitigating these impacts.

The "Segmental Reporting" chapter describes the solutions by business line, which are summarised below:

- Credit solutions for the acquisition of renewable energy equipment for micro-production;
- Investment lines in partnership with the European Investment Bank;
- Socially Responsible Funds (SRI Funds);
- Financing by project finance for renewable energies;
- Compliance with the Equator Principles in project finance operations.

During 2010, within the scope of the "Banking & Environment" project, as part of the activities of the United Nations Environment Programme, Finance Initiative (UNEP FI) for Portugal, two workshops were undertaken with the objective of identifying the sectors with the highest environmental risk and in what way these risks can and should be analysed by the banks. Given the importance of the issue for Millennium bcp and its Customers, the Bank was represented by Bank managers, namely from the Rating, Project Finance, Marketing Companies, Commercial and Property Development Departments.

The law of environmental responsibility obliges companies to contract financial guarantees in order to deal with possible risks of environmental damage. Under this law and with a view to supporting companies in complying with the legislation published in 2010, the Bank has made available bank guarantees.

MINIMISING THE ECOLOGICAL FOOTPRINT

The minimisation of the ecological footprint of the Bank is increasingly important, both at the level of the reduction of the environmental impact and in the consequent reduction of costs. It is with this aim in mind that the Bank continues to implement measures with a view to reducing the consumption of energy, water and materials.

The operational activity of the Bank implies the use of energy, paper, cartridges, computer material and water, as well as the consequent production of waste and greenhouse gas emissions. At Millennium bcp, the consumption and respective environmental impacts are identified and managed, through changes in behaviour, resulting from new management practices, awareness raising campaigns and technological improvements that enable better ecoefficiency indicators.

MAIN ENVIRONMENTAL IMPACTS OF THE MILLENNIUM GROUP (1)

	UNIT.	'10	'09	'08	Change % '10/'09
Consumption by Employee of:					
Ink cartridges and toners	kg	1.9	1.9	2.1	0.0%
Paper	kg	63.7	51.8	59.9	23.0%
Plastic	kg	4.4	6.5	5.6	-32.3%
Water	m^3	17.6	16.8	18.0	4.8%
Electricity (2)	MWh	6.8	7.4	7.5	-8.1%
Total Greenhouse Gas emission	tCO_2eq	4.0	4.6	6.4	-13.3%

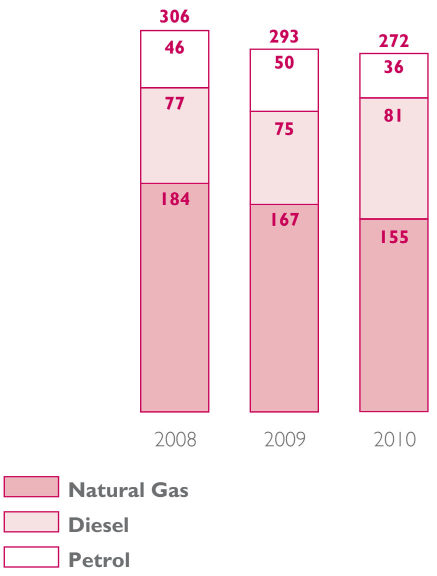
(1) Includes Portugal, Poland, Greece, Romania and Mozambique.
(2) Includes direct electricity consumption from cogeneration plant in Portugal.

Millennium bcp and the environment – Performance analysis 2005-2009
In 2005, within the scope of the "Millennium bcp Environment" project, a cooperation agreement between Millennium bcp and the Centre for Environmental and Sustainability Research (CENSE) of the Faculdade de Ciências e Tecnologia of Universidade Nova de Lisboa was established and, since that time, several studies have been developed, whose main objectives were to: i) conduct diagnosis; ii) create self-knowledge and self-control mechanisms; iii) define the positioning of Millennium bcp on environmental issues and iv) develop an environmental policy.

In 2010, following the presentation of a report on the evolution of the resource consumption between 2005 and 2009, an environmental workshop was undertaken, with the participation of about 40 Employees from different areas of the Bank and of the EBD Member responsible for these matters, where several topics were discussed, including:

- Main opportunities and risks for the banking sector in terms of environmental issues;
- The objectives already attained by Millennium bcp and ways forward in terms of what has to be done;
- Generating ideas and balancing values for a group commitment for Millennium bcp.

DIRECT ENERGY CONSUMPTION
Consolidated
TJ



EMISSIONS

Energy

The main energy consumptions of Millennium bcp are associated with air conditioning and electrical equipment, examples of which include personal computers and the data centre, with energy consumption being the factor that most contributes to the environmental pressure of Millennium bcp.

In 2010, in order to consolidate the successive efficiency gains, Millennium bcp adopted the following measures:

Portugal

- Substitution of traditional lamps for equivalent lamps with LED technology and of 50 watt halogen lamps of "STAFF" projectors for 13 watt fluorescent lamps. This substitution in the branches and offices of the Bank in Portugal has taken place progressively.
- Reduction of the operating period of the illumination of branches' exterior and window advertising signs by 1 hour.
- Mandatory switching off of Chillers and respective electric pumps during the official winter time period in buildings and branches.
- Reduction of the operating period of the HVAC system by 1 hour in buildings and branches and alteration of the HVAC set points by 1°C in branches and buildings.
- Energy and Quality Certification of the air inside buildings and respective implementation of the action plans resulting from certification. In 2010, the certification process was carried out in three large buildings in Lisbon and Oporto.

Poland

- Implementation of an automatic control system of lights, with automatic switching off option at the Bank's head office.
- New HVAC units installed in all branches, with automatic adjustment in accordance with atmospheric conditions.
- Automatic control of illumination and installation of LED lamps in the external advertising panels in branches.

Greece

- Gradual substitution of traditional lamps for lamps with LED technology in offices.
- Implementation of automatic system for switching off branches' illumination at night.
- Permanent environmental awareness programme for all Bank Employees.

ELECTRICITY CONSUMPTION PER EMPLOYEE

MWh

	'10	'09	'08	Change % '10/'09
Activity in Portugal	9.0	9.1	9.0	-1.1%
International Activity (1)	4.7	5.7	6.1	-17.5%

(1) Includes Poland, Greece, Romania and Mozambique.

Cogeneration

Millennium bcp installed a natural gas cogeneration unit at Tagus Park in 1995.

This cogeneration unit partly powers the energy needs of the Millennium buildings in Tagus Park, while at the same time heats the water used in the refrigeration system of the buildings.

TAGUS PARK COGENERATION POWER PLANT

	UNID.	'10	'09	Change % '10/'09
Natural gas consumed	1,000 m^3	3,695	3,321	10.1%
Electricity produced				
Consumed	MWh	12,276	12,075	1.6%
Sold	MWh	367	371	-1.1%
Total	MWh	12,643	12,446	1.6%
Self-production consumed/total consumed	%	14%	13%	5.8%

Employee travel

Employee travel and transportation represents another important aspect of fossil fuel consumption and consequent CO_2 emissions for the Bank. The implementation of measures to decrease the travel needs of Employees is one of the Bank's main priorities, with the dual objective of reducing costs and CO_2 emissions.

The main measures implemented in Portugal are:

- Creation of an internal unit with exclusive responsibility for managing the travel contracting and requirements of Employees;
- Introduction of hybrid cars in the Bank's car fleet;
- Giving priority to train travel within the national territory, reducing air travel to a minimum;
- Use of video conferencing, rather than travelling, for holding meetings;
- Decrease of the car fleet;
- Provision of public transport for Employees;
- Raising awareness of Employees concerning reduction of the use of polluting means of transport.

Hybrid cars in the fleet

The introduction of hybrid cars in the Bank's car fleet was one of the most voted ideas in the 2009 edition of the Bank's Mil Ideias ("One Thousand Ideas") innovation programme. This programme has encouraged the implementation of good environmental practices, suggested and voted by the Bank's Employees.

In spite of the change in the methodology used to calculate CO_2 emissions, it is possible to observe a global decrease in CO_2 emissions of 14.5% relative to 2009, as a result of the awareness measures and introduction of new less carbon intensive equipment. In 2010, in scope 3 calculation methodology was incorporated the Radiative Forcing Index, therefore values are not directly comparable with previous years.

GREENHOUSE GAS EMISSIONS (GEE) (1)

tCO_2eq

	'10	'09	'08	Change % '10/'09
DIRECT GREENHOUSE GAS EMISSIONS – SCOPE 1				
Automobile fleet (2)	8,135	8,875	8,569	-8.3%
AVAC	607	1,351	1,164	-55%
Electricity and heat (3)	9,287	9,960	10,123	-6.8%
TOTAL	**18,029**	**20,186**	**19,856**	**-10.7%**
INDIRECT EMISSIONS – SCOPE 2				
Acquired electricity and heat	62,370	75,147	125,073	-17.0%
INDIRECT EMISSIONS – SCOPE 3				
Air travel (4)	1,177	186	614	532.8%
Train travel (4)	153	63	523	142.7%
Home-work-home travel of the Employees (5)	7	32	29	-77.2%
TOTAL	**1,337**	**281**	**1,166**	**375.9%**
TOTAL	**81,736**	**95,614**	**146,095**	**-14.5%**

(1) Includes Portugal, Poland, Greece, Romania and Mozambique.
(2) Excludes Greece in 2008.
(3) Excludes Greece in 2008 and 2009.
(4) Excludes Greece and Mozambique.
(5) Includes only Portugal.

CONSUMPTION OF MATERIALS
Consolidated
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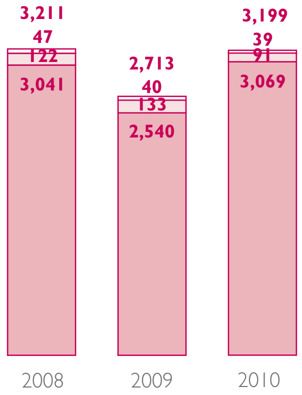

Paper and cardboard
Plastic
Link cartridges and toners

CONSUMPTION OF MATERIALS

The materials of greatest relevance in the activity of Millennium bcp are paper, cartridges and toners and other consumables, and computer or office equipment.

All of the paper purchased by Millennium bcp is certified in accordance with the Forest Stewardship Council, which promotes a more sustainable forest management.

The digitalization of documents and the Office Printing project are one of the main investments of the Bank with a view to optimise the consumption of paper.

New account opening process

In 2010, Millennium bcp completed another technological innovation cycle with the extension to all Retail network branches of the new account opening application, which allows scanning of all the documentation associated with the process. This significantly reduces the consumption of photocopies, while introducing greater reliability, speed and efficiency to the collection of identification data, as well helping provide better Customer service.

Digital statements

Millennium bcp has contributed to the reduction of the use and circulation of paper, through the mechanisms for the issue of statements and notifications in digital format. In addition to the substantial improvement in terms of Customer service, the sending of digital documents also contributes to the reduction of harmful emissions and consumption of ink. The main actions implemented in 2010 were:

- Focus on promotion of the digital bank statement with the launch of several commercial campaigns, namely through its inclusion in the "Welcome Offer", which encourages the Customer to adhere to this service right from the beginning of his relationship with the Bank. During 2010 about 90,000 Customers adhered to this service, which corresponds to a total of about half a million Customers who are users of the digital statement service;

- In the cards area, promotion campaigns for adhesion to the digital statement in Amex, Mastercard and Visa cards were intensified. In 2010, there were 4,900 new adhesions registered, bringing the total to about 25,000 Customers that received the autonomous statements of these cards in digital format;

- In the Companies area, Millennium bcp innovated once again in 2010, with the introduction of the possibility to access to digital notifications and the option to consult transactions in the Companies Internet Portal of Millennium bcp;

- In Mortgage Loans the scanning of loan processes was implemented, which led to an improvement in terms of the service provided, with the online reception of documents and, in particular, a reduction of the use of paper;

- Launch of MBDox, a service developed for the Portuguese financial system, in which Millennium bcp was one of the pioneers. This service allows centralising, in a single point, all the documentation of the different issuers of documents and/or invoices in digital format, providing the Customer with a useful, digitalized and practical service.

In those processes in which it was possible within the regulatory framework to totally or partially substitute the physical documents for digital documents, there was an increase from 28% to 41% in the weight of digitalised documents relative to the total amount of documents produced, between 2009 and 2010.

PRODUCTION OF WASTE

The production of waste results from the consumption of materials. In this regard, Millennium bcp is responsible, first and foremost, for reducing the consumption of resources and, subsequently, for ensuring the correct handling of the waste produced.

The relevant waste for the Bank is paper, cardboard, plastic, cartridges and toners and obsolete computer equipment. This waste is recovered or conveyed towards its correct treatment by companies authorised for this purpose. Hazardous waste, namely toners, cartridges and computer material that is obsolete and without possibility of reuse is conveyed through authorised and licensed companies for this purpose.

Within the context of the Office Printing project, Millennium bcp contracts the overall management of printers, toners and cartridges. This process was transferred to a specialised company, which guarantees the responsible and efficient management of these materials, as well as the efficient rerouting and recovery of waste, whether it be toners, cartridges or computer material.

In 2010, the activity of the Bank resulted in 11.7 tons of obsolete computer equipment. The obsolete computer material and furniture, in conditions to be reused, were delivered to non-profit organisations.

WASTE PRODUCED BY THE MILLENNIUM GROUP

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	Paper and cardboard			Plastic			Ink cartridges and toners		
	'10	'09	'08	'10	'09	'08	'10	'09	'08
Activity in Portugal	657.5	1,178.0	1,056.0	62.6	65.9	93.0	27.2	20.8	32.5
International Activity (1)	274.4	666.0	703.0	15.0	1.6	19.8	1.0	1.2	5.4
TOTAL	**931.9**	**1,844.0**	**1,759.0**	**77.6**	**67.5**	**112.8**	**28.2**	**22.0**	**37.9**

(1) Includes Poland, Greece, Romania and Mozambique.

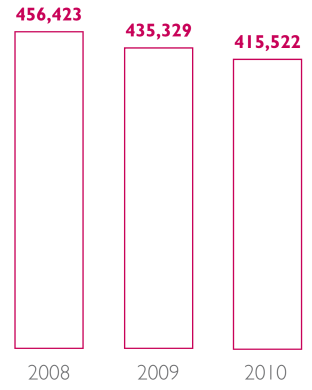
Green IT project – Reduce emissions, recycle and reuse ideas

At the basis of the Bank's operational activity is the use of computer equipment with a direct and significant impact on energy and material consumption, such as paper, cartridges and toners. Based on this premise, the Bank developed the Green IT project in 2010, which comprises a set of good practices with the objective of reducing consumptions that have an environmental impact and, simultaneously, reduce costs.

Initiatives planned to be implemented in 2011:

Initiative	Objective
Printing confirmed by Employee card	Decrease the quantity of paper, cartridges and toners
Printing two pages per sheet of PowerPoint handouts	Decrease the consumption of paper, cartridges and toners
Monitoring of printing activity through a new indicator	Raise awareness and motivate Employees to contribute to reduction objectives
Turn off workstations centrally	Decrease the consumption of energy
Increase the use of webconferencing and webcasting	Cut down on travel and CO_2 emissions
Strengthen communication and awareness raising plan	Raising awareness of Employees

WATER CONSUMPTION
Consolidated
m^3



WATER CONSUMPTION

Water consumption at Millennium bcp is mostly for human consumption and irrigation, with the public network the main source of water supply. Millennium bcp has implemented measures to reduce the consumption of water from the public network. In 2010, the following measures are worthy of mention:

- Installation of mechanisms to reduce water consumption in 276 premises of Millennium bcp, with an estimated investment return period of 1.6 years arising from water consumption savings;
- Reduction of irrigation levels, in the Tagus Park gardens, during the rainy season (October to May);
- Collection of rainwater, for irrigation.

WATER CONSUMPTION
Activity in Portugal

m^3

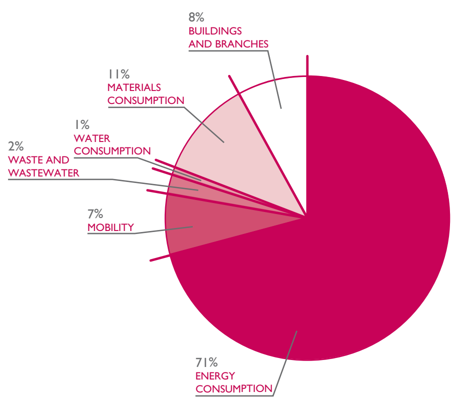
	'10	'09	'08	Change % '10/'09
From the public network	217,109	246,323	254,723	-11.9%
Reuse of rainwater [(1)]	3,136	11,428	-	-72.6%
TOTAL	**220,245**	**257,751**	**254,723**	**-14.6%**

(1) It was not possible to monitor the amount of rainwater captured due to a malfunction of the meter system for reuse rainwater.

EcoBlock footprint

Millennium bcp has supported the EcoBlock project since 2006, under a scientific patronage regime. EcoBlock is an integrated environmental evaluation system of projects, products or even organisations. The method follows a life cycle approach, allowing environmental information to be communicated in a standardised manner throughout the production chain. The project was developed by the Environment and Sustainability Research Centre (CENSE) of the Faculdade de Ciências e Tecnologia of Universidade Nova de Lisboa.

The EcoBlock method is based on seven indicators that describe the use of natural resources and the emission of pollutants, namely: water collection, extraction of other resources, land use, green house gas emissions (GHG), air pollution, water pollution, soil pollution.



Main results of the study:

- Millennium bcp obtained an EcoBlock footprint, relative to consumptions in 2009, equivalent to 125,872 global hectares, with respect to the aspects analysed. As a benchmark, this footprint corresponds to 1.36% of the total area of Continental Portugal.
- The consumption of energy exerts the greatest environmental pressure and is also the aspect that results in the most green house gas emissions, as well as emissions of pollutants into the air, water and land. It is also the main factor responsible for the pressure exerted on resources.
- With regards to water collection and land use, the greatest pressure comes from the consumption of materials.
- Energy consumption and material consumption combined represent about 82% of the total footprint. The remaining footprint is due to the use of buildings and branches and the movement of Employees, corresponding to 16% of the total footprint.

INVOLVING, INFLUENCING AND BEING INFLUENCED BY SOCIETY

COMMEMORATION OF AUTUMN 2010 – "ONE TREE, ONE CITIZEN"

Promoted by Oeiras City Hall, within the scope of the Commemoration of the Autumn 2010 initiative, as part of the Strategic Reforestation Plan and under the motto "one tree, one citizen", about 50 volunteers of Millennium bcp devoted a day of their weekend to accept the challenge to plant trees at the Porto Salvo Riverside, in Paço de Arcos.

This activity took place near the four water courses of the Oeiras municipality, namely the Ancha Riverside in Porto Salvo, the Porto Salvo Riverside in Paço de Arcos, the Jamor River (Gandarela stretch) in Carnaxide, and the Outurela Riverside in Carnaxide, whose aim was to raise the awareness of participants regarding the importance of water courses as structural lines of the landscape that bolster the Municipal Ecological Structure, bringing citizens closer to the natural environment. This activity was considered of immense benefit and an important contribution to alerting the participants and the community involved in the action about the adoption of new habits and attitudes for preserving the environment.

OXYGEN PROJECT

Millennium bcp adhered to the Oxygen Project, an initiative of the Cascais Natura Agency. The Oxygen Project is a plan to promote and defend nature and biodiversity in the Cascais municipality, carried out through volunteer activities undertaken by civil society, private companies and public institutions.

The support of Millennium bcp involves the preservation of a plot of land with about one hectare. The first intervention of Millennium bcp involved 70 Bank Employees and families who planted 810 trees.

The future support of Millennium bcp will involve maintenance work and replanting, whenever the need arises.

ASSOCIATION TO THE "EARTH HOUR" INITIATIVE

For the second consecutive year, Millennium bank (Greece) associated itself with the "Earth Hour" global initiative, of the World Wildlife Fund organisation. The Bank turned off all its lights and signs at its head office and 155 branches spread throughout Greece. To promote the event, the Bank created a website and invited Employees, Customers and friends to participate, having been the second company with more visits in Greece.

REFORESTATION OF THE LEIRIA PINE FOREST

Within the scope of the commercial campaign of the passbook savings account involving a donation of 1 euro for each account opened, in aid of the Portuguese forest, Banque BCP (France), in a symbolic ceremony held at Tapada de Mafra, where Jean Marc Vilon, Chairman of Banque BCP, planted a cork oak, and offered a donation of 50,391 euros to the Minister of Agriculture for the reforestation of the Leiria Pine Forest.

NATIONAL AND INTERNATIONAL BENCHMARK

Millennium bcp participates in several national and international benchmarks with the objective of measuring, comparing and improving its management practices, which contribute to the improvement of its environmental performance.

Carbon Disclosure Project

The Carbon Disclosure Project is a non-profit international organisation, which provides a reporting and benchmark platform to evaluate company strategies and performance in the fight against climate change. The objective is to make this information available to support the decision making of the world's main investors.

In 2010, Millennium bcp obtained 79 points in the global performance classification.

ACGE – climate responsibility index

The ACGE is a national index of climate responsibility that evaluates the response of Portuguese companies to the challenge of climate change. It is also a benchmark opportunity for all Portuguese companies, concerning the practices and solutions that constitute an effective response to climate change. In 2010, the Bank obtained a score of 50%, with emphasis on the good environmental management practices of Millennium bcp.

CALCULATION CRITERIA USED IN ENVIRONMENTAL INDICATORS

Water consumption: extrapolation/estimate for the Millennium bcp universe. In 2010, the estimate was based on the specific summer and winter consumption of "typical premises" consuming water at the Bank. The calculations of the consumption of water at the rest of the locations were based on estimates derived from the analysis of financial data or meters. The value per Employee in the table Main environmental impacts of the Millennium Group, at the beginning of the "Environment" subchapter, was calculated based on water used for human consumption.

Consumption of paper, cardboard and plastics: the total estimated was based on the weight of the products which are most consumed, on the total values registered by the consumables supply office and on the consumption of plastic for the bank cards issued to Customers.

Waste paper and cardboard: the total quantity produced represents the sum of the quantity sent for recovery and an estimated amount of waste produced from the quantities of paper/cardboard usually consumed for purposes other than archiving and Customers.

Waste plastic: the quantity of waste produced was estimated from the consumption of water bottles and plastic articles from the consumables supply office, which are not normally used in archiving or for Customers.

CO_2 emissions resulting from electricity consumption (scope 2): the estimated values were based on the electricity consumption of Millennium bcp and the national emission factors calculated based on the national energy mix. For Portugal, the emission factors used were those provided by the Portuguese Energy Services Regulatory Authority, publicly available at www.erse.pt. For the international activity, the emission factors of the GreenHouse Gas Protocol of 2006 and the data of the national energy mix of 2007, from Eurostat, were used. The use of these emission factors will enable the Bank to consistently calculate and monitor greenhouse gas emissions, which justifies the alteration in the calculation criteria. The CO_2 emission values, according to the stated calculation methods, were calculated for 2009 and 2010 in order to allow a comparative analysis between the two years.

CO_2 emissions resulting from plane and train travel: the emission factors for plane, bus and train travel used were those provided by the Greenhouse Gas protocol (GHG Protocol). In air travel calculation methodology has been incorporated IPCC Radiative Forcing Index (RFI), which justifies a significant increase of greenhouse gases emissions due to the multiplication by 1.9, a factor that aims to translate more accurately the global impact on climate change caused by air travel.

CO_2 emissions resulting from liquid fuel and natural gas consumption: the emission factors for liquid fuel and natural gas used were those provided by the GreenHouse Gas Protocol (GHG Protocol).


SE É IMPORTANTE PARA SI
CONTE CONNOSCO
Millennium

RISK MANAGEMENT

As a component of the Group's internal control system and a fundamental pillar for the sustainability and development of the business, the Risk Management function maintained its particular relevance, in a context of the continuation, in 2010, of difficult worldwide economic and financial conditions.

In addition to seeking to protect business profitability through the definition of specific policies and guidelines for the control of the different risks to which the Group is exposed, Risk Management also proactively promotes the implementation of metrics and instruments for assessing and controlling risk.

In 2010, the Risk Management function continued to assume responsibilities related to the compliance with regulatory provisions such as, for example, the calculation of the adequate level of internal capital relative to risk exposures or the reporting, both internal and external, on the measurement and assessment of risks.

ACTIVITY HIGHLIGHTS

In general terms, the main lines of action and activities of the Risk Management function in 2010 were:

- Reformulation of the Group's application for the use of methodologies based on internal ratings (IRB) for the calculation of the regulatory capital requirements relative to credit risk and submission to the Bank of Portugal of a revised application package;

- Fine-tuning of the risk management and control mechanisms and instruments, in particular with respect to credit risk, in accordance with the recommendations issued by the Bank of Portugal regarding the IRB approaches within the IRB application process; in this context, it is also important to point out the presentations made to the Group's Supervisory Board;

- Improvements in the stress test framework, for the development of internal tests and participation in the exercises conducted by the Bank of Portugal in the context of the tests carried out at a European level;

- Continued updating of the manuals and internal rules on risk management, in particular of the documentation related to credit risk – "Credit granting concession, monitoring and recovery", "Attribution and review of risk grades", "Framework for non-performing loans", "Credit risk models' validation" and "Credit impairment calculation process";

- Intervention in terms of risk management policy – in particular, concerning credit strategy – and definition of actions aimed at improving the effectiveness of the recovery and sale of real estate property received in this context;

- Issue of the regulatory reports relative to Pillar II of Basel II (internal capital adequacy assessment process) and credit concentration risk, in addition to the participation in the issuing of the Internal Control Report and Pillar III Report (Market Discipline), submitted by the Group to the Bank of Portugal;

- Issue of regular reporting to the Risk Committee and Audit Committee as well as to the Supervisory Board (with this last reporting having been instituted last year, currently occurring on quarterly basis);

- Preparation of the capital management policy for 2011-2013, in the context of various alternative macroeconomic scenarios and the implementation of Basel III.

BASEL II

After the approval by the Bank of Portugal, in 2009, for the use of the Standard approach for the calculation of capital'requirements for operational risk (at a consolidated level and for the Group's activities in Portugal) and for the use of its VAR (Value-at-Risk) internal model for the calculation of the capital requirements for generic market risk (regarding its activity in Portugal), the Group has received approval from the Bank of Portugal for the use of methodologies based on Internal Ratings (IRB) for the calculation of capital requirements relative to credit risk. This authorisation took effect as of 31 December 2010 (inclusive) and was granted in relation to the Group's activities in Portugal.

This authorisation concluded a process initiated in late 2007, within which the Group maintained a continuous and useful dialogue with the Bank of Portugal, which often resulted in the design and implementation of new credit risk management and control mechanisms and instruments, as well as, in the improvement or fine-tuning of mechanisms and instruments that were already implemented.

Therefore, the positive outcome of the Group's application for the use of IRB methodologies was an unequivocal sign of the adequacy of its processes and systems dedicated to the identification, assessment, monitoring and control of credit risk and, simultaneously, an important incentive to the continuation and strengthening of the Group's policy on improvement and fine-tuning regarding risk management (in general) and credit risk management and control (in particular).

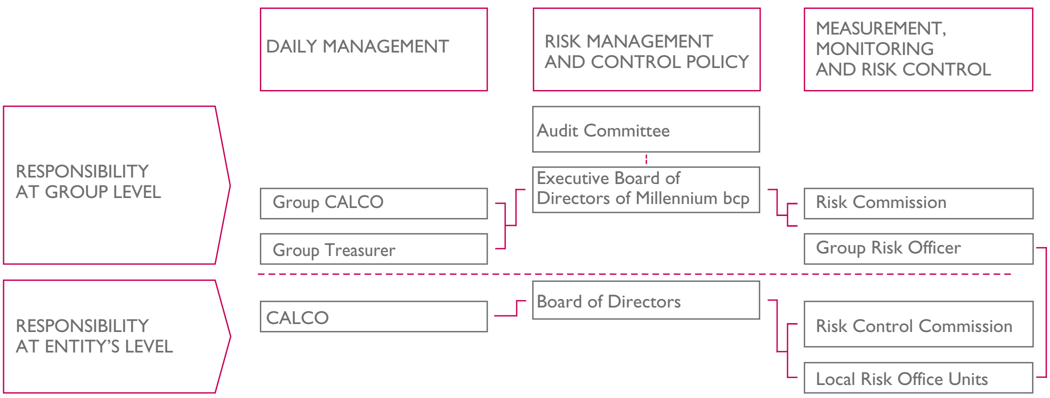
All the actions undertaken to prepare the Group for its processes and systems compliance with the requirements of Basel II, related to the different aspects of risk management and control, were conducted and followed closely by the Executive Board of Directors of Millennium bcp (and, more particularly, by the Boardmember responsible for the Risk Management function). This process provided the senior management body with a broad vision and direct knowledge of the subjects and challenges of risk management under Basel II, with the resulting increased know-how stemming from this involvement.

GOVERNANCE OF RISK MANAGEMENT

In 2010, the risk management governance model was not subject to changes in relation to the previous year, as the responsibilities and interactions between the bodies and structural units involved remained the same.

This control model is transversal and multidomestic, in which the Executive Board of Directors (EBD) is ultimately responsible for risk management, under the supervision of the Supervisory Board, through the Audit Committee that is derived from that body. The following figure shows the risk management governance model:

RISK MANAGEMENT AND GOVERNANCE MODEL



The responsibilities and attributions of the bodies intervening in risk management governance at Group level (except for the Executive Board of Directors) are described below.

AUDIT COMMITTEE

The Audit Committe (AC) is entrusted with matters concerning the supervision of management, financial reporting documents and qualitative measures aimed at the fine-tuning of internal control systems, of the risk management policy and of the Compliance policy, as well being responsible for the supervision of the internal audit activity, ensuring the independence of the Certified Accountant. Its reponsibilities also encompass the issuing of recommendations on the contracting of External Auditors, the formulation of the respective proposal for selection and for the contractual conditions for the provision of services by the External Auditors, as well as the reception of any notifications of irregularities presented by the Shareholders, Employees or others, ensuring these are followed up by the Internal Audit Department or by the Client Ombudsman.

The AC is also responsible for issuing opinions on loans granted in any form or mode, including the presentation of guarantees, as well as on any other contract that the Bank or any company of the Group signs with members of its governing bodies, with Shareholders owning more than 2% of the Bank's share capital or with entities which, under the terms of the General Regulations for Credit Institutions and Financial Companies, are related to any of the above.

The AC is the addressee of the Internal Audit, Certified Accountant and External Auditor reports, holding regular meetings with the Boardmember responsible for the financial area, with the Group Risk Officer, with the Compliance Officer and with the Head of the Internal Audit Division.

RISK COMMISSION

This commission is responsible for monitoring overall risk levels (credit, market, liquidity and operational risk), ensuring that these are compatible with the objectives, the available financial resources and the strategies approved for the development of the Group's activity.

This commission includes all the members of the Executive Board of Directors, the Group Risk Officer, the Compliance Officer and Heads of the Audit Division, the Treasury and Markets Division, the Planning and Budget Control Division, the Rating Division, the Research Office, the Assets and Liabilities Management Division and the Credit Division.

GROUP CALCO

The Group CALCO is responsible for the management of the overall capital of the Group, the management of assets and liabilities and the definition of the liquidity management strategies at the consolidated level. Specifically, the Group CALCO is responsible for the structural management of market and liquidity risks, including the following aspects:

- Monitoring and execution of the liquidity plan;
- Definition of transfer prices and capital allocation rules;
- Taking decisions in relation to the coverage of specific positions;
- Defining management rules and monitoring the performance of the Investment Portfolio.

The Group CALCO is chaired by the Chairman of the EBD and coordinated by the CFO, also including the remaining members of the EBD. Any other members of the Group CALCO are appointed by the EBD.

GROUP RISK OFFICER

The Group Risk Officer is responsible for the risk control function for all entities of the Group. In order to ensure the monitoring and transversal alignment of concepts, practices and objectives, the Group Risk Officer is responsible for keeping the Risk Commission informed on the general level of risk and for proposing measures to improve the internal control environment and to implement the approved limits.

The Group Risk Officer has the power to veto any decision that is not subject to the approval of the EBD and that may have an impact on the Group's risk level (for example: the launch of new products or alterations to processes).

In order to comply with its mission, the functions of the Group Risk Officer include:

- Supporting the definition of risk management policies and methodologies for the identification, assessment, control, monitoring, mitigation and reporting of the different types of risk;

- Proposing and implementing a set of measurements applicable to the different types of risk;
- Ensuring the existence of a body of rules and procedures to support risk management;
- Controlling, on an ongoing basis, the evolution of different risks and compliance with the applicable policies, regulations and limits;
- Ensuring the existence of an effective IT platform and a database for robust and complete risk management;
- Participating in all the decisions of relevance to risk and with an impact on the internal control system, having the authority to enforce compliance with the Group's regulations and objectives relative to risk;
- Preparing information on risk management to be disclosed internally and to the market.

The Group Risk Officer is appointed by the EBD and supports the work of the Risk Commission.

ECONOMIC CAPITAL

Under Pillar II of Basel II (generally known as the "Supervisory Process"), the Group attributes a growing importance to the quantification of the amount of capital necessary to absorb potential future losses, with a pre-defined probability, in order to safeguard the interests of its creditors and Shareholders.

This involves calculating the internal (or "economic") capital which, independently of the regulatory capital, is adequate to the level of risks incurred. This process (ICAAP – Internal Capital Adequacy Assessment Process) – allows for the establishment of a connection between the Group's level of tolerance to risk and its economic capital needs.

The ICAAP is used to identify all the material risks inherent to the Group's activity and their respective quantification, taking into account the possible effects of correlation between the different risks, as well as the effects of business diversification, which is developed along various lines and products and in various geographical areas.

Furthermore, the calculation of the economic capital also includes various risks which are not quantified in the calculation of regulatory capital (Pillar I of Basel II) and uncertain financial variables such as, for example, the expected value of the difference between the fair value and book value of an asset or the expected future profits (excluding subordinated debt with a determined maturity).

Once the economic capital needs have been calculated, a comparison is drawn up between these needs and the available financial resources (Risk Taking Capacity), which allows for an economic perspective of capital adequacy, as well as for the identification of activities and/or businesses that create value.

In view of 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, combining several factors of an economic, regulatory and practical nature, to constitute a given forecasted scenario such as, for example, business planning, external ratings, regulatory capital under Pillar I and the quantification of credit risk, among others.

Considering the Group's expectations and objectives in terms of its 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, where the maximum value of potential loss is calculated for each risk, for a time horizon of 12 months, with a 99.94% confidence level.

The metrics used in the calculation are illustrated in the following table:

MATERIAL RISK TYPES WITHIN BCP GROUP AND RESPECTIVE EVALUATION METRICS

RISK TYPES	SUB-TYPE	METRICS
Credit risk		Credit portfolio model
Market risks	Trading book	VaR model
	Interest rate risk of 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
Pension Fund risk		Simulation model
Business and strategic risk		Model based on the specific volatility of BCP share

Aggregation of risks at the various levels of the organisational structure of the Group includes the calculation of the effect of the diversification benefits, leading to an overall result which is less than the sum of the various individual components, thus indicating that the different 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. 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 total risk of each type of risk.

The correlation matrix is obtained by submitting the historical loss series to an implicit linear correlation analysis, which differs from traditional linear correlation analysis as it recognises the dependence of extreme events.

The following table presents the overall risk position of the Group as at 31 December 2010 and 2009, represented by the economic capital calculated on these dates:

ECONOMIC CAPITAL

Million euros

	'10		'09	
	VALUE	%	VALUE	%
CREDIT RISK	2,078.5	40.6%	1,790.0	35.5%
MARKET RISKS	1,212.5	23.7%	1,320.8	26.2%
Trading book	40.0	0.8%	24.3	0.5%
Banking book – interest rate risk	440.4	8.6%	468.7	9.3%
Banking book – equity risk	404.3	7.9%	603.9	12.0%
Real-estate risk	327.7	6.4%	223.9	4.4%
OPERATIONAL RISK	428.2	8.4%	436.5	8.7%
LIQUIDITY RISK	319.3	6.2%	250.4	5.0%
PENSIONS FUND RISK	876.0	17.1%	956.8	19.0%
BUSINESS AND STRATEGIC RISK	202.7	4.0%	287.3	5.7%
NON-DIVERSIFIED CAPITAL	5,117.2	100.0%	5,041.9	100.0%
Diversification benefits	-1,254.0		-1,140.4	
GROUP'S ECONOMIC CAPITAL	3,863.2		3,901.5	

The figures show the maintenance of the overall risk level, since the variation of the internal capital needs between each year-end is only -38.3 million euros, after diversification effects.

MONITORING AND VALIDATION OF MODELS

The Models Control Unit (integrated in the Group's Risk Office) is responsible for the monitoring and independent validation of the credit and market risk models. It is also responsible for the validation and monitoring of the rating systems in which the credit risk models are included.

The implemented monitoring and validation framework also involves the people responsible for the models and for the rating systems (Model Owners and Rating Systems Owners), the Validation Committee, the Risk Commission and the Audit Division.

During 2010, frequent actions of monitoring and validation of the credit and market risk models were carried out. In the case of the credit risk models, these actions occurred over models for the Corporate and Retail risk classes concerning the main estimation components, for models used in Portugal and in some subsidiaries established abroad. In the context of this process, the most significant models are the Probability of Default (PD) models – including the Large Corporate, Small Corporate and Mid Corporate models and the TRIAD behavioural model – and the estimation model of Losses Given Default (LGD).

The monitoring and validation actions also seek to track and improve knowledge on the quality of the models, so as to increase the ablity to react in a timely fashion in view of any alterations to its predictive powers, thus allowing the Group to gain confidence in the use and performance of each of the implemented models and rating systems.

CREDIT RISK

Credit risk is associated to losses and to the degree of uncertainty regarding the future returns to be generated by the loan portfolio, due to the inability of borrowers (and of their guarantors, if any), issuers of securities or counterparts to agreements, to fulfil their obligations.

This is an extremely important risk and highly representative in terms of the Group's overall exposure to risk, clearly present in the daily operation of its commercial networks, which permanently frames the loan granting and monitoring activities.

The control and mitigation of this risk is carried out, on the one hand, through a solid structure of risk analysis and assessment – using internal rating systems which are adequate to the different business segments and a model for the early detection of potential losses of the portfolio – and, on the other hand, through structure units that are exclusively dedicated to loans recovery for actual non-performance situations.

In 2010, the Group continued to develop various activities to strengthen and fine-tune risk analysis and assessment for the different segments of the portfolio, in particular, the following:

- The reformulation and improvement of the set of rating systems, arising from more adequate Customer segmentation in terms of credit risk assessment. This involved, for example, the development and implementation of new rating models for the real estate promotion sector and the re-development of the risk assessment models for the Large Corporate segment;

- The formal validation of the rating models in force for the Corporate and Retail segments;

- The annual recalculation of the estimates of Loss Given Default (LGD), with particular incidence on loans secured by real estate collateral and on the small businesses portfolio (SME Retail);

- An IT project concerning the credit recovery area continued, in collaboration with an external consultant, of which the main objective is the creation of a database to support the calculation of LGD;

- The improvement of internal regulations on non-performing loans, strengthening the promptness of reactions to situations of deterioration of the clients' financial capacity;

- The restructuring of the credit recovery areas, by splitting the former Credit Recovery Division into two different units – the Standardised Recovery Department (focused on the treatment of retail non-performance) and the Specialised Recovery Department (focused on the treatment of major risks non-performance) – as well as the creation of the Litigation Division.

The processes and systems allocated by the Group to credit risk management and control are currently at a highly developed stage, which enabled the Bank of Portugal to approve the Group's application for the use of Internal Rating Based (IRB) approaches for the calculation of the regulatory capital requirements relative to this type of risk. This authorisation was granted with effect on 31 December 2010 (inclusive) and refers to the Group's activities in Portugal.

Regarding other geographical areas – namely, Poland and Greece – the Group also plans to apply for the use of IRB approaches for the calculation of capital requirements, in accordance with a roll-out plan for the next two years. In these countries, credit risk management processes and systems are being fine-tuned in line with the practices followed in Portugal.

CLIENT SEGMENTATION AND RATING SYSTEMS

Aiming at the best possible adequacy of credit risk assessment, with respect to the attribution of internal ratings (risk grades) corresponding to Probabilities of Default (PD), the Group has defined a series of client macro-segments and segments which are treated under different rating systems.

This ensures that the risk assessment takes into account the specific characteristics of the Customers, in terms of their respective risk profiles, since the different segments are treated by specific rating systems, designed to assess different types of Customers and different types of exposures (typical of each segment or with characteristics dictated by the type of segment).

The following table presents the macro-segments and segments considered in Portugal and the respective rating system:

MACRO-SEGMENT	SEGMENT	RATING SYSTEM
Sovereigns, Banks and Public Sector Entities	Sovereigns	Rating system for Banks and Sovereigns
	Supranational entities	
	Banks	
	Public Sector Entities	Rating system for Public Sector Entities
Projects	Project finance	Rating system for Projects
	Real estate promotion projects and real estate investment funds	
	Star-up companies	
Other entities	SPV, ACE, churches, sports clubs and other non-profit organisations	Simplified rating system
Corporate and SME Corporate	Large Corporate	Rating system for Companies
	Mid Corporate	
	Small Corporate	
	Real estate promotion companies	
	Holdings	
Retail	Small Businesses	Rating system for Small Businesses
	Individuals	Rating system for Individuals

The assessments made by the rating systems referred above are translated into the risk grades of a transversal Masterscale, with 15 levels, of which three correspond to situations of relevant deterioration in Customer creditworthiness, called "procedural risk grades" Risk grades attributed by rating systems are valid for one year, being reviewed/updated periodically or whenever justified by events. The following table presents the definition of this risk grades scale, which is used in the main operations of the Group:

Risk grade	Min. PD	Max. PD	Description
1	0.01%	0.05%	Maximum security (only for sovereign risks)
2	0.05%	0.07%	Superior quality
3	0.07%	0.14%	Very high quality
4	0.14%	0.28%	High quality
5	0.28%	0.53%	Very good quality
6	0.53%	0.95%	Good quality
7	0.95%	1.73%	Medium/high quality
8	1.73%	2.92%	Medium quality
9	2.92%	4.67%	Medium/low quality
10	4.67%	7.00%	Low quality
11	7.00%	9.77%	Very low quality
12	9.77%	13.61%	Limited access to credit
13 (*)	13.61%	27.21%	Soft signs of impairment
14 (*)	27.21%	100.00%	Strong signs of impairment
15 (*)	100.00%	100.00%	Default

(*) Procedural risk grade.

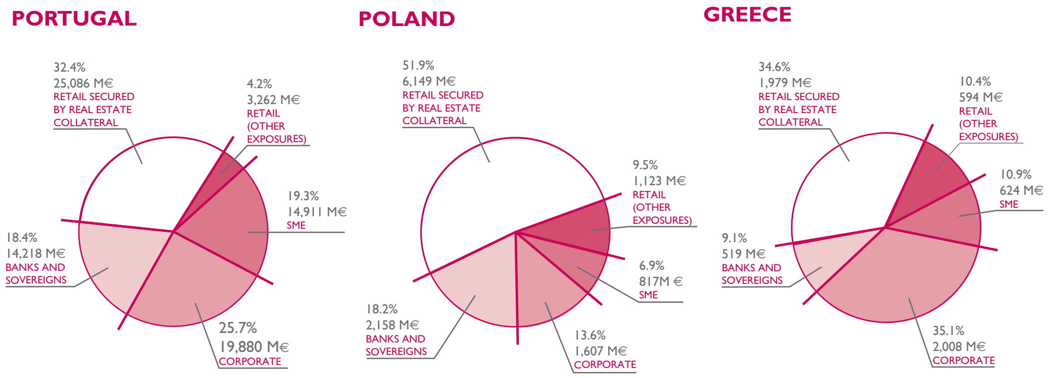
The attribution of risk levels is of the exclusive responsibility of the Rating Division – a unit which is independent from the credit analysis and decision making areas and bodies – although most of the risk levels are attributed by automatic decision models (used in the context of the Retail macro-segment).

The next table presents a brief summary of the main characteristics of the seven rating systems referenced above, in terms of the respective methodology for the attribution of risk levels.

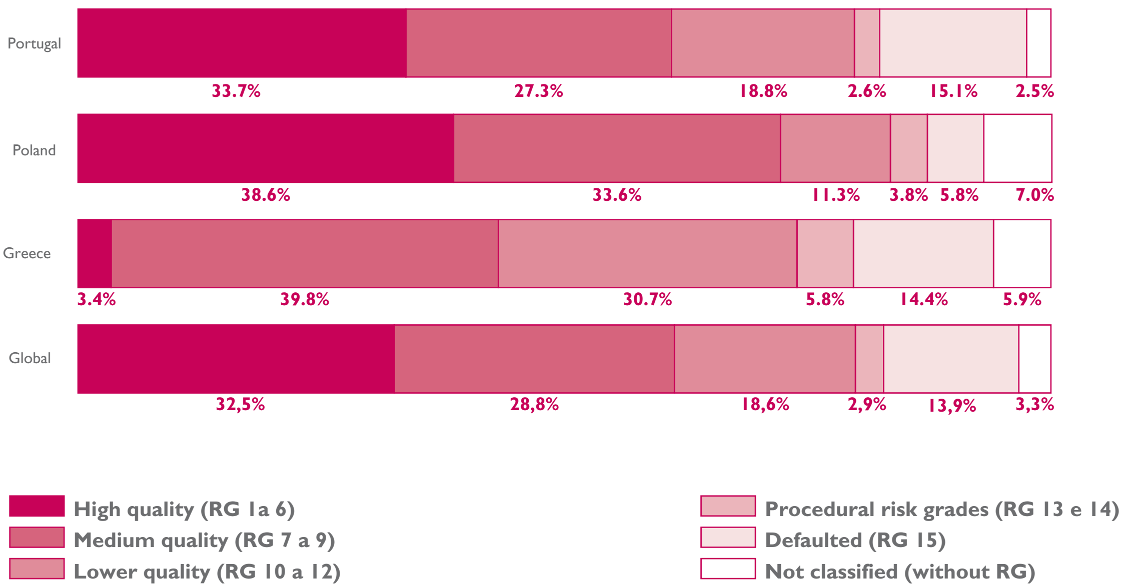
Rating system	Risk grading methodology
Rating system for Banks and Sovereigns	Attribution of risk levels based on the external ratings of ECAI (rating agencies), using a conversion matrix for the correspondence of external ratings to the masterscale of risk grades.
Rating system for Public Sector Entities	Attribution of risk levels through specific rules established by internal regulations, based on the rating of the Portuguese Republic.
Rating system for Projects	Four rating models based on scoring templates: • rating model for Project Finance; • rating model for Real Estate Funds; • rating model for Real Estate Single Assets; • rating model for Start-ups.
Simplified rating system	Attribution of risk levels through specific rules established by internal regulations.
Rating system for Companies	Small and Mid Corporate Models – quantitative component (economic/financial grading based on accounting data) + qualitative component (based on a scoring template) + adjustments stemming from pre-defined situations. Large Corporate Model – quantitative component (economic/financial grading based on accounting data, weighted by activity sector) + qualitative component (based on a scoring template) + adjustments stemming from pre-defined situations. Three rating models based on scoring templates, applicable to real estate promotion companies which are not under the rating system for Projects: • rating model for Real Estate Small Transactions; • rating model for Real Estate Development Companies; • rating model for Real Estate Investment Companies. Two rating models (based on scoring templates with quantitative and qualitative components) applicable to Holdings: • rating model for Holdings of economic groups; • rating model for Investment Holdings.
Rating system for Small Businesses	TRIAD model – automatic decision based on Customer financial behaviour and two scorecards (according to the Client's profile). Application Scoring model for the Small Business segment (whenever TRIAD cannot be applied – e.g. new Customers).
Rating system for Individuals	TRIAD model – automatic decision based on Customer financial behaviour and four scorecards (according to the products already owned by the Client). Application Scoring model (whenever TRIAD cannot be applied – e.g. new Customers), for each intended product (or for products already owned by the Customer): • application Scoring for mortgage loans; • application Scoring for consumer credit; • application Scoring for auto loans; • application Scoring for Customers with a demand deposit account and a credit card; • Application Scoring for Customers without a demand deposit account.

CREDIT PORTFOLIO BREAKDOWN

The graphs below show the breakdown of the credit portfolio as at 31 December 2010, by segment of exposure, in the main geographical areas in which the Group operates, in terms of EAD (Exposure at Default).



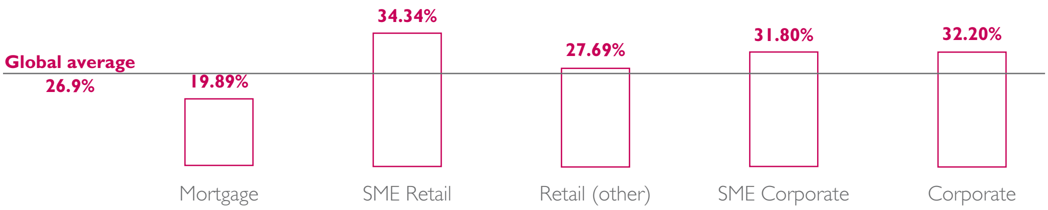
The distribution of exposure (EAD) by risk quality, measured by internal risk grades (RG), as at 31 December 2010 in each of these geographical areas is shown by the following chart:



Note: does not include exposures to Banks and Sovereigns, Specialised Lending and exposures treated by the Standardised approach (for rgulatory capital requirements calculation).

As shown in the chart above, the distribution of the quality of risks in Portugal decisively influences the overall distribution in these three geographical areas (exposure in Portugal corresponds to approximately 81.5% of the Group's exposure). The chart also shows that 61.3% of the exposure corresponds to high and medium quality risks.

The average Loss Given Default (LGD) by segment of exposure in Portugal – resulting from the calculation of regulatory capital and based on the estimates using actual losses, measured through credit recovery – is shown in the following chart.



CREDIT CONCENTRATION RISK

At the end of the first half of 2010, the Group presented to the Bank of Portugal the first annual report on credit concentration risk, referring to 31 December 2009, in compliance with the provisions in the Supervisor's Instruction number 2/2010.

This report identified the 100 highest credit risk positions, in terms of individual exposure (single name concentrations) and showed the distribution of the exposure in terms of economic activity sectors (sectorial concentration), both at the consolidated level and for each of the three main geographical areas where the Group operates (Portugal, Poland and Greece).

It is important to note that the requirements of the Bank of Portugal on this matter reinforce the Group's policies relative to the management of credit concentration risk. In fact, the Group's internal reglations define limits to credit exposure which seek to mitigate the concentration of this risk. The positioning of the biggest exposures *vis-à-vis* those concentration limits is regularly monitored by the Risk Office and reported to the Audit Committee and to the Risk Commission.

The following table presents the position of the 20 largest groups of Customers, expressed as a percentage of Own Funds (in terms of net exposure), as well as their respective weight in total exposure (in terms of EAD) at the consolidated level, as at 31 December 2010.

Clients' groups	Net exposure/ Own funds	EAD weight in total EAD
Group 1	6.7%	1.1%
Group 2	4.9%	0.8%
Group 3	4.1%	0.7%
Group 4	3.3%	0.6%
Group 5	2.7%	0.5%
Group 6	2.4%	0.5%
Group 7	2.3%	0.4%
Group 8	2.2%	0.4%
Group 9	2.2%	0.4%
Group 10	2.2%	0.5%
Group 11	2.2%	0.6%
Group 12	2.0%	0.5%
Group 13	1.9%	0.3%
Group 14	1.9%	0.4%
Group 15	1.6%	0.4%
Group 16	1.6%	0.3%
Group 17	1.5%	0.3%
Group 18	1.5%	0.3%
Group 19	1.3%	0.2%
Group 20	1.2%	0.3%
TOTAL	**49.7%**	**9.4%**

ECONOMIC CAPITAL FOR CREDIT RISK

Economic capital for credit risk is calculated by using an actuarial portfolio model, developed internally, which provides an estimate of 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 – PD (Probability of Default), LGD (Loss Given Default) and CCF (Credit Conversion Factors), and also considers the uncertainty associated to these measurements by incorporating the volatility of these parameters. Furthermore, the model also incorporates the effects of the diversification/concentration of credit risk, taking into account the degrees of correlation between the various sectors of economic activity.

In December 2010, the economic capital associated to credit risk corresponded to 40.6% of the Group's total non-diversified economic capital, which represents an increase of 5.1 p.p. in this weight relative to December 2009.

OPERATIONAL RISK

Operational risk consists in the occurrence of losses as a result of failures and/or inadequacies of internal processes, people or systems or due to external events.

For the management and control of this type of risk, the Group has increasingly adopted a set of clearly defined principles, practices and control mechanisms that are documented and implemented, of which the following are examples:

- Segregation of functions;
- Lines of responsibility and corresponding authorisations;
- Definition of limits of tolerance and of 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.

Hence, aiming at an increasingly higher efficiency in the identification, assessment, control and mitigation of risk exposures, the Group has been strengthening its operational risk management framework since 2006 and expanding it to the main operations abroad.

The adoption of a common supporting IT application in all the subsidiaries and the monitoring by the Group Risk Office ensure a high level of uniformity in the risk management of the different operations, although these are at different evolutionary stages, as a result of a phased implementation of the abovementioned operational risk management framework and of the priorities established in accordance to the materiality of the exposures.

The recognition of the Group's operational risk management and control policy resulted in the approval, by the Bank of Portugal, for the use of the Standard approach (TSA) for the calculation of own fund requirements to cover operational risk. The granting of this approval took effect as of March 2009 (inclusive), to the Group on a consolidated basis, also encompassing the Group's Banks operating in Portugal, on an individual basis.

In line with the future evolution of its operational risk management framework, the Group intends to adopt the Advanced Measurement Approach (AMA), for which most of the regulatory requirements are similar to those of the Standard approach.

In 2010, the following activities within the operational risk management's scope should be highlighted the:

- Consolidation of the database on operational loss events in the main Group operations;
- Completion of new risks self-assessment exercises in Portugal, Poland and Greece and the launching of this risk management instrument in Romania and Mozambique;

- Progressive use of key risk indicators (KRI) in the preventive monitoring of risks of processes in Portugal, Poland, Greece and Romania;

- More effective incorporation of the information provided by risk management instruments in the identification of process improvement actions.

OPERATIONAL RISK MANAGEMENT STRUCTURE

Operational risk management is based on an end-to-end process structure, defined for all the subsidiaries of the Group, which provides the benefits from a broader perception of the risks as a result of an integrated vision of the activities undertaken along the value chain of each process.

The group of processes defined for each entity is dynamic, adjusted and differentiated according to the operating practices and business of each entity, so as to cover all the important activities developed.

The responsibility for the management of the processes is attributed to process owners, whose mission is to:

- Characterise the operational losses captured in the context of their processes;

- Perform risks self-assessment (RSA);

- Identify and implement the appropriate measures to mitigate risk exposures, contributing to strengthen the internal control environment;

- Monitor the key risk indicators (KRI).

In Portugal, process owners are appointed by the Process Monitoring Committee, recognising their knowledge and experience concerning the activities of the processes for which they are responsible. This body is also responsible for:

- Approving the definition of the process dossiers;

- Approving the institution of new processes, defining, on a case-by-case basis, the need for the respective ISO9001 certification and identifying the processes which, outside of the certification, should be assessed in terms of performance (through key performance indicators);

- Aligning the process-based management practices with the reality of the business units intervening in the processes;

- Ensuring the issuance, maintenance and internal disclosure of documentation and information on process-based management;

- Approving any alterations to processes which have already been instituted, as well as designing new processes.

In other geographical areas, the respective Boards of Directors are responsible for appointing the process owners.

OPERATIONAL RISKS SELF-ASSESSMENT

The objective of the risks self-assessment (RSA) is to promote the identification and mitigation (or even elimination) of risks, actual or potential, within each process. Each risk is classified according to its positioning on a tolerance matrix, for three different scenarios, which allows for the:

- Determination of the inherent risk of the process, whithout considering the existent contracts;

- Assessment of the risks exposure of the different processes, considering the influence of existing controls (residual risk);

- Identification of the impact of the improvement opportunities in the reduction of the most significant exposures (target risk).

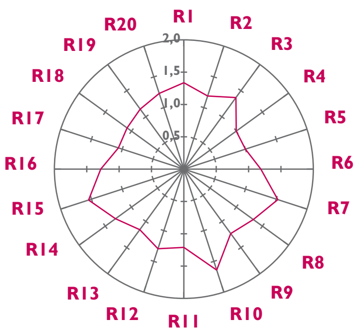
The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners and process managers, or on questionnaires sent to the process owners for the updating of previous results, according to defined updating criteria.

These exercises are also used to collect information on the impact on reputation derived from the occurrence of the assessed operational risks, since these are the risks most directly related to reputational risk.

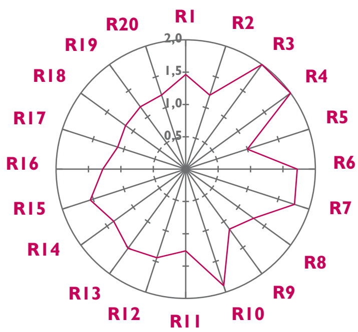
In 2010, the self-assessment of operational risks was carried out for the first time in Romania and Mozambique, and new exercises were concluded in Portugal, Greece and Poland. For each process defined in these operations, this provided results concerning its respective exposure to operational risks. The most significant exposures will be mitigated through corrective measures identified by the RSA exercise, to be prioritised according to the magnitude of the risks in question. The implementation of these measures will be monitored through the IT application supporting operational risk management.

The following diagrams present the results of the RSA carried out in 2010 in Portugal, Poland and Greece, as the average scores for each of the 20 sub-types of risk defined for operational risk management, for the group of processes that were assessed. The outer line in each diagram represents a score of 2.0, on a scale of 0 (lower exposure) to 5 (higher exposure).

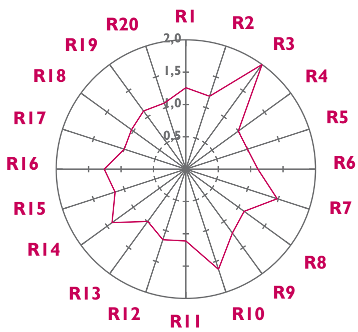
PORTUGAL



POLAND



GREECE



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 service & 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

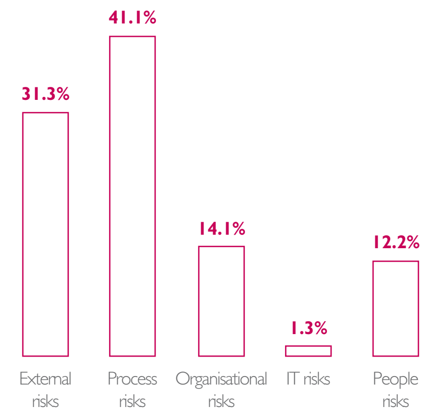
OPERATIONAL LOSSES

The identification and recording of operational losses is a responsibility of all Employees, with the process owners playing a major role in promoting the collection of data on actual losses occurring within the context of their processes. The Risk Office also identifies and records operational losses, based on the analysis of data provided by central areas.

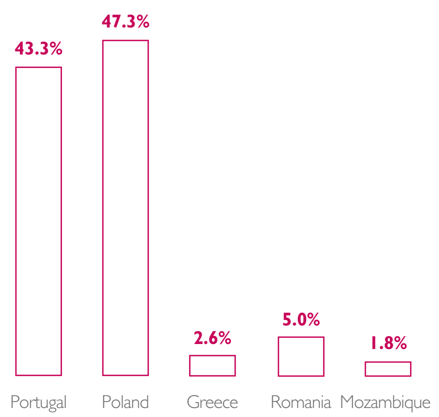
The main objective of the collection of data on operational loss events is to strengthen awareness of this type of risk and provide relevant information to the process owners, to be incorporated in the management of their processes. Furthermore, the database on operational losses also constitutes an important instrument to quantify exposure to risk and, for, in the future, support the calculation of regulatory capital requirements. Also, data on operational losses is also used for backtesting the results of the RSA, thus enabling confirmation of the classifications attributed to each process, in relation to the 20 sub-types of operational risk.

The identified operational losses are related to each process and recorded in the Group's operational risk management IT application, being characterised by their respective process owners and process managers. The full characterisation of the operational loss includes, in addition to the description of the respective cause-effect, its valuation and, when applicable, a description of the identified mitigation action (based on the analysis of the cause of loss) which was or will be implemented.

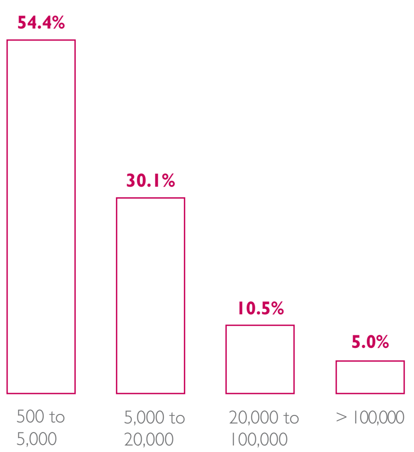
LOSS AMOUNTS DISTRIBUTION
By type of event



LOSS AMOUNTS DISTRIBUTION
By country



LOSS AMOUNTS DISTRIBUTION
By amount range
Euros



The charts by the side present the profile of the accumulated operational losses, as at 31 of December 2010:

The consolidation of the loss data capture process at the different subsidiaries of the Group is evidenced by the evolution of its respective records in the database. Uniformity of criteria in data capture is ensured by the Group Risk Office, which analyses loss events data and promotes the circulation of information on the mitigation of events throughout all the geographical areas in which the Group operates. Furthermore, processes aimed at the reconciliation of the recorded information on losses with accounting data are run.

RISK INDICATORS

Risk indicators are metrics which aim to identify changes in risk profiles or in the effectiveness of the controls, in order to allow for preventive action that may avoid situations of potential risk materialising into effective losses.

In the Group's various operations, approximately two hundred indicators have been identified, which are characterised in a KRI library, through which the different entities of the Group share information.

This management instrument is fully used in the Romanian subsidiary (as a pilot), the implemented indicators being monitored regularly and used to anticipate the need to take corrective measures aimed at preventing potential risks in the processes.

In 2010, KRI began to be used systematically to prevent potential risks in a series of important processes in Portugal, Poland and Greece. In these operations, the identification of KRI is taking place progressively and will be extended to new processes in accordance with the level of exposure.

BUSINESS CONTINUITY

In 2010 the Group continued to strengthen and fine-tune its management of business continuity, with the purpose of ensuring the continuity of operation of its main businesses or businesses support activities, in the event of a catastrophe or major contingency.

Within the Group, this subject is addressed in two different but complementary ways: the Disaster Recovery Plan (DRP), for the infrastructure and communications systems, and the Business Continuity Plan for the people, premises and equipment required for the minimum support of select processes considered to be critical. In Portugal, for example, the Business Continuity Plan covers 36 critical processes, involving 62 structure units.

The management of this specific area of operational risk is designed, promoted and coordinated by a specific unit, transversal to the Group: the Business Continuity Unit.

Business Continuity Plans are also defined and implemented in Poland, Greece and Romania. In Portugal, the strategy and the regular exercises program were approved last year, covering all the operational teams involved in the critical business processes. The program, initiated in 2010, establishes the training of all of the referred units by the end of 2011, in exercises of increasing complexity and realism.

Furthermore, in 2010, the Business Continuity Plan was consolidated through a second round, encompassing a simplified description of the tasks to be ensured in the event of a serious incident and the definition of contingency procedures to be carried out from the moment of the incident until the recovery of premises, systems and data.

Note should also be made of the launch, in 2010, of an internal communication program which involved the creation of sites on the intranet of Millennium bcp dedicated to business continuity, as one of the aspects of prevention and safety, and to the DRP.

CONTRACTING OF INSURANCE

The objective of the contracting of insurance is the total or partial transfer of risks of a physical or personal nature, or concerning potential liabilities towards third parties, as an instrument of mitigation of operational risks.

Proposals for new insurance policies are submitted by the process owners, under their operational risk management competences that are inherent to their processes or by the unit heads, and are analysed by the Risk Committee and authorised by the Executive Board of Directors (EBD).

In the contracting of insurance in Portugal, the specialised technical and commercial functions involved are attributed to the Insurance Management Unit (IMU), a unit that is transversal across all the Group's entities operating in Portugal. The IMU shares information with the Risk Office, so as to strengthen the coverage of the policies in question and the quality of the database on operational losses.

ECONOMIC CAPITAL FOR OPERATIONAL RISKS

The measurement used for the calculation of economic capital relative to operational risk is the same as that used for regulatory capital for this type of risk (with regulatory weightings defined by business line), applied to relevant indicator (i.e. gross income), 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 value of economic capital for operational risk, the anount of regulatory capital is adjusted (scaled) for a confidence level of 99.94%, which corresponds to the path defined under the ICAAP.

In December 2010, the economic capital associated to credit risk corresponded to 8.4% of the Group's total non-diversified economic capital, representing a decrease of 0.3 p.p. in this weight, in relation to December 2009.

MARKET RISKS

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

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

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

The definition of these areas allows for an effective management segregation of the trading and banking books, as well as for a correct allocation of each operation to the most suitable management area, according to its respective context.

In order to ensure that the risk levels incurred in the different management areas' portfolios of the Group are in accordance with the Group's risk tolerance levels, several limits are defined for market risks (at least once a year) and are applied to all management areas' portfolios that, in accordance with the management model, might incur these risks.

The definition of these limits is based on the market risks metrics used by the Group in its control and monitoring, which are followed on a daily basis (or intra-daily, in the case of the financial markets areas – Trading and Funding) by the Risk Office.

In addition to these risk limits, stop loss limits are also defined for the financial markets areas, based on multiples defined for those areas, aiming at limiting the maximum losses which might occur within each of the areas. When these limits are reached, a review of the management strategy and assumptions for the positions in question must be undertaken.

MARKET RISKS OF THE TRADING BOOK

The Group uses an integrated market risks measure that allows for the monitoring of all the relevant sub-types of risk considered. This measure covers the evaluation of 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, without considering any type of diversification between the four sub-types (worst case scenario approach).

The daily measurement of the generic market risk – relative to interest rate risk, exchange rate risk, equity risk and price risk of Credit Default Swaps (CDS) – a VaR (Value-at-Risk) model is used, based on the parameter approximation defined in the methodology developed by RiskMetrics (1996), where the calculation considers a time horizon of ten business days and a confidence interval of 99%.

As defined in the RiskMetrics methodology, the volatility of each market risk factor (and respective correlations) considered in the VAR model is estimated by an EWMA estimation econometric model, with a one-year observation period of one year and and a time weight (lambda) of 0.94.

An internally developed methodology is also applied, replicating the effect that the main non-linear elements of options may have over the calculation of the results of the different books in which these are included, in a similar way to that considered by the VaR methodology, using the same time horizon and the same significance level.

Specific and commodities' risks are measured using the standard methodologies defined in the applicable regulations (arising from the Basel II Agreement), with a corresponding change of the time horizon considered.

The amounts of capital at risk are thus determined, both on an individual basis and in consolidated terms, considering the effects of diversification of the various portfolios. It should be noted that this approach to the assessment of market risks is also applied to the other areas (and not merely to the Trading area), when its books incur these types of risks.

The following table presents the values at risk measured by the methodologies referred to above, for the trading book, between 31 December 2009 and 31 December 2010:

TRADING BOOK'S MARKET RISKS

Thousand euros

	'10				'09
	Dec. 10	Average	Max.	Min.	Dec. 09
GENERIC RISK (VAR)	12,518.7	7,556.2	28,100.0	2,777.6	4,177.7
Interest rate risk	12,332.2	5,659.7	25,903.8	1,953.8	1,684.2
FX risk	1,484.8	3,388.1	4,195.5	2,413.4	3,551.4
Equity risk	609.9	691.4	1,029.6	368.2	353.2
Diversification effects	1,908.1	2,183.0	3,028.9	1,957.8	1,411.1
SPECIFIC RISK	2,179.7	1,539.7	2,980.3	902.2	1,539.1
NON-LINEAR RISK	296.8	166.8	373.2	33.5	77.5
COMMODITIES RISK	3.1	3.3	25.0	0.7	1.7
GLOBAL RISK	14,998.3	9,266.0	30,165.6	4,246.7	5,796.0

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

During 2010, there was a significant increase in the volatility of financial markets, in particular in the public debt markets of the peripheral countries of the Euro Area. Moreover, during this past year, very different behaviour was observed over the several euro markets, which resulted in breaks of the typical correlations between some important variables, in particular with respect to the relationship between the yields of public debt and swap rates; this was especially significant in the peripheral Euro Area countries.

This market evolution had negative effects on the Group's risk levels in 2010, resulting in a risk increase over the levels of 2009. In spite of this increase, the risk level of the trading book did not exceed the limits established for its management.

STRESS TESTS OVER THE TRADING BOOK

As a complement to the VaR calculation and aiming at identifying risk concentrations captured by this measurement and, also, for the purpose of testing other possible loss dimension, the Group continuously tests a broad set of stress scenarios over the trading book and analyses the results of these stress tests.

The results of these tests over the Group's trading book as at 31 December 2010 were as follows:

STRESS TESTS OVER THE TRADING BOOK

Million euros

Tested scenarios	Negative results scenarios	Result
Parallel shift of the yield curve by +/- 100 b.p.	+ 100 b.p.	-20.6
Change in the slope of the yield curve (for maturities from 2 to 10 years) by +/- 25 b.p.	+ 25 b.p.	-2.5
4 possible combinations of the previous 2 scenarios	+ 100 b.p. e + 25 b.p.	-23.0
	+ 100 b.p. e - 25 b.p.	-18.1
Variation in the main stock market indices by +/- 30%	- 30%	-2.8
Variation in foreign exchange rates (against the euro) by +/- 6% for the main currencies and by +/- 20% for other currencies	+ 6%, + 20%	-3.9
Variation in swap spreads by +/- 20 b.p.	+ 20%	-0.1

The results of these stress tests show that the exposure of the Group's trading book to the different risk factors considered is limited and that the main risk to be taken into account is an increase of the interest rates level, especially if this also implies an increase in its slope (i.e., if the increase in long-term interest rates is higher than the increase in short-term interest rates).

MONITORING AND VALIDATION OF THE VaR MODEL

In order to ensure that the internal VaR model is adequate to assess the risks involved in the positions held, various validations of different scope and frequency are performed over time, including backtesting, the estimation of the diversification effects and the analysis of the scope of risk factors.

The following graph illustrates the hypothetical backtesting for the trading book, comparing the VaR indicators with the hypothetical results of the VaR model.

VaR BACKTESTING (TRADING BOOK)

Thousand euros

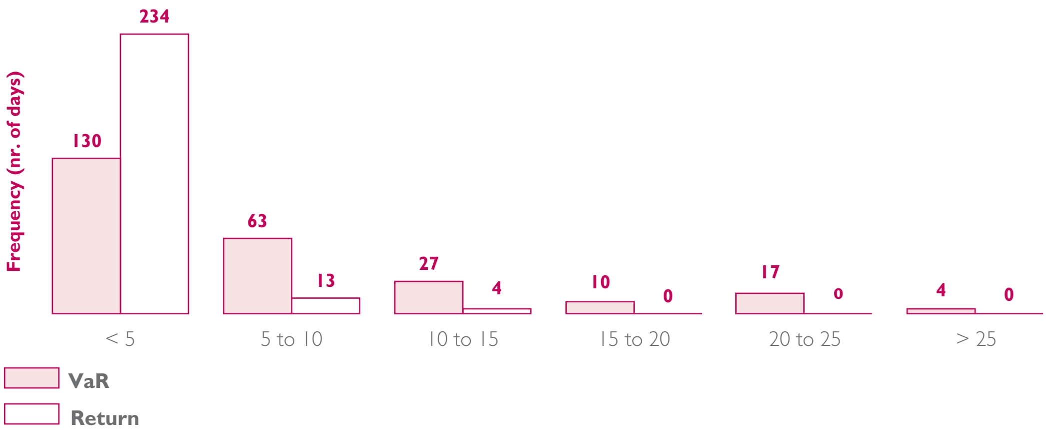
The VaR increases observed for some periods of 2010 are due, mainly, to the conjunction of peaks of Public Debt holdings – as a result of the accumulation policy concerning discountable assets at Central Banks – with discrete increases in the price volatility of such assets.

As shown in the graph, only five excesses are observed (a 2% frequency in 250 business days) over the hypothetical results of the model, which confirms the adequacy of the model for the assessment of the risks at stake.

In the next graph, the data of this backtesting is grouped by amounts, with the frequency of the occurrences (in number of days) in each class being measured, showing that the observations of largest magnitude resulting from the model are more frequent than the results values observed in the portfolio, which illustrates the effective performance of the model in the estimation of the highest potential losses.

VaR VERSUS RETURN (P/L)

Million euros



INTEREST RATE RISK OF THE BANKING BOOK

The interest rate risk derived from the operations of the banking Book is assessed through a process of risk sensitivity analysis, undertaken every month, covering all the operations included in the Group's consolidated Balance Sheet.

The variations in market interest rates influence the Group's net interest income, both under a short and a medium/long-term perspective, affecting its economic value in the long-term. The main risk factors arise from the repricing mismatch of the portfolio's positions (repricing risk) and from the risk of variation of market interest rates (yield curve risk). Moreover – although of a lesser impact – there is the risk of unequal variations in different reference rates with the same repricing period (basis risk).

In order to identify the exposure of the Group's Banking Book to these risks, the monitoring of the interest rate risk takes into consideration the financial characteristics of the positions registered at the information systems, with the respective expected cash-flows being forecast in accordance with the repricing dates, thus calculating the impact over economic value resulting from alternative scenarios of change of the market interest rate curves.

This analysis, reported as at 31 December 2010 and carried out by assessing the difference between the current value of the interest rate mismatch (discounted at market interest rates) and the value of this mismatch discounted at a + 100 b.p.s. level of rates (for all terms), results in an impact of approximately -90 million euros for positions denominated in euros.

The following table presents the impact on economic value of this interest rate variation, in each of the management areas and for the different terms to maturity of the positions in question.

IMPACT OF A +100 BPS PARALLEL SHIFT OF THE YELD CURVES

Repricing gap in EUR

Thousand euros

	Repricing terms to maturity					
	< 1 A	1 – 3 A	3 – 5 A	5 – 7 A	> 7 A	Total
Commercial Area activity	-29,170.7	51,287.3	61,803.0	-3,056.1	-4,999.2	75,864.3
Structural Area activity	25,923.4	35,634.2	119,864.1	131,735.0	2,740.0	315,896.7
SUBTOTAL	**-3,247.3**	**86,921.5**	**181,667.0**	**128,678.8**	**-2,259.1**	**391,761.0**
Hedging	-11,782.8	-98,040.8	-183,395.9	-130,087.7	-827.2	-424,134.5
COMMERCIAL AND STRUCTURAL TOTAL	**-15,030.1**	**-11,119.3**	**-1,728.9**	**-1,408.9**	**-3,086.4**	**-32,373.5**
Funding and hedging	37,161.1	825.3	751.0	-42.3	-920.5	37,774.7
Investment portfolio	-29,286.6	-13,748.5	-10,857.6	-14,601.0	-40,728.3	-109,221.9
ALM	-2,216.0	19,397.1	47,049.7	-27,913.7	-22,526.4	13,790.8
BANKING BOOK TOTAL (DEC. 2010)	**-9,371.5**	**-4,645.3**	**35,214.2**	**-43,965.8**	**-67,261.5**	**-90,030.0**
Banking book total (Dec. 2009)	40,725.8	1,763.8	-2,753.8	10,751.4	-23,671.6	26,815.7

The sensitivity of the banking book to interest rate variations (in euros) has has changed along 2010, with the absolute value of the tested impact by the end of 2010 having a difference of approximately 63 million euros from that observed at the end of 2009. This is mainly due to the increased weight of the fixed rate with terms longer than one year included in the investment and ALM portfolios.

It should be pointed out that the Group performs hedging operations with the market on a monthly basis, aimed at reducing the interest rate mismatch of risk positions associated to the portfolio of the Commercial and Structural areas (capital operations, medium/long-term funding operations, etc.).

The risk positions that are not subject to specific market hedging are transferred internally to two market areas (Funding and ALM), thus forming an integral part of the respective portfolios. As such, they are assessed daily through the VaR model.

EXCHANGE RATE RISK IN THE BANKING BOOK

The exchange rate risk of the banking book is transferred internally to the Trading area (Treasury), in accordance with the risk specialisation model followed by the Group for the management of the exchange rate risk of the Balance Sheet.

The only exposures to exchange rate risk which are not included in this transfer – the financial holdings of subsidiaries in foreign currency – are hedged on a case-by-case basis through market operations. As at 31 December 2010, the Group's financial holdings in USD, CHF and PLN were covered (in this last case, partially).

EQUITY RISK IN THE BANKING BOOK

The Group maintains some share positions of an insignificant magnitude in the banking book which are not meant to be negotiated for trading purposes.

The management of these positions is carried out by a specific area of the Group, its risk being included in the Investment area and followed-up on a daily basis, through measurements and limits defined for the control of market risks within the Group.

ECONOMIC CAPITAL FOR MARKET RISKS

The methodological basis for the calculation of economic capital requirements relative to market risks is the same as the one used for the calculation of regulatory capital requirements for the trading book (VaR model), with some adjustments concerning the time horizon considered.

In December 2010, the economic capital associated to market risks corresponded to 23.7% of the Group's total non-diversified economic capital, representing an decrease of 2.5 p.p. in this weight, in relation to December 2009.

LIQUIDITY RISK

Liquidity risk reflects the Group's potential inability to meet its obligations at maturity without incurring significant losses, resulting from a deterioration in funding conditions (funding risk) and/or from the sale of its assets below market values (market liquidity risk).

As was the case in 2009, 2010 was particularly challenging with respect to the management of the Group's liquidity position. After the beginning of the year, when some normalisation of access to the liquidity markets – in particular in the shorter term markets – was noticed, in the second quarter of the year the liquidity markets were practically closed once again, in both the interbank market and the medium and long-term debt market.

However, the Group was able to carry out part of the refunding of its needs through new issues of medium and long-term debt – part of which were placed with Customers – mainly during the first half of the year. With respect to the main issues made in 2010, the placement of a significant amount of Euro Medium Term Notes (EMTN) issues should be highlighted, namely:

- 980 million euros (1 year term), in various issues over the year;

- 500 million euros (1 year and 3 months term);

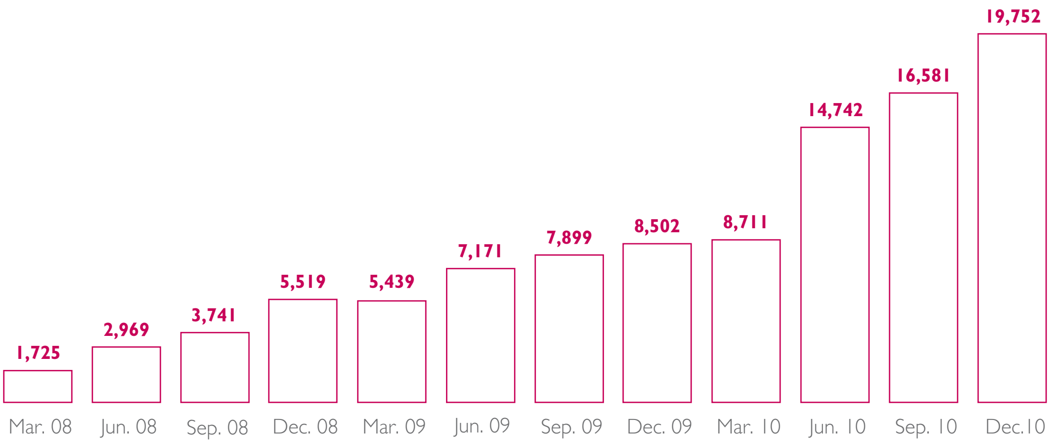
- 850 million euros (2 years term);
- 300 million euros (3 years term);
- 95 million euros of subordinated debt (10 years term);
- 200 million euros in a loan agreement (3 years term).

At the beginning of the second half of 2010, the Group launched the Oceanus Plan for the purpose, on one hand, of significantly increasing the existing liquid assets and, on the other hand, reducing its dependence on the wholesale funding markets as well as on funding obtained from the European Central Bank.

This plan started to produce results by the end of 2010, with a significant growth in the portfolio of assets eligible to discount at the ECB but, at the same time, with a reduction in the use of this funding source, due to the use of alternative sources.

As mentioned, one of the fundamental courses of action relative to liquidity management in 2010, concerning the mitigation and contingency measures with respect to funding needs, was the strengthening of the portfolio of assets eligible for discounting at the ECB. The volume of these assets, after haircuts, increased from approximately 8,500 million euros in December 2009 to 19,750 million euros in December 2010, as shown in the chart below:

ELIGIBLE ASSETS FOR DISCOUNTING AT THE ECB
After Haircuts
Million euros



The Group's wholesale funding structure is defined for each annual period by the Liquidity Plan, which is an integral part of the budgeting process, being formulated at the consolidated level and for the main subsidiaries of the Group. The setup of this plan is coordinated by the Group Treasurer and its implementation is monitored continuously over the year, being revised whenever necessary or advisable.

The following table illustrates the wholesale funding structure, as at 31 December 2009 and 2010, in terms of the relative importance of each instrument used:

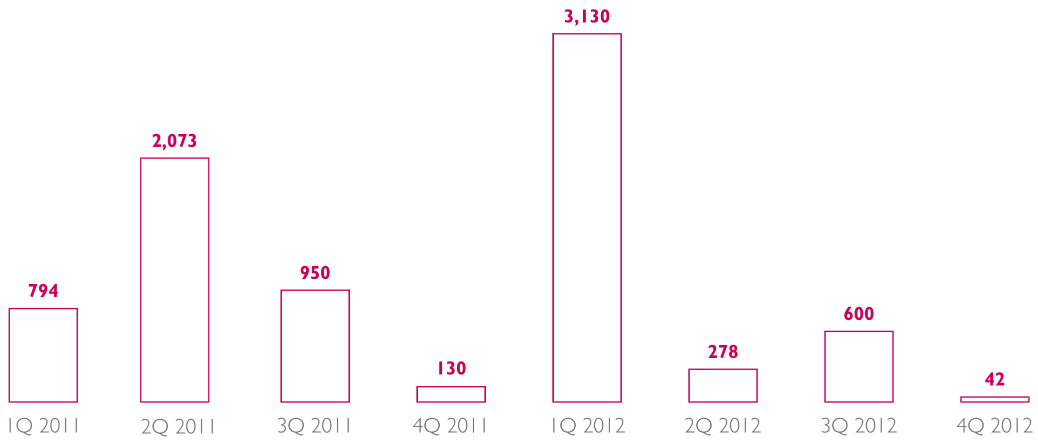
LIQUIDITY BREAKDOWN
(Wholesale funding)

	Dec. 31 '10	Dec. 31 '09	Weight Var.
MM	4.2%	15.1%	-10.9%
BCE	44.2%	9.8%	+34.4%
SFI Deposits	1.4%	2.1%	-0.7%
Commercial Paper	1.0%	8.1%	-7.1%
Repos	0.3%	1.2%	-0.9%
Loan agreements	3.6%	3.8%	-0.2%
Schuldschein	1.3%	2.0%	-0.7%
EMTN	30.6%	36.7%	-6.1%
Covered bonds	10.0%	15.1%	-5.1%
Subordinated debt	3.3%	6.0%	-2.8%
TOTAL	**100.0%**	**100.0%**	

In relation to December 2009, there has been a very significant increase in the weight of the funding obtained from the ECB, due to the reduction of all of the other components. In particular, there has been a sharp fall in the relative importance of the monetary market, commercial paper and debt issues (EMTN), reflecting the recent evolution of the funding markets, described above.

The chart below presents the distribution over time of the maturities' dates of medium/long-term debt in 2011 and 2012. The figures show that these maturities are concentrated along the first half of the years and that the annual total value comes to moderate amounts (approximately 4,000 million euros in each year).

QUARTELY DISTRIBUTION OF MATURITIES (2011-2012)
Medium/long term debt
Million euros



LIQUIDITY RISK CONTROL

The control of the Group's liquidity risk, for short-term horizons (up to three months) is carried out daily on the basis of two internally defined indicators – the immediate liquidity and the quarterly liquidity. These measure the maximum fund-taking requirements that might arise cumulatively over these time horizons, considering the cash-flow projections for the periods of, respectively, three days and three months. These indicators, as at 31 December 2010, are presented in the following table:

LIQUIDITY INDICATORS

Million euros

	Immediate liquidity	Quarterly liquidity
Portugal	0.0	0.0
Poland	0.0	0.0
Greece	-474.6	-548.4
Romania	0.0	0.0
Turkey	0.0	0.0

Note: null values represent positive treasury positions (net of Highly Liquid Assets).

In parallel, the evolution of the Group's liquidity position is calculated regularly, along with the identification of all the factors that justify the verified variations.

The Group controls its structural liquidity profile through the regular monitoring – by management units and bodies – of a set of indicators, both internal and regulatory, with the purpose of characterising liquidity risk, such as the:

- Loans to deposits ratio;
- Medium-term liquidity gaps;
- Wholesale funding coverage ratios by Highly Liquid Assets (HLA).

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As at 31 December 2010 and 2009, these indicators were as follows:

LIQUIDITY CONTROL INDICATORS

	Reference value	Dec. '10	Dec. '09
Accumulated net cash-flows up to 1 year as a % of total accounting liabilities	Not less than (-6 %)	-5.9%	-1.0%
Liquidity gap as a % of illiquid assets	Not less than (-20 %)	-7.6%	-12.1%
Loans to deposits ratio	Not above a 150 %	148.8%	152.3%
Wholesale Funding coverage ratios by Highly Liquid Assets (HLA)			
Up to 1 month	> 100 %	136.0%	149.0%
Up to 3 months	> 85 %	113.5%	108.6%
Up to 1 year	> 60 %	95.2%	75.4%

CAPITAL AND LIQUIDITY CONTINGENCY PLAN

The Capital and Liquidity Contingency Plan (CLCP) defines the priorities, responsibilities and specific measures to be taken in the event of a situation of liquidity contingency. This plan is reviewed at least once a year.

The CLCP's objective is the maintenance of a balanced liquidity and capital structure, also establishing the need for the continuous monitoring of market conditions, as well as lines of action and triggers aimed at a prompt decision-taking in adverse scenarios, either expected or actual.

Within the scope of the CLCP, a composite indicator was defined, based on the main parameters identified as advanced indicators of liquidity stress situations (29 variables) which may affect the Group's liquidity situation. This indicator is quantified in the last week of each month and its respective evolution is followed by the EBD, the Group CALCO and the Group Treasurer.

ECONOMIC CAPITAL FOR LIQUIDITY RISK

The calculation of economic capital relative to liquidity risk is based on the stress test results regarding future funding needs and its respective costs.

In December 2010, the economic capital associated to liquidity risk corresponded to 6.2% of the Group's total non-diversified economic capital, representing an increase in this weight of 1.2 p.p. in relation to December 2009.

PENSION FUND RISK

This risk stems from the potential devaluation of the Bank's Defined Benefit Pension Fund, or from the decrease of its expected returns, implying the undertaking of unplanned contributions. The Pension Fund Risk Sub-Monitoring Commission is responsible for the regular monitoring of this risk and for the supervision of its management.

In 2010, the Fund had a net return of -5.5%, attaining a volume of 5,123 million euros by 31 December 2010 of which around 31.2% (around 1,600 million euros) were relative to equities (including hedge funds).

In terms of economic capital, this risk represented 17.1% of the total economic capital (before diversification effects), by the end of 2010.

BUSINESS AND STRATEGIC RISK

This type of risk is materialised when there are negative impacts on net income and/or capital, as a result of: i) decisions with adverse effects, ii) the implementation of inadequate management strategies, or iii) the inability to respond effectively to market changes and variations.

Therefore, the variation in the listed price of the Bank's shares is a relevant indicator for the measurement of this type of risk, with its quantification being made by the internal model used to assess/quantify the internal capital needs (economic capital).

The calculation of the economic capital required to cover this type of risk is based on a long series of the price evolution of the Bank's shares, this evolution being analysed after deduction of the external influence of the stock market, estimated from a time series of share prices from the larger banks listed at Euronext Lisbon.

As at 31 December 2010, the economic capital relative to business and strategic risk represented 4.0% of the total economic capital (before diversification effects).

EXPOSURE TO ACTIVITIES AND PRODUCTS 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.

As at 31 December 2010, the Group's exposure to the structured credit products potentially affected by the financial markets turmoil was limited to the amount of EUR 22 thousand, which is related to Commercial Mortgage-Backed Securities (CMBS) SBA Pools issued and guaranteed by the Small Business Administration, Government Agencies, which are backed by the full faith and credit of the US 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 exchange rate risk. The trading activity of the Group's own portfolio in derivatives is immaterial insofar as Group profits or risk exposure is 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, for the purpose 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 its own securitisation operations and of normal credit business, described in Notes 1 and 21 of the Notes to the Consolidated Financial Statements. Moreover, the accounting policies relative to SPE and securitisations have not been altered over the past 12 months.

The Group's accounting policies are described in Note 1 of the Notes to the Financial Statements, included in Volume II of the Annual Report for 2009. Additional information on the valuation of financial assets and risk management may be found in Notes 22, 23, 24, 40, 49 and 53 of the Annual Report referred to above.

MAIN RISK FACTORS

This section highlights the most significant risk capable of affecting the Bank's activity during 2011. These risk factors could mean that the future earnings of the Group diverge materially from the expected results. However, other risk factors could also adversely affect the Group's result. So, the risk factors presented here should not be seen as an exhaustive and complete declaration of all the potential risks and uncertainties which could condition the Bank's activity in 2011. The main risks identified are split into two groups:

Exogenous:

- Deterioration of the macroeconomic context in Portugal and other countries in which the Bank operates;
- New review of the rating attributed to the Portuguese Republic by the rating agencies, with immediate implications on the economy's funding conditions;
- Adverse behaviour of the capital markets;
- Effects on the Bank's liquidity positions, as well as its capacity to increase the volumes of loans as a result of the maintenance of high levels of sovereign risk, with impact on the interbank market and issue of medium and long-term debt;
- Intervention of the International Monetary Fund (IMF) and European Financial Stability Facility (EFSF) in Portugal;
- Adverse sectorial evolution in the sectors which are most dependent on the State and on internal demand;
- Political instability in Portugal;
- Changes in the regulatory framework of banking activity;
- Adverse trends of market interest rates;
- Intensification of the sectorial competition environment;
- Changes to legislation and tax regulations in Portugal and in the European Union.

Endogenous:

- Volatility caused by the Bank's own credit risk;
- Growing dependence on the funding structure of Central Banks;
- The level of coverage of Pension Fund liabilities could turn out to be insufficient;
- Downgrade of Banco Comercial Português' ratings;
- Credit concentration;
- Exposure to Portuguese and Greek sovereign debt;
- Difficulties in the international business in particular in Greece and Romania;
- Contingencies/governance.

EXOGENOUS RISKS

DETERIORATION OF THE MACROECONOMIC CONTEXT IN PORTUGAL AND OTHER COUNTRIES IN WHICH THE BANK OPERATES

The intervention of the State in the stabilisation of the economies and financial systems has accentuated the deterioration trend of the condition of public finance, adding to the financial weakness of the private sector and the restrictions to economic growth through internal expenditure. In this context, the Portuguese economy expanded by 1.4%, in real terms year-on-year, in 2010, with a very significant contribution of the external component. However, with the implementation of austerity measures focused on controlling the budget deficit there should be a sharp deceleration of GDP during 2011. In Greece, reflecting the restricted budget measures, which have been implemented, GDP contracted by approximately 4.2% (E) in 2010. Romania registered a contraction of GDP of 1.9% (E) in 2010. Poland constituted an exception, having shown real growth of GDP of 3.5% (E) in 2010, with this trend being expected to continue during 2011. The inevitability of the re-equilibrium of the financial condition of the Sovereign States, in particular Greece and Portugal, and the close scrutiny of investors with the expansion of public debt have forced the adoption of restrictive budgetary policies, which constrains economic activity and the profitability of the financial institutions, due to the consequent lower volume of business and level of revenue. The heavy reduction of activity levels reinforces the pressure of competition in the global economy. The process of adjustment requires salary moderation or, in extreme situations, profound internal restructuring, with discontinuity of the productive cycle and labour market which could possibly disturb the social environment. This alteration could have repercussions on banking activity, namely through increased of overdue loans and the associated impairment. The return of risk aversion and the deterioration in confidence levels could induce a return to high volatility in international financial markets, aggravated by a feeling of drained institutional capacity regarding additional support for business activity. 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.

NEW REVIEW OF THE RATING ATTRIBUTED TO THE PORTUGUESE REPUBLIC BY THE RATING AGENCIES, WITH IMMEDIATE IMPLICATIONS ON THE ECONOMY'S FUNDING CONDITIONS

During 2010, the Portuguese Republic was subject to downgrades of its rating by the rating agencies Standard & Poor's, Moody's and Fitch. The main reasons invoked referred to the challenging situation on matters of consolidation of public finance, the low competitiveness of the Portuguese economy, the difficulties of external funding and the issue of the sustainability of the public debt dynamics. In this context of uncertainty, the risk premiums of the Portuguese Republic returned to the values of the first half of the 1990's despite the institutional framework being very different: a single currency and the European financial stability mechanism, among others. The evolution of the perception of the risk of the Portuguese Republic is dependent on the assessment of the actions developed to implement the austerity measures announced by the Portuguese Government, as well as on the assessment of the results of this same implementation, namely in the reduction of the public deficit to values below 3% of GDP by 2013. Hence, it cannot be excluded that in the near future there may be a new downgrade of the Portuguese Republic's ratings in the event of the deterioration of the public finance situation or the failure to achieve the announced financial targets, arising from a weaker performance of economic activity or as a result of these measures being perceived as insufficient. In these circumstances, the cost of risk for the Republic will tend to increase, with negative direct effects on the risk premium of Portuguese banks, on their funding cost and, consequently, on their results.

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, reflected in the existence of market risk related to the evolution of share and bond prices, penalising the evolution of commissions on stock market 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 of the pension fund's profitability, and could negatively affect results and solvency ratios.

EFFECTS ON THE BANK'S LIQUIDITY POSITIONS, AS WELL AS ITS CAPACITY TO INCREASE THE VOLUMES OF LOANS AS A RESULT OF THE MAINTENANCE OF HIGH LEVELS OF SOVEREIGN RISK, WITH IMPACT ON THE INTERBANK MARKET AND ISSUANCE OF MEDIUM AND LONG-TERM DEBT

Since the second half of 2007, the turbulence in global credit markets, combined with the repricing of credit risk and the deterioration in housing markets, in particular in the United States of America, have contributed to a growing deterioration of the conditions in financial markets and have had a negative impact on the confidence of investors, negatively affecting the interbank markets and medium and long-term debt issues in terms of volumes, maturities and credit margins. These conditions have resulted in historically high volatility, less liquidity, or even the absence of liquidity, growth of credit margins and lack of transparency of the prices in certain markets. These conditions have led to the bankruptcy of a large number of financial institutions in the United States of America and in Europe and in unprecedented action by government, regulatory authorities and central banks all over the world. It is difficult to foresee just how long these conditions will prevail and how the Bank's investments and the markets will be affected.

As a result, greater attention should be paid to liquidity risk management. Through its risk management policies, the Group seeks to mitigate liquidity risk. The Bank has been adopting various measures since 2008 which have attenuated the adverse impact of the unfavourable liquidity circumstances of the markets, through the reduction of the commercial gap (on balance loans and customer funds), strengthening the attractiveness of deposits, selling non-strategic assets and changing the composition of the assets, through the increase of highly liquid assets. Regarding the Group's overall liquidity management strategy, it is expected that the more prudent management of the loans to customers and the growth of customer funds will reduce the commercial gap during 2011. The Bank funds itself on interbank and capital markets according to its funding needs. The use of Central Banks, including the European Central Bank, is justified essentially when the markets show signs of inefficiency, with the Bank having a portfolio of highly liquid assets which would enable the mobilisation, as at 31 December 2010, of approximately 20.6 billion euros from central banks, after haircuts.

Although the Bank considers that its liquidity risk management and risk mitigation policies are adequate, the prolonging of the adverse market environment could penalise the Group's liquidity position, the funding costs of its activity and its capacity to expand the credit and asset portfolios, which may be reflected negatively on the Bank's activity, on its financial situation and on credit quality, through debt default.

INTERVENTION OF THE INTERNATIONAL MONETARY FUND (IMF) AND EUROPEAN FINANCIAL STABILITY FACILITY (EFSF) IN PORTUGAL

As happened in 2010 with Greece and Ireland, the structural problems of the Portuguese economy, namely the high budget deficit, the high level of public and private debt, the lack of competitiveness of the Portuguese economy and the reputation problems constrained the capacity to refinance the Portuguese debt or, at least, were reflected in an exponential deterioration of the respective refinancing conditions, namely regarding cost, placing the question of the sustainability of the public debt dynamics, and raising the possible need for a rescue package, that is, an intervention with characteristics similar to those of Greece and Ireland. Any external support has associated restrictive conditions of action, namely on the conduct of national economic policy, with implications on the evolution of economic activity, with an expected negative impact on banking activity and on the financial system in general, as a result essentially of the significant financial assets devaluation, erosion of the Customer base, increased funding costs and general deterioration of the credit portfolio quality.

ADVERSE SECTORIAL EVOLUTION IN THE SECTORS, WHICH ARE MOST DEPENDENT ON THE STATE AND ON INTERNAL DEMAND

The current economic crisis originated in the real estate sector, having subsequently spread to the other sectors. Portugal, in contrast to other countries, such as Spain, did not experience a speculative bubble in the real estate market. Even so, the economic crisis is present in Portugal, especially in the sectors which are most dependent on the State and/or on internal demand, as a result, essentially, of the contraction of GDP, the pressure on the disposable income of families and worsening of funding conditions, derived from both monetary policy and the regulatory framework.

POLITICAL INSTABILITY IN PORTUGAL

The present economic crisis, Portugal's possible need to resort to external assistance as a consequence of the difficulties to access the capital markets, combined with the minority position of the Government in the Assembly of the Republic and the negative social impact of the austerity measures, has created growing social and political instability in Portugal, with an adverse impact on the Portuguese Republic risk profile, which might be reflected, subsequently, in a negative manner on the risk and funding cost of the country and of the national financial sector.

CHANGES IN THE REGULATORY FRAMEWORK OF BANKING ACTIVITY

On 12 September 2010, the Basel Committee on Banking Supervision announced a new agreement on the review of minimum capital and liquidity requirements, known as "Basel III". The agreement incorporates more demanding capital requirements and a sufficient transition period, meeting the combined restrictions of the alteration of the rules on capital and the minimisation of the impact on the system and on economies in general. Explicit minimums were defined for the Core Tier 1, Tier 1 and solvency ratios and criteria for the elements which might be included in the capital ratios. The implementation of Basel III, which will take place in Portugal through transposition of a community directive, also implies the imposition of compulsory quantitative ratios concerning liquidity: the Liquidity Coverage Ratio, which assesses business continuity in a short-term stress scenario, and the Net Stable Funding Requirement, to assess long-term robustness through the maintenance of more stable funding sources. Measures will be defined to complement the own funding requirements established in the Capital Adequacy Directive, aimed at preventing the existence of excessive leverage levels. Moreover, the capital levels will be adjusted according to the phase of the economic cycle, through the constitution of reserves or dynamic provisions and the imposition of additional conditions for the allocation of net income. There will also be a strengthening of the prudential rules and supervisory measures in relation to the financial institutions considered to be systemically important. However, while the new regulations on capital and liquidity have the worthy objective of increasing the future resilience of the banking sector, their impacts will be felt strongly by all banks. Hence the need for banks to reinforce their equity capital – in an adverse market context – and enforce greater restrictions on loan granting – reduced leverage, higher solvency ratio and rules on adequacy of liabilities.

ADVERSE TRENDS 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 policy and national 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 net interest income. Moreover, an increase in the interest rate could reduce the demand for credit and the Bank's capacity to grant loans to customers, and contribute towards an increase in the rate of non-performing loans. However, it could also simultaneously have a positive impact, contributing 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 lower net interest income on demand deposits and an increase in the competition regarding 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.

INTENSIFICATION OF THE SECTORIAL COMPETITION ENVIRONMENT

The Portuguese banking market is a fairly developed market containing major national and foreign competitors, which follow multi-product, multi-channel and multi-segment approaches, having 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 assess customer needs more precisely and 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 their respective market shares and cross-selling, which tend to sustain more aggressive commercial strategies. An intensification of the trend of integration of financial services at a European level is also expected, which could contribute to increased competition, essentially in the areas of asset management, investment banking, online brokerage services and remote financial services. The highly competitive level of the sector in Portugal and in other countries where the Bank operates means the existence of business and strategy risk, which could lead to an eventual loss of market share in some products and/or business segments and which might hamper the adjustment of credit risk spreads, contribute to a reduction in the rate of net interest income, 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 Bank may be affected adversely by changes in the tax legislation and other regulations applicable in Portugal, in the European Union and in countries where it operates, as well as by changes in the interpretation of this legislation and these regulations by the competent tax authorities, which could have a negative impact on the Bank's activity, financial situation and results. The various measures to stimulate the economy and support the banking system, approved by the Portuguese Government, have been reflected in an accentuated increase in the public deficit, which reached 9.4% and 7.0% (E) of GDP in 2009 and 2010, respectively. The combination of the need to re-balance the public finances and increase transparency in the disclosure of public accounts reporting has already implied an increase in fiscal expenditure (State Budget Law for 2011), through increased taxation (for example, the application of an additional rate on profits in the national financial sector) and/or reduction in tax benefits in the different areas of taxation, and through a reduction in gains arising from tax planning, with a direct impact on the Bank's results and turnover.

ENDOGENOUS RISKS

VOLATILITY CAUSED BY THE BANK'S CREDIT RISK

The year 2010 was marked by the deterioration of the international financial crisis spread to economic activity, through the very sharp adjustments of market interest rates and very considerable increase in the spreads of private debt instruments. The existing uncertainty, in particular experienced in the financial sector, as a result of the higher difficulties of the financial institutions and of systemic risk, maintained the cost of protection against the default of private debt instruments of the financial market and, in particular, of national banks, at very high levels. The continuation of this situation led to the increase of the Bank's loan spread with a negative impact on the net interest income, but resulting in gains in the fair value of the liabilities. However, these effects are reversible over time: the decrease of the Bank's loan spread will produce opposite effects, which may be reflected in a possible reduction in the Bank's results.

GROWING DEPENDENCE ON THE FUNDING STRUCTURE OF CENTRAL BANKS

The growing difficulty of access to the capital market by the Portuguese Republic has led to an increase in the interest rates associated to the issue of new debt. It should be noted that access to the capital market was very difficult during 2010, being practically closed to the national financial system. As an alternative, national banks resorted to funding from Central Banks as the preferred way to substitute the funding traditionally obtained on the capital markets, which reached a value close to 49 billion euros, for the entire Portuguese banking system, in August 2010. Consequently, the banks have adopted measures aimed at reinforcing the amount of assets which may be discounted at Central Banks, mainly at the European Central Bank. BCP had assets eligible for discounting at Central Banks to the value of 20.8 billion euros, after haircuts, at the end of 2010. Although the positioning of the European Central Bank concerning its provision of liquidity to banks has remained unaltered, three types of implications should be taken into consideration: i) the European Central Bank, assuming the maintenance of the current conditions of liquidity assignment, should continue to assign liquidity to banks showing adequate solvency levels, which is reflected in the need to recapitalise banks, in the current context of adverse market conditions and through, preferably, the use of private capital; ii) the European Central Bank may start to assign liquidity through a system of competitive auctions, which will result in considerable pressure on the net interest income of the banks which are most dependent on funding from the European Central Bank and iii) dependence on the European Central Bank will pressure the Bank to deleverage its balance sheet and diversify its funding sources, with a potentially negative impact on the Bank's net income as a result of its decreased net interest income.

THE LEVEL OF COVERAGE OF PENSION FUND LIABILITIES COULD TURN OUT TO BE INSUFFICIENT

The level of coverage of Pension Fund liabilities could turn out to be insufficient if the behaviour of the markets leads to lower income from the assets owned of the 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 since the longevity of the beneficiaries of the Pension Fund could be greater than foreseen, they could benefit from the Fund beyond the amounts initially set aside for this purpose. While the current actuarial assumptions are considered 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 variation of the Pension Fund corridor. Under the convergence towards 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 over the average remaining period of the Employees' working lives (currently 20 years). 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 any possible decrease in the value of the Fund could have an adverse effect on the Bank's capital position. In September 2006, the Executive Board of Directors decided that the Employees' retirement pension supplement would be financed through a defined contribution plan, with Employees' admitted until the date of the decision keeping their 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 for 2008, over the subsequent four years, with the exception of the income expected from the Fund's assets relative to 2008. The Group could be adversely affected by regulatory changes to the rules on liabilities for pensions.

Note should be taken of the agreement signed between the Portuguese Banks, represented by the Portuguese Association of Banks, the Government and the Trade Unions, for the integration of all active bank Employees in Social Security. This integration excludes illness (medical leave), infirmity and death, which will continue to be assured by the employer. In practical terms, this integration implies the reduction of risk associated to future additional contributions to the Pension Fund. However, the Pension Fund continues to ensure the funding of the existing pension plans of each bank corresponding to the period from the date when the Employees were admitted until their integration in Social Security.

DOWNGRADE OF BANCO COMERCIAL PORTUGUÊS' RATINGS

The ratings are an important component of the Bank's liquidity profile. The credit ratings are based, among other factors, on the Bank's financial strength, credit quality and concentration of the loan portfolio, the level and volatility of net income, capital adequacy, management quality, liquidity of the balance sheet, disposability of a the commercial and retail deposits base and on capacity to access a vast range of institutional funding sources. The Bank's credit ratings may be reviewed at any time and present "positive", "stable" or "negative" outlooks, depending on the understanding of the rating agencies on the Bank's credit profile. These outlooks constitute indications of or suggest future rating actions. There is no guarantee that the Bank may not be subject to rating downgrades in the near future. In fact, the credit conditions of the Portuguese Republic and, in particular, of the Portuguese banking system, which influence the credit risk of Portuguese banks, may result in an expected deterioration of credit risk. Moreover, the ratings of debt deposits of the Portuguese banks are dependent on the ratings of the Portuguese Republic and, consequently, may vary as a result of the change of the Portuguese Republic rating. The ratings of the Portuguese Republic are a key element in determining its capacity to support the banking system. The Bank's capacity to successfully compete in the deposits market depends on various factors, including financial stability, namely of net operating income and 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 a considerable adverse effect on its activity, financial situation and results.

CREDIT CONCENTRATION

The Bank is exposed to the credit risk of its Customers and counterparties and, in particular, to the risk arising from the high concentration of individual exposures to its credit portfolio. The twenty highest individual exposures to credit risk represented, in 2010, around 9.2% of the total credit portfolio, a value considered relatively high, which, combined with the high exposure to the credit risk of the civil construction sector, contributes to the increase of the exposure to credit risk. This is a problem which is common to most of the main Portuguese banks, due to the small size of the national market, and has been, in fact, widely pointed out by the rating agencies as a fundamental challenge facing the Portuguese banking system. The rating agencies have been particularly critical in relation to Millennium bcp's concentration of exposure in the largest Customers and, especially, of the exposure to shareholders, contributing to make the rating of Millennium bcp sensitive to the evolution of these variables. Although the Bank carries out its business based on strict risk control policies, in particular for 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 will be reduced significantly in the short and medium-term.

EXPOSURE TO PORTUGUESE AND GREEK SOVEREIGN DEBT

In the context of its activity in Portugal and Greece, the Bank is exposed to the sovereign debt of these two countries. This exposure refers essentially to public debt bonds held in the financial assets portfolio held until maturity, in the trading book and in the portfolio of financial assets available for sale. The exposure to Greek public debt is concentrated in the portfolio of financial assets held until maturity. The trading and the financial assets available for sale are measured at fair value. Changes in fair value are recorded against the fair value reserves until they are sold or when signs of impairment arise. On disposal, any accumulated gains or losses recorded as fair value reserves are recognised through profit or loss. Any depreciation in the value of the Group's trading portfolio of sovereign debt bonds, which are available for sale, may be reflected adversely on its financial situation and results. In turn, financial assets held until maturity are initially recorded at fair value and measured subsequently at amortised cost. Impairment losses are recognised through as income.

DIFFICULTIES IN THE INTERNATIONAL BUSINESS, IN PARTICULAR IN GREECE AND ROMANIA

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 in where is established. The Bank operates in markets undergoing recent processes of European integration, such as Poland and Romania, which are currently at a turning point. The Bank also has operations in Angola and Mozambique. The economic development process is still at an early stage in these countries and is characterised by high dependence on a limited number of economic sectors, including commodities such as oil in Angola and aluminium in Mozambique, increasing their vulnerability to shocks in these specific markets. Some of the Group's international operations are also exposed to currency exchange risks, which could, directly and indirectly, adversely affect their respective Earnings. Hence, although the markets with exchange risk currently represent around 22.5% of the Group's net income, adverse behaviours of these currencies against the euro could have a negative impact on the Group's activity, financial situation and earnings. The use of funding in foreign currency in some countries of Eastern Europe has exposed some of the Bank's Customers to exchange risk, affecting the financial condition of these entities and, consequently, the earnings of the Bank. Although Bank Millennium tightly restricted the new production of loans in foreign currency in Poland at the end of 2008, the Bank still holds a considerable credit portfolio in foreign currency, which could have a significant impact on earnings through the need of additional allocations for impairment in the credit portfolio and the high cost of zloty swaps. Earnings could also be affected negatively in the case of the frustration of these countries' current expectations of joining the European single currency in the medium-term 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 macroeconomic environment in most of the Group's international operations is also reflected in an increase in loss associated to non-performing loans and to the associated impairment. The Group may also face difficulties in implementing its strategy regarding the expansion of its international operations, due to general constraints, such as the worsening of market conditions, the adverse economic and financial environment and any actions of the competition or specific constraints associated to possible delays in the implementation of its strategic program. These difficulties could have a visible impact on the opening of new branches, attraction of new Customers and on business volumes.

CONTINGENCIES/GOVERNANCE

It is not possible to guarantee beforehand that the Group will be able to implement its vision and medium-term strategy, through its focus on the profitability of the European operations and on associated markets, due to general constraints, such as the worsening of market conditions, the adverse economic and financial environment, the increase in competition or the actions taken by the Bank's main competitors, or specific constraints 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, optimise capital and liquidity management discipline and strengthen risk management. The Bank could face difficulties in the implementation of critical management measures aimed at continued repricing, optimisation of the recovery of banking revenues and profitability, mitigation of exposure to different types of risk and increased own funds, with a negative impact on projected levels of efficiency, compromising its defined objectives and solvency.

CULTURE OF RIGOUR

CODES AND VALUES

The internal codes are benchmarks of principles of conduct and good practices, and summarise the professional and ethical rules and customs which govern the activity of the Millennium bcp Group and are fundamental for the compliant and coherent performance of the function of each Employee.

Millennium bcp guides its action both in accordance with the rules of conduct issued by the Bank of Portugal and the Securities Market Commission (CMVM), applicable to credit institutions and issuer entities and to the members of their corporate board, and in accordance with its own rules which ensure that management is based on the principle of risk diversification and safety of the investments, taking into account the interests of depositors, investors and other Stakeholders. In this respect, professional secrecy is ensured, applicable to the members of the management and supervisory bodies, Employees, attorneys and any service providers, who may not reveal or use any information relative to facts or elements involving the life of the institution or its relationship with Customers.

The approved Code of Ethics, Internal Regulations Relative to Financial Intermediation Activities and the Policy on Conflict of Interests, the Regulations of the Supervisory Board and Executive Board of Directors, and the Compliance Manual describe the duties and obligations applicable not only to the activities of Millennium bcp as a cohesive entity but also to the individual behaviour of each Employee and Member of the Management and Supervisory Bodies of the Bank and Group, in the exercise of their respective duties.

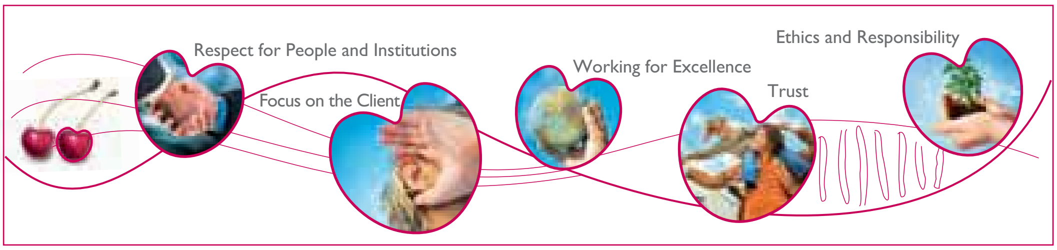
Rules are also defined for physical security, establishing internal routine and emergency procedures, procedures for the control of Employee access to the information system and buildings of Millennium bcp as well as control of external entities access. Regarding the security of information and systems, internal rules also define duties of conduct in accordance with the functions exercised and levels of responsibility of the different bodies and of all Employees.

In the context of social responsibility strategy, Millennium bcp subscribed to the Global Compact and Equator Principles, undertaking to respect and promote in its sphere of influence a series of key values in the areas of human rights, labour rules, social and environmental rules and the fight against corruption.

Millennium bcp also subscribes to the Code of Good Practices in Commercial Communication for Minors, promoted by the Portuguese Advertisers Association (APAN) and signed by over forty entities. All the Bank's communication respects the requirements of the regulators, contributing to greater clarity and transparency in the commercial messages addressed to the market. Millennium bcp is a member of APAN, which, in turn, chairs the Civil Institute of Self-Discipline in Advertising (ICAP), the Commission for the Analysis of Studies on Means (CAEM) and, at an international level, the International Advertising Association.

The values of Millennium bcp incorporate all these principles and are reflected in the way the Bank and its Employees guide their action in relations with the Stakeholders.

OUR VALUES INSPIRE US



RESPECT FOR PEOPLE AND INSTITUTIONS	FOCUS ON THE CLIENT	WORKING FOR EXCELLENCE	TRUST	ETHICS AND RESPONSIBILITY
Respect for others, for people and institutions is a principle that inspire us. We are a responsible actor in society and we believe that our existence makes sense only if we contribute to the common good.	We see the world through our Clients' eyes because we aspire to satisfying all of their needs and to helping them fully realize their dreams.	We believe in the value of excellence. We strive to develop the best products and services and we persistently seek out new solutions, as long as new means better.	We want to develop relationships that last. The trust of our Clients is the most valuable asset we have in our care, the one true tribute to our performance, and that trust serves as permanent motivation for us.	We act consciously and with consequences. Millennium bcp is aware that business ethics are only complete if they guarantee the sustainability of the enterprise, improve living conditions for all and improve the future of our planet.

"CULTURE OF RIGOUR" PROGRAMME

In order to respond to the need for the cultural alignment of the policies, rules and procedures so as to minimise operational, compliance and reputation risks, the "Culture of Rigour" Programme was implemented with the following objectives:

- Raise awareness among the Employees of Millennium bcp concerning their knowledge and appropriation of the codes of ethics and different types of risk associated to the activity and ensure compliance with the laws and internal and external rules and regulations;
- Align knowledge and responsibility at all levels of the structure on the subjects of Risk Management, Compliance, Code of Ethics and Security and respective action in conformity;
- Increase the confidence of the Stakeholders and market;
- Harmonise control and reporting, enhancing transparency and consistency in relations with the market regulators.

This programme is intended to make intrinsic some topics such as: i) professional ethics and codes of conduct; ii) the need to know the Customers as of the time they open an account; iii) rigour and transparency in relations with Customers and in the sale of products and services; iv) the implementation of transactions in observance of the principles of fraud prevention and v) the need to ensure physical and information system security.

TOPICS	TARGETS	OUTCOME	TEST EVALUATION AVERAGE	SATISFACTION WITH THE CONTENT
Ethics and Responsibility	All Employees	Completed 2 of 5 subthemes	90%	79%
Money laundering		Not initiated		
Prevention and Safety		Initiated		
Opening Accounts	Commercial and Operations Areas	Concluded	95%	79%
Products and Services Sales	Commercial and Marketing Areas	Not initiated		
Credit	Commercial and Operations Areas Credit Department Credit Recovery Department	Not initiated		
Transactions		Not initiated		

The Programme began in June 2010, under the topic "Ethics and Responsibility", with a seminar given by the speaker Roberto Carneiro. In order to complement the specific training actions and consolidate the acquired knowledge, a site was created on the Intranet dedicated to the subject of the culture of rigour, providing the documents and films underpinning the programme.

At the same time, the Compliance Office continued to publish internal communications on the intranet, entitled "And if one day this should happen..." and "One Minute Training", for the purpose of providing information on situations which involve reputation and compliance risks and conveying the best practices of action concerning them. During 2010, 30 communications were published.

The practice of continuous training was also maintained regarding matters of anti-money laundering and counter terrorism financing (AML/CTF), internal control, market abuse and fraud, techniques for monitoring transactions and alterations of legislation (MiFID, advertising, ethics, duties of information, among others).

NUMBER OF EMPLOYEES IN COMPLIANCE TRAINING ACTIONS (1)

AML/CTF, Market Abuse, Internal Control, Monitoring of Transactions and Legal Subjects

	'10	'09	'08	Change% '10/'09
Activity in Portugal	767	445	n.d.	72.4%
International Activity (2)	13,515	5,542	n.d.	143.9%
TOTAL	**14,282**	**5,987**	**n.d.**	**138.6%**

(1) The same Employee could have attended various training courses.
(2) Excludes Angola and Switzerland in 2009.

From the Employees trained in Portugal 33% perform management functions and 67% perform technical functions.

MAIN ACTIONS OF THE COMPLIANCE OFFICE

The mission of the Compliance Office is to ensure compliance with the regulations and rules (internal and external) which guide the activity of the Bank and its subsidiaries, in order to prevent the risk of the Institution incurring penalties of a legal character and financial losses or reputational impact, arising from non-compliance with laws, codes of conduct and rules of good practices relative to trading.

The current structure of the Compliance Office, in Portugal, where the Group Head of Compliance is situated, includes the areas of: Compliance Risk Control, Compliance Risk Assessment, Corporate & Legal and an area connecting the compliance units of the subsidiaries – International Compliance Offices – which ensure the transversally of the function in the Millennium bcp Group with respect to principles and policies on compliance.

The procedures were harmonised in 2010, in coordination with the international operations, and the Code of Ethics and Compliance Policy Manual were implemented, in conformity with the national legal systems. Guidelines were defined for the local Compliance Officers, aligning strategies, defining action priorities and establishing a regular internal reporting system, in accordance with the provisions in Bank of Portugal Notice number 5/2008. Various restructuring processes were also developed for the local structures of the Compliance Offices in the Bank's operations abroad, with a significant reinforcement of the staff, allocation of information technology and sophisticated processes and databases.

Within the Compliance Office's activities on matters of prevention and detection of money laundering, combat of terrorism financing and identification of practices considered market abuse, covering measures of prevention and the reporting of irregularities, the following initiatives were of particular importance:

- We kept our to plan in terms of evolution and consolidation process for policies, procedures and mechanisms of control and monitoring concerning matters of prevention and combat of money laundering and terrorism financing. The techniques which had already been implemented for the detection of suspicious operations were subject to further fine-tuning, and there was visible consolidation. Therefore, during the first quarter of the year alterations were made to the laundering model of the entities, introducing factors which were revealed to be important in the experience acquired during the previous year. These alterations enabled differentiating risk characteristics among entities, which had formerly been followed in a similar manner. At the same time, it was also possible to introduce improvements and alterations to the monitoring grids, expanding their application to new types of transactions, enabling a more rational and efficient allocation of resources;

- During the first half, it was possible to finalise and provide a management information system to the Commercial Networks, which systematises, in a simple manner, the main indicators observed in each branch of relevance in money laundering risk and, consequently, compliance risk. This report, sent quarterly, intends to provide a useful instrument for compliance risk management at different levels of the structure, from the local to the national, now available to all commercial hierarchies;

- Following the systematisation of the data referred to above, a model was developed which enables the risk classification of each branch. This system allows for a more effective monitoring of the structures of highest risk, enabling suitable training actions, control mechanisms in real time and the effective management of the detected risks. In the branches identified as being of higher risk, the pre-validation procedure is carried out periodically for all entities and for account opening processes. These procedures seek not only to ensure total documental conformity in these types of processes, but also to contribute to the learning of the commercial Employees on the implementation of complex processes involving procedures and the collection of information on new Customers, namely those presenting non-negligible levels of risk;

- The implementation of the filtering system was concluded, with the objective of detecting, recording and classifying entities known as "politically exposed persons", which will enable a more reliable management of this type of Customer and their associated risks;

- In all operations of the Millennium bcp Group, relations and cooperation were maintained with the supervisory entities, with which matters related to behavioural issues are assessed and analysed.

COMMUNICATIONS TO LOCAL JUDICIAL ENTITIES

	'10	'09	'08	Change % '10/'09
OWN INITIATIVE				
Activity in Portugal	187	137	186	36.5%
International Activity (1)	193	154	n.d.	25.3%
RESPONSE TO REQUESTS				
Activity in Portugal	161	172	212	-6.4%
International Activity (1)	554	454	n.d.	22.0%
TOTAL	**1,095**	**917**	**398**	**19.4%**

(1) Includes Poland, Greece, Romania Mozambique, Angola, Switzerland and Cayman Island.

MAIN EVENTS IN 2010

JANUARY

- Implementation of the new Retail commercial organisation model in Portugal, for the purpose of ensuring further proximity between the commercial network and the Customers and ensuring that the offer of the banking service distribution system is the most suitable for the profile of each Customer.

- Extension of the existing partnership with AESE – Escola de Direcção e Negócios (Management and Business School) regarding the writing and drawing up, discussion and disclosure of management case studies on the Millennium bcp.

- Distinction of the Bank Millennium brand through its positioning in the 21st place amongst the most valuable brands of the Polish market, according to the "Polish Brands 2009" research of the daily newspaper Rzeczpospolita, representing a rise of six places in relation to the previous year. In the category of "Financial Institutions", Bank Millennium was attributed 9th place.

- International Questionnaire on Employee Satisfaction and Motivation 2010.

- Participation of Banque Privée BCP in the movement of world solidarity with the victims of the earthquake in Haiti. The Employees contributed individually to the fund raising programme organised by the Swiss Red Cross, with the Bank having matched the value with the donation of an equal sum.

FEBRUARY

- Agreement by Banco Comercial Português S.A. to sell. the holding corresponding to 95% of the share capital of Millennium Bank A.S. in Turkey to the financial institution Credit Europe Bank, N.V., an entity owned by the financial group Fiba Holding, A.S., with a put and call mechanism having been agreed with the buyer, establishing the possible sale of the remaining stake for a price per share not lower than the price agreed on for the majority stake.

- Successful conclusion of the increase in the share capital of Bank Millennium, reserved to Shareholders, through the issue of 363,935,033 shares at the subscription price of 2.9 zlotys per share, with Millennium bcp having exercised its rights in full. The increase in share capital represented a cash inflow of 1,055 million zlotys (approximately 259 million euros), which will enable Bank Millennium to sustain its growth strategy.

- Launch of the "Ser Millennium" (Be Millennium) programme integrated in the Employee motivation programme, for the purpose of strengthening the Bank's culture and the Employees esprit de corps within the Group.

- Awarding, in Portugal, of 46 Awards of Excellence distinguishing the Employees with best performance in 2009.

- Organisation and participation in the initiative promoted by Microsoft – World Internet Security Day – with awareness-raising actions carried out by Employees of the Bank at elementary schools.

- Opening of a solidarity account for the purpose of raising funds to support the victims of the storm in Madeira. The collected funds aim, in coordination with the local authorities, to support the reconstruction and repair of the damages caused by the storm which devastated Madeira. Collaboration with the "SIC Esperança" Programme "A flower for Madeira – it's worth believing" – with the voluntary participation of 100 Employees annswering telephones during the telethon to raise funds.

- Inauguration, by the Millennium bcp Foundation, of the exhibition "Bones Containing History", showing archaeological remains of vertebrate animals and launch of the publication "Discovering... the Archaeological Site of Rua dos Correeiros".

MARCH

- Agreement with Investors Savings Bank, covering the total sale of the branches network of Millennium bcpbank in the United States of America and the respective deposits base. At the same time, the two entities announced their intention to sign an agreement for the acquisition by Investors Savings Bank of part of the credit portfolio of Millennium bcpbank. Furthermore, a cooperation agreement was established with respect to financial remittances from the USA. After this transaction, which was subject to regulatory authorisations, Millennium bcp ceased developing new retail commercial activities in the USA.

- Launch of a new banking concept – ActivoBank by Millennium –, targeting Customers who are young at heart, intensive users of the new communication technologies and who prefer banking relations based on simplicity.

- Promotion of an original incentive, the "Porta Aberta" workshop, for the purpose of sharing and debating initiatives in the area of innovation, as well as the programmes and projects of the invited organisations, with the presence of the persons in charge of the innovation areas of companies of different sectors and university teachers.

- Sponsorship by Millennium bcp of the Conference "Building a New Financial Architecture", in which various European specialists in the financial sector and of the European Parliament were present, to debate the Capital Requirements Directive and the proposed alterations to this Directive, as well as the new system for Financial Supervision and Crossborder Crisis Management, in the banking sector.

- Sponsorship by Millennium bcp of the 4th Eurofinance Conference on "Financial, Treasury and Risk Management for Companies in Portugal", focused on the disclosure of updated information on the main trends and best market practices for the specialists in companies.

- Signing of a protocol of cooperation between the Microcredit network of Millennium bcp and the Portuguese Red Cross – Faro Delegation, aimed at expanding the access to microcredit to a larger number of citizens in more vulnerable financial situations.

- Inauguration of the painting exhibition of Millennium Shared Art "Abstraction" at the National Society of Fine Arts, in Lisbon.

- Maintenance of the ratings assigned to Banco Comercial Português by the rating agency Fitch of "A+" for the long-term rating and "F1" for the short-term rating and review of the outlook of "stable" to "negative".

- Millennium Meetings held in Viseu on 10 and 11 March, and inauguration of the exhibition "Millennium bcp Shared Art" at the Grão Vasco Museum.

APRIL

- Annual General Meeting of Millennium bcp with the presence of Shareholders holding 51.51% of the Bank's share capital. Among the main deliberations, various amendments were approved in relation to the Bank Bylaws, aimed at: updating the bylaws as a result of recent changes in the law, namely in the Companies Code; inclusion in the respective text of the system of retirement of Directors, due to age or invalidity, for whom the company is responsible; in addition, through a proposal of various Shareholders, the expansion of the limitation of voting rights from 10% to 20% of the share capital. The amendment of the composition and number of the Members of the Executive Board of Directors was also approved. The General Meeting also approved the management report, balance sheet and the individual and consolidated accounts and notes to the accounts for 2009, as well as the payment of a dividend of 0.019 euros per share.

- Launch of the new website of Bank Millennium in Poland, providing all the Customers of the country with a more simple, logical and intuitive navigation to access products and services.

- Distinction of Millennium bcp with the awarding of the title of "Honorary Member of the Portuguese Association Against Leukaemia", for its support to the fight against leukaemia in Portugal, with the Bank having sponsored the Biannual Fundraising Gala of this Association.

- Integration of Millennium bcp in the Ethibel EXCELLENCE Investment Register.

- Participation in the international initiative "International Day for Monuments and Places", through the Archaeological Site of Rua dos Correeiros.

- Inauguration of the tapestry exhibition "Nets without a Sea: Millennium bcp Collection" at the head office of the European Investment Bank (EIB), in Luxembourg.

- Downgrading of the ratings of certain Portuguese hybrid instruments, in line with the review operated on the rating methodology of hybrid and subordinated debt instrument of banks, published in November 2009, by the rating agency Moody's, which removed the previous assumptions of systemic support, namely of the Portuguese Republic. Regarding BCP, and since its adjusted BCA (Baseline Credit Assessment) is "Baa3", the rating of its non-cumulative preferred stock, issued by BCP Finance Company and guaranteed by BCP, was downgraded from "Baa1" to "Ba3" and the rating of perpetual subordinated debt with contingent coupons was downgraded from "Baa1" to "Ba3". The outlook for all the instruments is "negative", in line with the "negative" outlook for BCP which has BFSR (Bank Financial Strength Rating) of "D+" and BCA of "Baa3".

- Downgrade of the rating attributed to various Portuguese banks and the subsidiaries in Portugal of foreign banks by the rating agency Standard & Poor's, following the downgrade of the rating of the Portuguese Republic by two notches from "A+" to "A-", placing all with a "negative" outlook. The long-term counterpart credit rating of Banco Comercial Português, S.A. was downgraded from "A-" to "BBB+", while the short-term rating was confirmed at "A-2".

- Millennium Meetings held in Portalegre, on 19 and 20 April.

MAY

- Authorisation granted by the Government of the Special Administrative Region of Macao to Millennium bcp to exercise banking activity in Macao through a branch with a full license (on-shore) starting 11 May 2010. The alteration of the positioning of Millennium bcp in Macao is part of the strategy to strengthen the Bank's presence in the Asia-Pacific Region, in particular China.

- The launch, together with the European Investment Bank, of a credit line for companies, of the total amount of 50 million euros, aimed at funding projects of Small and Medium Sized Companies, in particular the funding of leasing projects of Portuguese Companies, but open to companies of other European countries in which Millennium operates.

- Participation of Millennium bcp in the initiative "European Museum Nights" and association of Millennium bcp in the "International Museum Day".

- Organisation by the Microcredit network of Millennium bcp, in association with the European Microfinance Network, an NGO founded in 2003, and the National Association of the Right to Credit, of the "11th Exchange Visit of the European Microfinance Network", the first to be held in Portugal.

- Participation of the Microcredit network of Millennium bcp in "(IN)FORMA 2010", for the 4th year in a row, an event which seeks to publicize job and training proposals and promote entrepreneurship among populations with high levels of unemployment and at risk of social exclusion.

- Support to the Food Bank Against Hunger in the campaign to collect food for vulnerable people.

- Participation of Millennium bcp in a new Q&A session called "ABC Markets" dedicated to Angola, organised by the Portuguese Agency for Foreign Investment and Trade (AICEP) aimed at Portuguese Small and Medium Sized Companies, with their own products and services, non-exporters or at an initial stage of export, and for companies intending to diversify markets and consolidate their sales abroad.

- Launch of the campaign "Millennium bcp Subordinated Debt", subordinated debt securities with a maximum term of 10 years, with guaranteed capital at maturity and the possibility of early redemption as of the 5th year (inclusive), by the issuer.

- Millennium Meetings held in Beja, on 4 and 5 May.

JUNE

- Commemoration of 25 years after the memorandum of association of Banco Comercial Português, signed on 25 June 1985, and the first General Meeting of Shareholders. Banco Comercial Português was the first Portuguese private bank to be created after the 1974 Revolution, based on the founding principles of the creation of a new, modern and innovative Bank with a truly differentiating service of excellence.

- Launch of the "Culture of Rigour" programme, where the main priority is the strengthening of the commitment of all Employees to comply with the legislation in force and internal rules of the Bank, and the strengthening of the institution's reputation through practices of discipline in the Employee's professional conduct.

- Signing of a cooperation agreement with the Industrial and Commercial Bank of China – Macao, enabling Millennium bcp Customers including Chinese emigrants resident in the Portuguese speaking countries in which the Bank operates, to send remittances to China under more advantageous conditions.

- Signing of a cooperation protocol with the "Fundação da Juventude" (Youth Foundation) for the purpose of also extending microcredit to younger populations, supporting their transition from university to the labour market.

- The Millennium bcp Foundation, the exclusive sponsor of the Graduate Programme, and Junior Achievement Portugal promoted the presentation of the winning team of the National Competition 2009/2010.

- Celebration of 15 years of activity at the NARC Museum, with the holding of various commemorative events, amongst which the anniversary ceremony attended by the Minister of Culture and the inauguration of yet another topical area in this facility, "The Roman Sardine".

- Sponsorship of the event Access Africa Forum, an initiative where the central themes were markets, business opportunities and investment in the African continent.

- Main sponsors of the fourth edition of Rock in Rio – Lisbon, held over 5 days with approximately 330 thousand visitors.

- Awarding by Millennium bcp of the winning prize of 1st place in the school competition "Discovering the Millennium bcp Collection", created as part of the travelling art exhibition cycle "Millennium bcp Shared Art".

- Delivery of various donations by Banco Millennium Angola and by the Friendship Group "Happy Child Programme", in the context of International Day of the African Child. This social responsibility action involved Bank Employees who, directly or indirectly, contributed with donations of food, school material, clothing and toys.

- Development by Millennium bim of a unique initiative in the city of Maputo, to celebrate the International Day of the African Child. Over 1,400 children, accompanied by their families, participated in various games and choreography with the Mozambican flag with the colours of the 15 years of Millennium bim.

- Confirmation of the rating of the financial solidity of BCP (BFSR) at "D+", with a "negative" outlook, by the rating agency Moody's.

JULY

- Resignation from the functions of Director and Deputy Chairman of the Executive Board of Directors by Armando Vara, upon his own request, without prejudice to the respect for the presumption of innocence in relation to the court case in progress, which led to his request for the suspension of his term of office.

- Commemoration of ten years after the launch of the integrated financial portal for individuals and companies, "millenniumbcp.pt", created for the purpose of serving all Millennium Group Customers via Internet, through a site and unique brand.

- Launch of a commercial campaign called "25 years of sharing the future with you" commemorating the 25th Anniversary of Millennium bcp, with a strong visual message – the image of a parcel waiting to be opened – inviting Customers to discover the various offers designed to celebrate this date. In particular, the "25 Years Term Deposit", which remunerates the deposit according to the number of full years of the demand account of the Customer.

- Climb to the peak of Pico Island for ten Employees with the mountaineer João Garcia, in the context of the internal competition "Conquest of Pico" – which awarded the best phrases on the 10 advantages of being a Millennium Employee.

- Disclosure on 23 July of the results of the stress tests carried out in the European Area, coordinated by the Committee of European Banking Supervisors (CEBS), in collaboration with the European Central Bank and the Bank of Portugal. The design of the scenarios and implementation of the test were the exclusive responsibility of the supervisory entities involved. The threshold imposed for the base own funds ratio (Tier I), in the stress scenario, was established at 6%, that is, 2 percentage points above the minimum required by the Bank of Portugal. According to the results which were presented the Bank's Tier I ratio evolved from 9.3% in December 2009 to 8.4% in December 2011, in the most adverse scenario, demonstrating that Millennium bcp is a solid credit institution, adequately capitalised and resilient, even in extreme scenarios.

- Change of the name of the insurance holding Millenniumbcp Fortis Grupo Segurador, SGPS, S.A. to Millenniumbcp Ageas Grupo Segurador, SGPS, S.A., following the change of the trading name of Grupo Fortis, partner in Portugal of Millennium bcp for insurance, to Grupo Ageas. This alteration had no impact on the business model.

- Celebration of the 15th anniversary of Millennium bim in Mozambique.

- Signing of a protocol between Millennium bim and Universidade Católica de Moçambique, for the purpose of providing the students and teaching staff with access to loans under very advantageous conditions, to fund courses, high school degrees, master's and doctoral programmes.

- Inauguration, at Paço dos Duques de Bragança, in Guimarães, of the tapestry exhibition "Nets without a Sea: Millennium bcp Shared Art".

- Under the protocol signed with Universidade Nova de Lisboa/School of Science and Technology, a report was submitted on the evolution of the environmental performance of Millennium bcp 2005-2009 and an environmental workshop was held for the purpose of analysing the main opportunities and risks for the banking sector arising from climate change.

- On 14 July 2010, the rating agency Moody's communicated that, following the review of the rating of the Portuguese Republic by two notches, from "A+" to "A-", it had decided to alter the rating of BCP deposits, also by two notches, from "A1" to "A3". Moody's maintained the rating of the financial solidity (Bank Financial Strength Rating) of BCP at "D+", as well as the rating corresponding to the Baseline Credit Assessment ("Baa3").

- On 21 July 2010, the rating agency Fitch reviewed the ratings of five Portuguese banks, downgraded the long-term rating of BCP from "A+" to "A" and confirmed the short-term rating at "F1", maintaining the outlook at "negative".

- Millennium Meetings held in Vila Real, on 5 and 6 July.

SEPTEMBER

- Inauguration of the branch of Millennium bcp in Macao with a full license (on-shore), aimed at establishing an international platform for business between China/Macao, Portuguese Speaking African Countries and Europe.

- Opening of 26 branches of Millennium bcp on Saturdays, mainly located in urban and commercial centres, adding yet another banking service "business day" to each week and strengthening the relation of increasing proximity and commitment to Customers.

- Integration of the ASPI Eurozone sustainability index, which includes 120 companies of the Euro Area with best performance on sustainability matters, based on the assessment carried out by Vigeo (European leader on the assessment of sustainability and social responsibility) and in conformity with ASPI Eurozone guidelines. Millennium bcp is the only Portuguese bank in this index.

- Commemoration of 10 years after the launch of Millennium bank in Greece.

- Millennium Meetings held in Guarda, on 29 and 30 September.

OCTOBER

- Conclusion, on 15 October 2010, of the transaction for the sale of the entire network of branches of Millennium bcpbank in the United States of America and the respective deposits base, for the approximate value of 445 million euros, and of part of the loan portfolio of the approximate value of 148 million euros, to Investors Savings Bank. As a result of this transaction, Millennium bcp no longer has a banking operation in this country.

- Launch of the Médis Vintage healthcare plan, by the Médis Insurance Company, composed of a differentiating healthcare plan for the senior segment, aimed at Customers aged between 55 and 75 years.

- In view of the adjustment, in the perspective of Banco Comercial Português, of the Retirement Pensions of former Directors, to the limits of number 2 of article 402 of the Companies Code, the Bank reached an agreement with the former Directors, with one exception. Regarding the former Director with whom it was possible to reach an agreement, legal action was filed for this same purpose.

- In proceedings 1557/08 point 3TFLSB relative to the shareholder campaigns arising from the increases of share capital in 2000 and 2001, of BCP, the Bank was acquitted of all the accusations formulated, which were the following: i) one very serious administrative offence due to excessive intermediation; ii) 41 very serious administrative offences due to disrespect of the duty to give prevalence to the interest of the Shareholders); iii) 57 serious administrative offences due to non-compliance with the obligation of archiving documents; iv) one serious administrative offence due to insufficient quality of information provided to the supervisory authorities. An appeal may be filed against this deliberation.

- Tree planting in the municipality of Oeiras by around 50 Millennium bcp volunteers.

- Holding of the 4th edition of the "A Clean City for Me" project, under the social responsibility programme "More Mozambique for Me" of Millennium bim, with the participation of approximately 1,000 students of 20 primary and secondary schools of the cities of Maputo and Matola, the Mayor of the City Hall of Maputo and various Employees of the Bank.

NOVEMBER

- Signing of a memorandum of understanding between Millennium bcp and the Industrial and Commercial Bank of China (ICBC), for the purpose of strengthening the cooperation between the two banks, which is extended to other countries and regions, apart from Portugal and China, aimed at covering the China/Macao, Portuguese speaking African Countries (Angola/Mozambique) and Europe (mainly Portugal) triangle.

- Fifth anniversary of the autonomous Microcredit network of Millennium bcp marked by the launch of a page on Facebook, for the purpose of promoting a discussion forum and the dissemination of the microcredit solution.

- Mobile Banking services of Millennium bcp start their page on Facebook, seeking to achieve the continuous sharing of information, the presentation of news, the provision of information about the Bank's services, based on innovation and contributing to strengthening relations between Millennium bcp and its Customers.

- Launch of two new services to support payments for companies, enabling companies to send a single file with various instructions, as an alternative to individual payments, also permitting the scheduling of payments for a future date, available in two modalities: the Payment of Single Collection Documents by Batch and the Payment of Multibanco Services by Batch.

- Millennium bcp renewed its exclusive contract with American Express for the issue and management of American Express cards, in Portugal until 2015, with exclusivity in the issue of Centurian cards and also guaranteeing an exclusive acquiring agreement until 2017.

- Inauguration of two simultaneous exhibitions of Millennium Shared Art in Oporto: "100 Years of Portuguese Art" and "Abstraction"

- Inauguration of the art exhibition "Untitled Art – A view of the Millennium bim Art Collection", in the context of the commemorations of its 15th anniversary.

- Support to the Food Bank Against Hunger in the campaign to collect food for vulnerable people.

- General Questionnaire on Employee Satisfaction.

- The rating agency Fitch reviewed the ratings of various Portuguese banks, having downgraded the long-term rating of BCP from "A" to "BBB+" and the short-term rating of "F1" to "F2", maintaining the outlook of "negative".

- 20th edition of the Millennium Meetings, this time held in the city of Viana do Castelo, on 15 and 16 November.

DECEMBER

- Conclusion of the process of sale of 95% of the share capital of Millennium Bank A.S. in Turkey to the financial institution Credit Europe Bank, N.V., an entity owned by the financial group FIBA Holding A.S., for the adjusted total price of 58.9 million euros. As a result of this transaction BCP maintains a 5% stake in the company, having agreed with the buyer a put and call mechanism with the possible sale of its remaining stake for a price per share not lower than that received at this point.

- Agreement for the sale, by Bitalpart BV, a company fully owned by Banco Comercial Português, to the Pension Fund of Grupo Banco Comercial Português, of a minority stake corresponding to 2.7% of the share capital of Eureko BV. The value of the transfer of this holding was determined in accordance with the valuation by Eureko BV as at 31 December 2009, in conformity with the assessment carried out by an independent international financial institution, after deduction of the interim dividend received during the current financial year, which may be adjusted according to the valuation, following the same methodology, as at 31 December 2010. The enforcement acts of the transfer formalities of the holding will be carried out after the obtaining of the necessary legal, contractual and statutory authorisations and approvals, with the prudential considerations already having been safeguarded. While this transaction generated pre-tax capital gains of 65 million euros, it did not lead to any alteration in the Group's equity.

- Distinction of the "One Thousand Ideas" programme as a "Best Demonstrated Practice" in the involvement of Employees in the organisation by the Corporate Executive Board.

- Holding of the Millennium bim Economic Conference in Maputo, under the theme of "Poverty and Economic Development – The Case of Mozambique".

- Millennium bcp marked the "International Day of Disabled Persons" with the launch of the Microcredit programme for Disabled People and the Millennium bcp Foundation joined the Institute of Museums and Conservation with the public presentation of the "Treasures of the National Tile Museum" project, with audioguide support which include audio descriptions for the visually impaired and videoguides in Sign Language for people with Hearing Impairment.

- The rating agency Moody's placed all the ratings of Portuguese Banks under review, so as to assess the strategies of each Bank to face the current economic situation, with impact on the profitability of the banking institutions and quality of assets, and in view of the current situation of closed institutional funding markets, with impact on Bank funding and consequent restrictions to loan concession.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

as at 31 December, 2010 and 2009

Thousands euros

	'10	'09
Assets		
Cash and deposits at Central Banks	1,484,262	2,244,724
Loans and advances to credit institutions	1,259,025	839,552
Other loans and advances	2,343,972	2,025,834
Loans and advances to customerss	73,905,406	75,191,116
Financial assets held for trading	5,136,299	3,356,929
Financial assets available for sale	2,573,064	2,698,636
Assets with repurchase agreement	13,858	50,866
Hedging derivatives	476,674	465,848
Financial assets held to maturity	6,744,673	2,027,354
Investments in associated companies	397,373	438,918
Non current assets held for sale	996,772	1,343,163
Investment property	404,734	429,856
Property and equipment	617,240	645,818
Goodwill and intangible assets	400,802	534,995
Current income tax assets	33,946	24,774
Deferred income tax assets	688,630	584,250
Other assets	2,533,009	2,647,777
	100,009,739	**95,550,410**
Liabilities		
Deposits from credit institutions	20,076,556	10,305,672
Deposits from customers	45,609,115	46,307,233
Debt securities issued	18,137,390	19,953,227
Financial liabilities held for trading	1,176,451	1,072,324
Other financial liabilities at fair value through profit or loss	4,038,239	6,345,583
Hedging derivatives	346,473	75,483
Non current liabilities held for sale	-	435,832
Provisions for liabilities and charges	235,333	233,120
Subordinated debt	2,039,174	2,231,714
Current income tax liabilities	11,960	10,795
Deferred income tax liabilities	344	416
Other liabilities	1,091,228	1,358,210
Total Liabilities	**92,762,263**	**88,329,609**
Equity		
Share capital	4,694,600	4,694,600
Treasury stock	(81,938)	(85,548)
Share premium	192,122	192,122
Preference shares	1,000,000	1,000,000
Other capital instruments	1,000,000	1,000,000
Fair value reserves	(166,361)	93,760
Reserves and retained earnings	(190,060)	(243,655)
Profit for the year attributable to Shareholders	301,612	225,217
Total Equity attributable to Shareholders of the Bank	**6,749,975**	**6,876,496**
Non-controlling interests	497,501	344,305
Total Equity	**7,247,476**	**7,220,801**
	100,009,739	**95,550,410**

CONSOLIDATED INCOME STATEMENT
for the years ended 31 December, 2010 and 2009

Thousands euros

	'10	'09
Interest and similar income	3,477,058	3,639,479
Interest and similar charges	(1,960,223)	(2,305,324)
Net interest income	**1,516,835**	**1,334,155**
Dividends from equity instruments	35,906	3,336
Net fees and commission income	811,581	731,731
Net gains/(losses) arising from trading and hedging activities	367,280	249,827
Net gains/(losses) arising from available for sale financial assets	61,907	(24,457)
Other operating income	17,476	41,137
	2,810,985	**2,335,729**
Other net income from non banking activities	16,550	16,233
Total operating income	**2,827,535**	**2,351,962**
Staff costs	891,259	865,337
Other administrative costs	601,845	570,177
Depreciation	110,231	104,736
Operating expenses	**1,603,335**	**1,540,250**
	1,224,200	**811,712**
Loans impairment	(713,256)	(560,029)
Other assets impairment	(71,115)	(70,485)
Goodwill impairment	(147,130)	-
Other provisions	635	(26,871)
Operating profit	**293,334**	**154,327**
Share of profit of associates under the equity method	67,481	66,262
Gains/(losses) from the sale of subsidiaries and other assets	(2,978)	74,930
Profit before income tax	**357,837**	**295,519**
Income tax		
Current	(54,158)	(65,634)
Deferred	57,240	19,417
Profit after income tax	**360,919**	**249,302**
Attributable to:		
Shareholders of the Bank	301,612	225,217
Non-controlling interests	59,307	24,085
Profit for the year	**360,919**	**249,302**
Earnings per share (in euros)		
Basic	0.04	0.03
Diluted	0.04	0.03

PROPOSAL FOR THE APPROPRIATION OF PROFITS OF BANCO COMERCIAL PORTUGUÊS, S.A.

WHEREAS:

- The legal and statutory provisos concerning legal reserves;
- The current situation of the financial markets, the recommendations issued by the supervision authorities and the calendar for the implementation of the Basel III rules that determine the need to increase own funds;
- The proposal for the incorporation of reserves in capital to be resolved within the scope of item five of the agenda of this General Meeting and respective rationale.

IT IS PROPOSED

That, pursuant to article 66 (5) (f) and article 376 (1) (b) of the Companies Code, and the article 31 of the Bank's Articles of Association, the earnings of the individual financial statements of the 2010 financial year, amounting to 300,647,939.68 euros, be applied as follows:

- 30,064,793.97 euros to increase legal reserves;
- 167,157,049.29 euros for other reserves;
- 10,000,000.00 euros for dividend stabilization reserve;
- 93,426,096.42 euros for retained earnings;

Lisbon, 22 March 2011

The Executive Board of Directors


ESTAMOS ABERTOS AOS SÁBADOS
Sábados
9h30
13h30
Millennium

COMPLEMENTARY SOCIAL AND ENVIRONMENTAL INDICATORS

	PORTUGAL	POLAND	GREECE	ROMANIA	MOZAMBIQUE	ANGOLA	SWITZERLAND	TOTAL
EMPLOYEES								
Ratio men/women	1.5	0.5	0.8	0.5	1.1	1.0	1.8	0.9
Employees by age:								
< 25 years	1%	7%	1%	13%	17%	18%	3%	5%
25 to 34 years	17%	55%	54%	71%	37%	64%	34%	36%
35 to 44 years	39%	25%	37%	15%	21%	11%	41%	31%
≥ 45 years	43%	13%	8%	2%	24%	7%	23%	28%
Employees by contract category:								
Managers and Senior Managers	10%	15%	4%	5%	7%	6%	21%	11%
Other categories	90%	85%	96%	95%	93%	94%	79%	89%
Employees by contract type (1):								
Permanent	100%	80%	99%	91%	100%	47%	96%	92%
Temporary	0%	20%	1%	9%	0%	45%	4%	8%
Proportion of Senior Managers contracted locally	100%	93%	70%	25%	n.a.	44%	100%	92%
Internal mobility – Rotations								
Women	836	173	88	14	391	10	1	1,513
Men	1,073	77	85	7	420	6	0	1,668
Employees leaving (2) (Nr. – 1,945)	2%	20%	6%	22%	7%	13%	14%	9%
Breakdown by sex:								
Women (Nr. – 1,026)	30%	59%	40%	61%	43%	38%	30%	53%
Men (Nr. – 919)	70%	41%	60%	39%	57%	62%	70%	47%
Breakdown by age:								
< 30 (Nr. – 942)	14%	53%	35%	66%	43%	63%	30%	48%
[30 a 50[(Nr. – 865)	56%	44%	59%	34%	36%	34%	70%	44%
≥ 50 (Nr. – 138)	30%	3%	5%	0%	21%	3%	0%	7%
Training hours by contract category:								
Managers and Senior Managers	38,029	21,718	432	205	8	1.004	0	61,396
Other categories	319,338	211,154	18,095	14,028	10,587	26,239	2,659	602,100
Ratio between the lowest salary and the local minimum salary	1.4	1.0	1.2	2.3	1.1	5.1	n.a.	1.4
Annual rate of absenteeism	3%	10%	2%	1%	2%	7%	3%	5%
Hygiene and safety at work (HSW):								
Work accidents	33	55	0	0	0	1	0	89
Death victims	0	0	0	0	2	0	0	2
SUPPLIERS								
Purchases from local Suppliers	93%	93%	99%	80%	80%	92%	91%	95%
ENVIRONMENT								
Consumption of materials (t)								
Paper and cardboard	2,226	497	119	23	204	n.a.	n.a.	3,069
Plastic	72	14	0	0	4	n.a.	n.a.	91
Ink cartridges and toners	27	3	3	1	4	n.a.	n.a.	39
Direct energy consumption (TJ)								
Natural Gas	142	7	n.r.	5	0	n.a.	n.a.	155
Diesel	58	10	n.r.	2	11	n.a.	n.a.	81
Petrol	1	18	7	1	9	n.a.	n.a.	36
Total waste (t)	758	102	90	21	78	n.a.	n.a.	1,038

(1) In Angola the total does not sum 100%, since 8.1% of the Employees are trainees.
(2) Calculated based on the total number of Employees for each operation at the end of 2010.
n.a. – not applicable/not available.
n.r. – not relevant.

GLOBAL REPORTING INITIATIVE INDICATORS (SIMPLIFIED TABLE)

Indicator	Principles of Global Compact	Page	Answer
STRATEGY AND ANALYSIS			
1.1.		11	•
1.2.		61-66, 67-73	•
PROFILE OF THE ORGANIZATION			
2.1.		17	•
2.2.		17-19	•
2.3.		18-21, 31-32	•
2.4.		256	•
2.5.		20-21	•
2.6.		256	•
2.7.		17-21	•
2.8.		5, 17, 75	•
2.9.		39	•
2.10.		28-29	•
PARAMETRES OF THE REPORT			
3.1.		254	•
3.2.		254	•
3.3.		254	•
3.4.		256	•
3.5.		254	•
3.6.		254	•
3.7.		254	•
3.8.		254	•
3.9.		192, 254	•
3.10.		254	•
3.11.		254	•
3.12.		244-247	•
3.13.		248, AR Vol. II (12, 262)	•
STRUCTURE OF GOVERNANCE, COMMITMENTS AND INVOLVEMENT			
4.1.		40-42, AR Vol. II (288-300)	•
4.2.		41, AR Vol. II (307)	•
4.3.		AR Vol. II (288-291)	•
4.4.		32, 53-59	•
4.5.		AR Vol. II (312-323)	•
4.6.		227, AR Vol. II (5)	•
4.7.		AR Vol. II (338-364)	•

Indicator	Principles of Global Compact	Page	Answer
4.8.		18, 227	•
4.9.		32, 40, AR Vol. II (8)	•
4.10.		AR Vol. II (8, 285)	•
4.11.		130, 196	•
4.12.		227	•
4.13.		124, 178, 227	•
4.14.		53	•
4.15.		53-59	•
4.16.		53-59	•
4.17.		59	•
FINANCIAL SERVICES INDICATORS			
DAG		32, 54, 58, 173, 184	•
FS1		124, 130	•
FS2		124, 130	•
FS3		130, 246	•
FS4		185, 228	•
FS5		58, 124	•
FS6		108-171, AR Vol. II (134)	•
FS7		116, 124	•
FS8		120, 131	•
FS9		162	•
FS10		116, 130	•
FS11		120	•
FS12		130	•
FS13		20, 146, 149	•
FS14		20, 113	•
ECONOMIC PERFORMANCE			
DAG		18, 76, 227	•
EC1		5, 48, 88	•
EC2	7	184	•
EC3		AR Vol. II (116-122), 181-183	•
EC4		246	•
EC5		243	•
EC6		58, 243	•
EC7	6	33, 243	•
EC8		173-181	•
EC9		124, 173	•

• Total answer.

continues

continuation

Indicator	Principles of Global Compact	Page	Answer
ENVIRONMENTAL PERFORMANCE			
DAG		184	•
EN1		188, 243	•
EN2	8, 9	188, 246	•
EN3		186	•
EN4		185, 186	•
EN5	8	186, 246	•
EN6	7, 8, 9	186, 187	•
EN7	7, 8, 9	186, 187, 246	•
EN8		190	•
EN9		246	•
EN10		190	•
EN11		246	•
EN12		130, 184	•
EN13		246	•
EN14	8	130, 184	•
EN15		246	•
EN16		185, 187	•
EN17		187	•
EN18	8, 9	185, 187, 246	•
EN19		246	•
EN20		246	•
EN21		246	•
EN22	8	189	•
EN23		246	•
EN24		246	•
EN25		246	•
EN26	7, 8, 9	188-189	•
EN27		246	•
EN28		246	•
EN29		187	•
EN30		246	•
LABOUR PRACTICES			
DAG		33, 35, 36, 182, 247	•
LA1		37, 243	•
LA2	6	243	•
LA3		247, 181-183	•
LA4	1, 3	38	•
LA5	3	36, 247	•
LA6		158, 182	•
LA7		38, 243	•

Indicator	Principles of Global Compact	Page	Answer
LA8		181, 182	•
LA9		247	•
LA10	6	35, 243	•
LA11		34-37	•
LA12		36-38	•
LA13	6	38, 41, 243	•
LA14	1, 6	33	•
HUMAN RIGHTS			
DAG		33, 58, 130, 227, 247	•
HR1	1, 2, 4, 5, 6	247, 130	•
HR2	1, 2, 4, 5, 6	58	•
HR3	1	228	•
HR4	1, 6	33, 247	•
HR5	1, 3	33	•
HR6	1, 5	33	•
HR7	1, 4	33	•
HR8	1, 2	247	•
HR9	1	247	•
SOCIETY			
DAG		173, 227	•
SO1		64, 174	•
SO2	10	205-207, 229	•
SO3	10	227, 229	•
SO4	10	162, 247	•
SO5		247	•
SO6		247	•
SO7		247	•
SO8		247	•
CUSTOMERS AND PRODUCTS			
DAG		227	•
FS15		160, 227	•
PR1		158, 168, 247	•
PR2		247	•
PR3		160, 227	•
FS16		54, 178, 179	•
PR4		50	•
PR5		54	•
PR6		23, 227	•
PR7		243	•
PR8		243	•
PR9		243	•

• Total answer.

FURTHER INFORMATION ON VARIOUS GRI INDICATORS

FS3 – Millennium bcp establishes the terms of sale of products and services and the respective mechanisms for the monitoring of the processes in internal regulations, which are subject to the opinion of the Audit Department, Risk Office and Compliance Office, before being disclosed and published on the Bank's internal portal.

EC4 – Millennium bcp does not receive any financial support from the State.

EN2 – Millennium bcp does not use recycled paper. The paper used is certified by the Forest Stewardship Council (FSC).

EN5, EN7 – Millennium bcp conducts a cost/benefit analysis of all the efficiency implemented measures. This analysis focuses on the potential energy reduction and on the technologies costs of the implemented measures. In addition, the Bank invests in raising the awareness of its Employees. The Bank carries out a global assessment on the implemented measures to analyse the evolution of energy consumption.

EN9 – The main water supply source of Millennium bcp is the public network at different geographic locations. The activity of Millennium bcp is not dependent on the intensive use of water, justifying the non-relevance of this indicator.

EN11 – The Bank does not conduct any relevant operational activity in protected areas, or adjacent to those areas. As reported in the previous year, the Bank evaluated the location of the land it possesses for the activity, justifying the non-relevance of this indicator.

EN13 – The operations of the Bank do not have a direct significant impact on biodiversity, in protected or restored habitats, justifying the non-relevance of this indicator.

EN15 – The operations of the Bank do not have a direct significant impact on biodiversity. As a result, they do not have a direct impact on the species on the IUCN Red List or on national habitat conservation lists.

EN18 – Millennium bcp conducts a cost/benefit analysis of all the efficiency implemented measures and consequent decrease in CO_2 emissions. The evaluation of the initiatives is carried out as a whole, taking full account of the overall evolution of the emissions referred in scope 1, 2 and 3.

EN19 – According to the GRI, the emissions of ozone-depleting substances associated to the use of equipment with this type of pollutants are not covered by this indicator, thus not being applicable to the reality of the Group. This type of emissions is not significant for reporting purposes, as evaluated and reported in previous years. The activity of the Bank is not dependent on nor does it imply the intensive emission of this type of pollutants.

EN20 – This type of emissions is not significant for reporting purposes, as evaluated and reported in previous years. The activity of the Bank is not dependent on nor does it imply the intensive emission of this type of pollutants.

EN21 – Bank discharges are carried out at local public sanitation systems. The activity of the Bank does not resort to intensive discharges, at several different locations, justifying the non-relevance of this indicator.

EN23 – The operational and commercial activity of the Bank does not give rise to significant spillages, justifying the non-relevance of this indicator.

EN24 – Millennium bcp does not produce or transport hazardous waste, in accordance with the terms of the Basel Convention, justifying the non-relevance of this indicator.

EN25 – This indicator is not relevant to the operational activity of Millennium bcp.

EN27 – This indicator is not relevant to the operational activity of Millennium bcp, given that the Bank does not possess products that could be recovered or reused. However, the Bank has been decreasing the resources necessary for the offer of products and services to Customers, as exemplified by the Green IT project or the dematerialisation of documents for Customers and for the Bank.

EN28 – Millennium bcp has no knowledge of significant fines or non-monetary sanctions resulting from non-conformity with environmental laws and regulations that concern the Institution.

EN30 – In spite of constantly conducting cost/benefit analyses of the actions implemented, with the objective of reducing the ecological footprint of the Bank, Millennium bcp does not systematise or report this information in aggregated form.

DAG LA – Millennium bcp maintains an attitude of openness and willingness to dialogue with the national representatives of Workers, reflected in the monthly meetings between representatives of the Workers Commission and the Executive Board of Directors. The topics covered include the different dimensions of reality of the Bank and when necessary the Workers Commission issues their opinion. The Bank is also a subscriber of the Collective Labour Agreement signed with banking sector unions and provides resources and facilities for its operation.

LA 3 - In Portugal, the Employees with temporary contracts, have no access to the specific conditions in mortgage loans and in credit lines for social purposes. Part-time Employees have access to transversal benefits, however when benefits are related to time worked the calculation is made proportionally.

LA5 - Millennium bcp, by the negotiated Collective Bargaining Agreements, has set a minimum noticed period to be regarding Employees transfers (30 days under the ACT Vertical, clause 32, nº 6, 60 days in ACT Framework, clause 34, nº 3), without prejudice to any other period that may be observed by agreement between the parts, given the specificity of each situation.

LA8 – Millennium bcp promotes workplaces which are at the same time functional and comfortable, allowing its Employees to develop their activity with the minimum of risks and maximum concentration. Therefore special attention is given to solutions relative to lighting, temperature, noise, quality of the air, furniture and maintenance of the premises. In order to guarantee these conditions, periodic monitoring is carried out through visits to the premises, for the purpose of detecting and correcting dysfunctions. In the health area, the Bank ensures the monitoring, guidance and complementarity of healthcare, supporting, without exception, all the clinical situations of its Employees.

LA9 – All the medical assistance services available to the Employees of Millennium bcp in Portugal – including access to SAMS (Medical-Social Assistance Service, managed by the Trade Unions of the sector) and Médis (health insurance, private health assistance) – are extensible to spouses and dependent children and remain valid when the Employees retire.

HR1 – In 2010 the project were developed in countries in which the Human Rights issue is not relevant.

HR4 – In 2010 there were no discrimination incidents.

HR8 – In 2010, 93 persons worked in the surveillance and security service in Portugal. Two external security companies provide this service to the Bank. Human rights are ensured by the respective codes of conduct/training process, as described in the documentation of theses two companies, which is provided to Millennium bcp.

HR9 – This indicator is not considered material for Millennium bcp, within the context of the geographies in which it operates.

SO4 – There is no record of incidents related with corruption cases involving Millennium bcp Employees. No kind of support is carried out to political parties or related institutions.

SO5, SO6 – The Bank does not intervene or influence the definition of government policies, nor is it involved in lobbies with this purpose. The Bank does not carry out any kind of monetary or financial support to political parties or related institutions.

SO7 – There were no incidents recorded as a result of unfair competition, antitrust and monopoly practices.

SO8 – In 2010, the monetary value of significant fines (up to 20 thousand euros) for non-compliance with laws and regulations in force totalled 94.2 thousand euros.

PR1 – The products and services provided by Millennium bcp do not have a direct impact on the health and safety of the Customers. The risks associated to the products and services are, from the time of their design until their maturity, monitored through the security systems, business continuity plan, risk management, quality management system and compliance control.

PR2, PR7, PR8 – No incidents recorded.

PR9 – In 2010 there is record of one relevant penalty (we consider relevant up to 20 thousand euros) related to non-compliance with CMVM regulations, which total value was 75 thousand euros.

VERIFICATION REPORT

KPMG & Associados - Sociedade de Revisores Oficiais de Contas, S.A.
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Independent Limited Assurance Report

(This Report is a free translation to English from the Portuguese version
In case of doubt or misinterpretation the Portuguese version will prevail)

To the Executive Board of Directors of
Banco Comercial Português S.A.

Introduction

1. We were engaged by the Executive Board of Directors of Banco Comercial Português S.A. ("Millennium bcp") to provide limited assurance on the sustainability information included in the Annual Report ("the Report") of Millennium bcp for the year ended 31 December 2010.

Responsibilities

2. The Executive Board of Directors of Millennium bcp is responsible for:

   - The preparation and presentation of the sustainability information included in the Report in accordance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative (GRI), as described in "Methodological notes" of the "Annexes" to the Report, and the information and assertions contained within it;

   - For determining the Millennium bcp objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, in accordance with the principles of inclusiveness, materiality and response of AA1000APS (2008); and

   - For establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

3. Our responsibility is to carry out a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. This Standard requires that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the sustainability information contained in the Report for the year ended 31 December 2010, is free from material misstatement.

Scope

4. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of sustainability information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

   - Inquiries of management to gain an understanding of Millennium bcp processes for determining the material issues for Millennium bcp key stakeholder groups;

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- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and relevant policies applied, and the implementation of these across the different business areas;
- Interviews with relevant staff, in corporate and business units, responsible for providing the sustainability information in the Report;
- Comparing the information presented in the Report to corresponding information in the relevant underlying sources to determine whether all the relevant data derived from such underlying sources has been included in the Report; and
- Reading the information presented in the Report to determine it is in line with our overall knowledge of, and experience with, the sustainability performance of Millennium bcp.

5. The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore a lower level of assurance is provided.

Conclusion

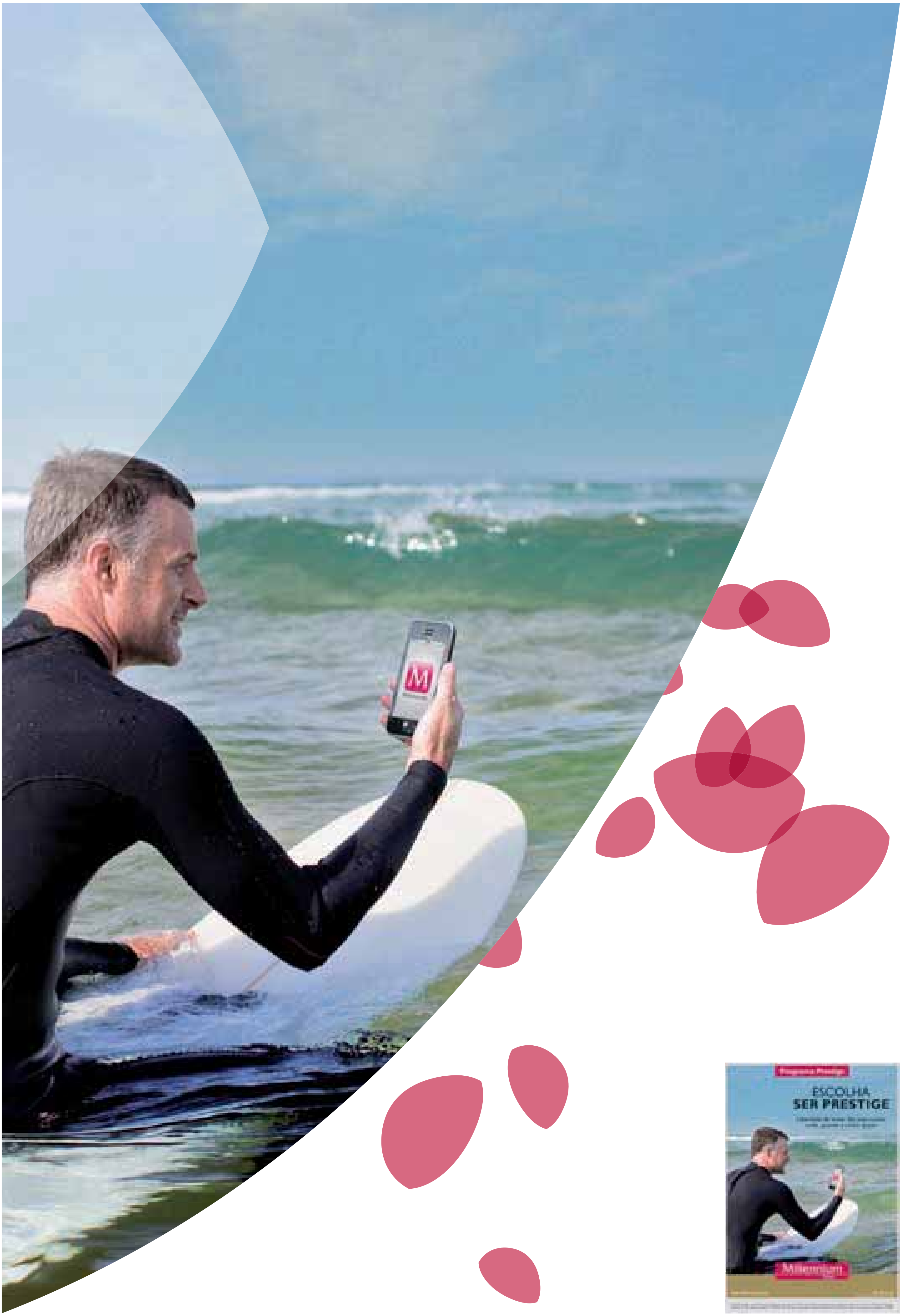
6. Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the sustainability information included in the Report of Millennium bcp for the year ended 31 December 2010 is not presented fairly, in all material respects with:

   - The alignment of Millennium bcp with inclusiveness, materiality and response principles of AA1000APS (2008); and
   - The compliance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative (GRI) as described in "Methodological notes" of the "Annexes" to the Report.

7. Our limited assurance report is made solely to Millennium bcp in accordance with the terms of our engagement. Our work has been prepared only with the objective of stating to Millennium bcp those matters we have been engaged to state in this limited assurance report and for no other purpose. We do not accept or assume responsibility to any third party than Millennium bcp for our work, for this limited assurance report, or for the conclusions we have reached.

Lisbon, 2 February 2011

KPMG & Associados,
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
represented by
Vítor Manuel da Cunha Ribeirinho (ROC n.º 1081)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ANNEXES

COMPLIANCE WITH THE RECOMMENDATIONS OF THE FINANCIAL STABILITY FORUM (FSF) AND 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).	AR Vol. I – Business Model page 16-19; Segmental Reporting page 108-171.
2. Description of strategies and objectives (including the strategies and goals specifically related to securitization operations and structured products).	AR Vol. I – Strategy page. 61-66. Information on the exposures to activities and products that were affected by the recent financial crisis page 219.
3. Description of importance of activities and contribution to businees (including a discussion in quantitative terms).	AR Vol. I – Segmental Reporting page 108-171; AR Vol. II – 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.	AR Vol. I – Risk Management page 194-218; AR Vol. II – 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.	AR Vol. I – Risk Management page 194-218; AR Vol. II – 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.	AR Vol. I – Risk Management page 194-218; AR Vol. II – Notes 6-7 and 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.	AR Vol. I – Risk Management page 194-218; AR Vol. II – Note 53 to the Consolidated Accounts.
(In the current crisis, particular attention should be givven to liquidity risk.)	AR Vol. I – Risk Management page 194-218; AR Vol. II – 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.	AR Vol. I – Financial Review page 76-100; AR Vol. II – Notes 6-7 to the Consolidated Accounts.
9. Breakdown 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).	AR Vol. I – Information on the exposures to activities and products that were affected by the recent financial crisis page 219.
10. Description of the reasons and factors responsible for the impact incurred.	AR Vol. I – Macroeconomic and Competitive Environment page 67-73.
11. Comparison of: i) impacts between (relevant) periods and of ii) income statement balances before and after the impact of the crisis.	AR Vol. I – Financial Review page 76-100.

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	PAGE
12. Distinction of write-downs between realised and unrealised amounts.	AR Vol. I – Risk Management page 194-218; AR Vol. II – Notes 6-7, 42 to the Consolidated Accounts.
13. Description of the influence of the crisis had on the firm's share price.	AR Vol. I – BCP Share page 43-50.
14. Disclosure of maximum loss risk and description of how the institution's situation could be affected by a further downturn or by a market recovery.	AR Vol. I – Risk Management page 194-218; AR Vol. II – 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.	AR Vol. I – Financial Review page 76-100; AR Vol. II – Note 49 to the Consolidated Accounts.
IV. EXPOSURE LEVELS AND TYPES	
16. Nominal amount (or amortised cost) and fair values of outstanding exposures.	AR Vol. I – Information on the exposures to activities and products that were affected by the recent financial crisis page 219; AR Vol. II – Notes 22-24 to the Consolidated Accounts.
17. Information on credit protection (e.g. through credit default swaps) and its effect on exposures.	AR Vol. I – Information on the exposures to activities and products that were affected by the recent financial crisis page 219.
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.	AR Vol. I – Information on the exposures to activities and products that were affected by the recent financial crisis page 219.
19. Movements shedules of exposures between relevant reporting periods and the underlying reasons (sales, disposals, purchases, etc.).	AR Vol. I – Information on the exposures to activities and products that were affected by the recent financial crisis page 219.
20. Discussion of exposures that have not been consolidated (or that have been recognised in the course of the crisis) and the related reasons.	AR Vol. I – Information on the exposures to activities and products that were affected by the recent financial crisis page 219.

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	PAGE
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.	AR Vol. I – Information on the exposures to activities and products that were affected by the recent financial crisis page 219.
V. ACCOUNTING POLICIES AND VALUATION ISSUES	
22. Classification of the transactions and structured products for accounting purposes and the related accouting tratment.	AR Vol. I – Information on the exposures to activities and products that were affected by the recent financial crisis page 219; AR Vol. II – Note 49 to the Consolidated Accounts.
23. Consolidation of SPE and other vehicles (suce as VIE) and a reconciliation of these of the structured products affected by the sub-prime crisis.	AR Vol. I – Information on the exposures to activities and products that were affected by the recent financial crisis page 219; AR Vol. II – 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).	AR Vol. I – Risk Management page 194-218; AR Vol. II – Notes 22-24 and 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 they are applied; • discription 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; and • stress scenarios.	AR Vol. I – Risk Management page 194-218; AR Vol. II – Notes 49 and 53 to the Consolidated Accounts.
VI. OTHER DISCLOSURE ASPECTS	
26. Description of disclosure policies and of the principles that are used for disclosures and financial reporting.	AR Vol. I – Risk Management page 194-218; AR Vol. II – Note 49 and 53 to the Consolidated Accounts and Note 1 to the Consolidated Accounts (Accounting Policies).

METHODOLOGICAL NOTES

Since 2004, Millennium bcp has published on an annual basis and in a systematic and structured manner, Sustainability Reports (Social Responsibility Report in 2004) together with the Annual Report in an independent volume. In 2009, the Bank decided to include in the Volume I of the Annual Report a chapter summarising the main activities within the scope of sustainable development and social responsibility and to publish the complete version of the Sustainability Report only in digital format.

To reflect the alignment of the sustainable development and social responsibility policies in the strategy and business of Millennium bcp, in 2010 the Bank decided to integrate the Sustainability Report and the Annual Report, reporting jointly the policies, the implemented practices and the economic, social and environmental results achieved.

Even though the Bank continues to develop its activity in order to meet the Stakeholders' expectations, the present report was prepared in order to respond to some of those expectations within the scope of the actions developed in 2010. The information reported incorporates the improvement suggestions transmitted by the Stakeholders in the survey.

This report has international scope and was prepared in accordance with the G3 guidelines established by the Global Reporting Initiative (GRI) for level A+ and financial supplements and the principles of inclusivity, materiality and responsiveness of Rule AA1000APS (2008), and verified by an external entity in conformity with the principles defined by the International Standard on Assurance Engagements 3000.

The quantitative elements reported in the "Talent Management", "Stakeholders", "Social Analysis", "Environmental Analysis" and "Culture of Rigour" chapters include data from Portugal, Poland, Greece, Romania, Mozambique, Angola and Switzerland. Given the sale of the operation in the USA (with consequent adjustment to the values reported in 2008 and 2009) and the report, for the first time of the operations in Angola and Switzerland, some data are not directly comparable to the data reported in the Sustainability Report of 2009 and 2008.

The calculation criteria of some of the environmental data included in the "Environmental Analysis" chapter were adjusted. The explanations for this adjustment are summarised in the 'calculation criteria used in the environmental indicators' text, on page 192.

GRI APPLICATION LEVEL

		C	C+	B	B+	A	A+
MANDATORY	Self declared						✓
OPTIONAL	3rd party checked						✓
	GRI checked						✓

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Millennium bcp** has presented its report "2010 Annual Report" to GRI's Report Services which have concluded that the report fulfills the requirements of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

4 April 2011, Amsterdam

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

A+
GRI REPORT
GRI CHECKED

The "+" has been added to this Application Level because Millennium bcp has submitted (part of) this report for external assurance. GRI accepts the reporter's own judgment for choosing its assurance Provider and for deciding the scope of the assurance.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: *Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 18 March 2011. GRI explicitly excludes the statement being applied to any later changes to such material.*

Annual Report 2010
Volume I

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Head Office:
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Share Capital:
4.694.600.000 euros

Registered at the
Porto Commercial Registry
under the Single Registration and
Tax Identification Number 501 525 882

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Pre-press:
Choice – Comunicação Global, Lda.

Printing:
Gráfica Maiadouro, S.A.

Compulsory Deposit:
148713/00

Printed in April 2011

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