2011

Annual Report

Volume I

The Annual Report 2011 is merely a translation of the Relatório e Contas 2011 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 2011 prevails.

All references, in this document, to the application of any regulations and rules refer to the last version in force.

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KEY INDICATORS

Million euros

	2011	2010	2009	2008	2007	Chan. % 11/10
Balance sheet						
Total assets	93,482	98,547	95,550	94,424	88,166	-5.1%
Loans and advances to customers (net) (1)	68,046	73,905	74,789	74,295	64,811	-7.9%
Total customer funds (1)	65,530	67,596	66,516	65,325	62,719	-3.1%
Balance sheet customer funds (1)	53,060	51,342	50,507	50,858	44,377	3.3%
Customer deposits (1)	47,516	45,609	45,822	44,084	38,268	4.2%
Loans to customers, net / Customer deposits (2)	144.8%	163.6%	164.1%	169.3%	168.9%	
Shareholders' equity and subordinated debt	4,973	7,153	9,108	8,559	7,543	-30.5%
Profitability						
Net operating revenues	2,569.6	2,902.4	2,522.3	2,872.8	2,888.0	-11.5%
Operating costs	1,634.2	1,543.2	1,540.3	1,670.8	1,748.6	5.9%
Impairment and Provisions	2,157.0	941.1	686.5	860.0	451.2	129.2%
Income tax						
Current	66.9	54.2	65.6	44.0	73.0	
Deferred	(525.7)	(39.8)	(19.4)	40.0	(3.5)	
Non-controlling interests	85.9	59.3	24.1	56.8	55.4	44.8%
Net income attributable to shareholders of the Bank	(848.6)	344.5	225.2	201.2	563.3	
Return on average shareholders' equity (ROE)	-22.0%	9.8%	4.6%	4.5%	14.9%	
Income before tax and non-controlling interests / Average equity (2)	-28.0%	10.6%	5.7%	7.1%	17.1%	
Return on average total assets (ROA)	-0.8%	0.4%	0.3%	0.3%	0.7%	
Income before tax and non-controlling interests / Average net assets (2)	-1.3%	0.4%	0.3%	0.4%	0.8%	
Net operating revenues / Average net assets (2)	2.6%	3.0%	2.7%	3.1%	3.5%	
Cost to income (2) (3)	58.4%	54.1%	62.9%	58.5%	60.2%	
Staff costs / Net operating revenues (2) (3)	31.9%	29.0%	35.2%	32.2%	32.7%	
Credit quality						
Overdue loans (>90 days) / Total loans	4.5%	3.0%	2.3%	0.9%	0.7%	
Overdue loans (>90 days) + doubtful loans / Total loans (2)	6.2%	4.5%	3.4%	1.5%	1.2%	
Overdue loans (>90 days) + doubtful loans, net / Total loans, net (2)	1.4%	1.2%	0.6%	-0.4%	-0.7%	
Credit at risk / Total loans (2)	10.1%	7.1%	6.0%	3.5%	2.6%	
Credit at risk, net / Total loans, net (2)	5.5%	4.0%	3.3%	1.6%	0.8%	
Total impairment / Overdue loans (>90 days)	109.1%	109.4%	119.0%	211.6%	251.8%	
Cost of risk	186 p.b.	93 p.b.	72 p.b.	71 p.b.	39 p.b.	
Capital (*)						
Core Tier I (2)	9.3%	6.7%	6.4%	5.8%	4.5%	
Tier I (2)	8.6%	9.2%	9.3%	7.1%	5.5%	
Total (2)	9.5%	10.3%	11.5%	10.5%	9.6%	
BCP share						
Market capitalisation (ordinary shares)	980	2,732	3,967	3,826	10,545	-64.1%
Adjusted basic and diluted earnings per share (euros)	(0.073)	0.048	0.031	0.032	0.118	
Market values per share (euros) (4)						
High	0.610	0.866	0.998	2.455	3.59	-29.6%
Low	0.097	0.515	0.516	0.636	2.15	-81.2%
Close	0.136	0.540	0.784	0.756	2.44	-74.8%

(1) Adjusted from companies partially sold - Millennium bank Turkey (2007 to 2008) and Millennium bcpbank USA (2007 to 2009).

(2) According to Instruction no. 23/2011 from the Bank of Portugal.

(3) Excludes the impact of specific items.

(4) Market value per share adjusted from the capital increase.

(*) Capital ratios based on the IRB approach in 2011 and in 2010 and in accordance with the standard approach in 2009 to 2007 (detailed information in the section "Capital Management").

Note: the values presented for 2011 and 2010 include the adjustment to the accounts from 1 January 2010.

	Unit.	2011	2010	2009	Change 11/10
CUSTOMERS					
TOTAL OF CUSTOMERS	Thousands	5,384	5,164	5,008	4.1%
Interest paid on deposits and interbank funding	Million euros	1,758	1,166	1,330	33.7%
Claims registered	Number	74,638	75,934	101,531	-1.7%
Claims resolved	Percentage	98.5%	97.7%	104.6%	0.8%
ACESSIBILITIES [1]					
BRANCHES	Number	1,722	1,744	1,774	-1.3%
Branches opened on Saturday		148	74	25	50.0%
Branches with access conditions to people with reduced mobility [2]		1,015	1,142	624	-12.5%
Internet	Users Number	1,203,679	1,111,480	929,518	7.7%
Call Center	Users Number	276,315	349,536	327,788	-26.5%
Mobile banking	Users Number	165,636	38,654	38,953	76.7%
ATM	Number	3,708	3,904	3,885	-5.3%
EMPLOYEES [3]	Number	**21,508**	**21,370**	**21,285**	**0.6%**
LABOUR INDICATORS [4]					
Breakdown by professional category	Number				
Executive Board		36	30	22	16.7%
Senior management		207	206	203	0.5%
Management		2,013	1,900	1,788	5.6%
Comercial		12,599	11,105	10,886	11.9%
Technicians		4,226	3,854	3,621	8.8%
Other		2,486	2,252	2,326	9.4%
Breakdown by age	Number				
<30		4,998	4,151	4,538	16.9%
[30-50[		13,142	12,271	11,788	6.6%
>=50		3,427	2,925	2,520	14.6%
Average age	Years	35	35	34	-1.6%
Breakdown by contract type	Number				
Permanent		19,709	19,531	19,291	0.9%
Temporary		1,769	1,706	1,354	3.6%
Trainees		89	60	n.a.	32.6%
Employees with working hours reduction	Number	184	171	142	7.1%
Recruitment rate	Percentage	10.5%	9.6%	6.0%	8.7%
Internal mobility rate	Percentage	17.7%	15.2%	25.6%	14.2%
Leaving rate	Percentage	10.2%	9.1%	10.3%	11.5%
Free association [5]	Percentage				
Employees under collective work agreements		99.7%	99.9%	99.9%	-0.2%
Union syndicated Employees		76.2%	79.3%	83.4%	-4.1%
Hygiene and safety at work (HSW)					
HSW visits	Number	651	673	462	-3.4%
Injury rate	Percentage	0.0%	0.0%	0.0%	-9.2%
Death victims	Number	0	0	0	-
Absenteeism rate	Percentage	4.3%	4.7%	4.7%	-9.2%
Lowest company salary and minimum national salary	Ratio	1.5	1.4	1.2	5.0%
ENVIRONMENT					
Greenhouse gas emissions	tCO_2eq	74,356	81,736	95,614	-9.0%
Electricity consumption	MWh	127,837	127,210	140,070	0.5%
Production of waste	t	1,474	1,038	1,934	42.0%
Water	m^3	393,623	415,522	435,329	-5.3%
SUPPLIERS					
Time of payment and time contractually agreed, in Portugal	Ratio	1	1	1	0.0%
Purchases from local suppliers	Percentage	90.7%	92.4%	92.4%	-1.9%
DONATIONS	Million euros	**3.2**	**3.8**	**2.4**	**-18.9%**

(1) Does not include Angola in 2009 for Internet, Call Center e Mobile Banking channels.

(2) Information not available for Mozambique in 2009.

(3) Number of Employees for all operations, except Poland, which are reported full time equivalent (FTE). In 2009, the number was adjust due to Turkey and EUA companies partially sold.

(4) Employees information (not FTE) for: Portugal, Poland, Romenia, Greece, Angola, Mozambique and Switzerland. Information not available for Angola and Switzerland in 2009.

(5) The value reflects only operations where the regimes are applicable. Collective work agreement: Portugal, Greece, Mozambique and Angola. Syndicate: Portugal, Mozambique and Angola.

n.a. - Information not available.

MAIN HIGHLIGHTS

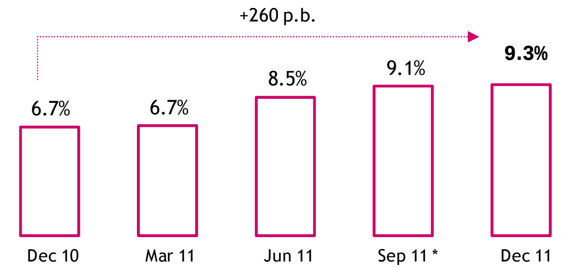
- ✓ Ensure solvency ratios above regulatory requirements
- ✓ Managing deleveraging process to stabilize balance sheet funding
- ✓ Reduction of the risk associated with the pension fund

CT1
>9% in 2011

L/D
120% in 2014

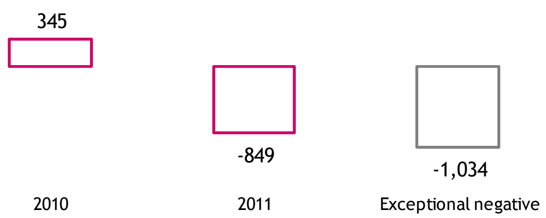
Liabilities
Reduction>50%

CORE TIER I

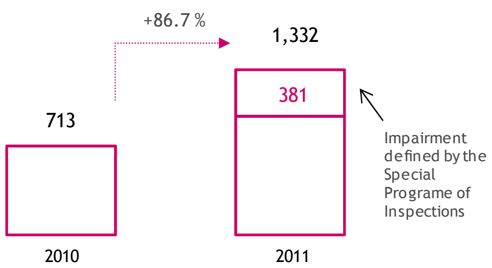


* Includes impact of liability management transaction

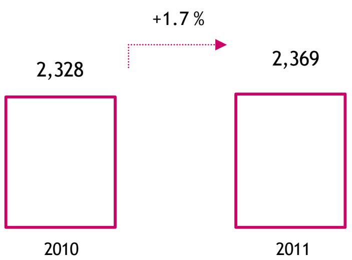
NET INCOME
Million euros



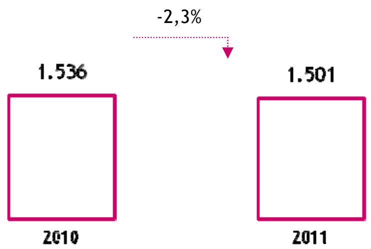
LOAN IMPAIRMENT CHARGES
(net of recoveries)
Million euros



CORE INCOME
Million euros

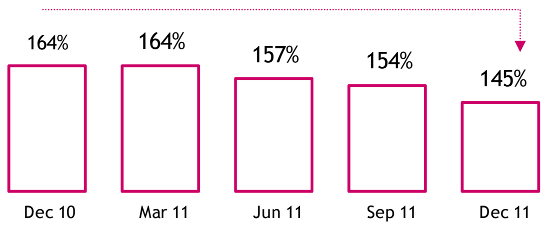


OPERATING COSTS *
Million euros



* Excluding specific items

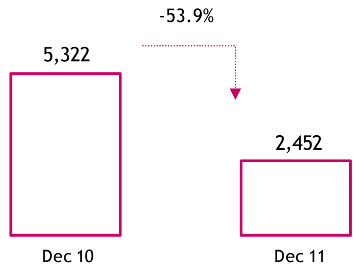
LOAN TO DEPOSIT RATIO* (BoP)



* According to instruction no. 23/2011 from the Bank of Portugal (calculated with net loans and customer deposits) / Customer funds and loans to customers were adjusted from a Repo operation, in the amount of 2,256 million euros, as at 30 June and September 2011

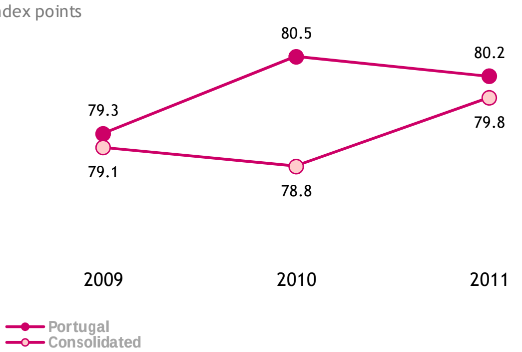
PENSION FUND LIABILITIES

Million *euros*



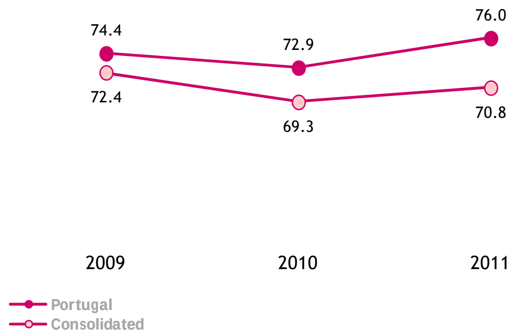
OVERALL CUSTOMER SATISFACTION LEVELS

Index points



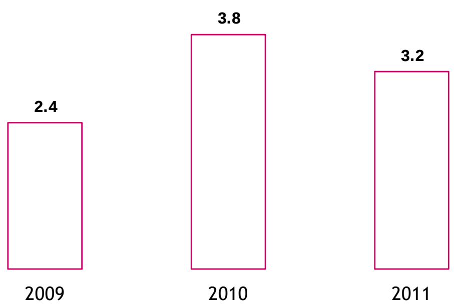
OVERALL EMPLOYEES SATISFACTION LEVELS

Index points



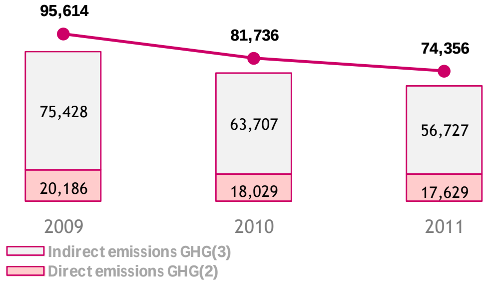
DONATIONS

Million euros



GHG EMISSIONS [(1)]

tCO_2eq



(1) Includes Portugal, Poland, Greece, Romenia and Mozambique.
(2) Excludes emissions of automobile frot from Greece and eletricity and heat from Greece in 2009.
(3) Excludes emissions of scope 3 from Greece and Mozambique. Emissions of travel home-work-home of the Employees, only for Portugal.

JOINT MESSAGE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND OF THE CHAIRMAN OF THE EXECUTIVE COMMITTEE

On February 28, 2012 it was held a General Meeting of Shareholders of Banco Comercial Portuguese, SA, being approved the alteration and restructuring of the articles of association of the company, which was consolidated in the adoption of an one-tier management and supervision model, composed by a Board of Directors, an Audit Committee and Statutory Auditor, as well as the creation of an International Strategic Board. In this General Meeting were elected the members of the new corporate bodies for the term of office 2012-2014. Under the legislation, rests in the Board of Directors in function the presentation of the annual report and accounts of 2011 to Shareholders, Supervisory Entities, Customers, Analysts and public in general.

Pursuant to the best and most recent international practices concerning communication with the Stakeholders, Millennium bcp adopted as of 2010 the concept of Integrated Reporting in the preparation of the Annual Report. Integrated Reporting enables showing evidence of the connection of strategy, corporate governance, financial performance and the social, environmental and economic environment in which the Bank operates.

During 2011, the interaction between the risk of sovereign debt, the financial system and the economy intensified, both at the international level and in Portugal, reflected in an even more challenging scenario for the development of bank activity. The deterioration of the funding difficulties of the Portuguese State on the international market, led to the Government issuing a formal request to the European Authorities and International Monetary Fund (IMF) for the preparation of an economic and financial assistance plan. Hence, since May 2011, Portugal has been under a medium term Economic Adjustment Programme, jointly negotiated with and supported by the IMF and European Union.

In a context of high uncertainty, in particular regarding the mechanisms to overcome the sovereign debt crisis in the Eurozone, the challenges faced by the Portuguese economy and Portuguese financial system have further magnified. Portuguese banks have been confronted with the generalisation of the difficulties in access to funding on international wholesale funding markets. This combined with the capital strengthening requirements, management of a deleverage process and a particularly adverse macroeconomic and financial context, arising from the austerity and consolidation of public finance measures, have constrained their business, profitability, asset quality and solvency. In spite of that, Millennium bcp has revealed its strength in successfully exceeding the European stress tests and in complying with the European regulatory requirements, on matters of capital and liquidity.

In view of the structural transformation of the market in Portugal, in July 2011, Millennium bcp adapted its strategic agenda, based on four key areas of action: i) Guaranteed solvency levels above the regulatory requirements of Core Tier I of 9% in 2011 and 10% in 2012; ii) Management of the deleverage process so as to stabilise funding requirements, having redefined as an objective a Loans-to-Deposits ratio of 120% by 2014; iii) Recovery of the profitability levels of the business in Portugal, with the objective of exceeding a return on equity (ROE) of 10% (after the stabilisation of the cycle); and iv) Focus of the international portfolio according to its attractiveness and available funds.

Amongst the various initiatives implemented by Millennium bcp for the purpose of mitigating the adverse effects caused by the intensification of the sovereign debt crisis, the following are of particular importance: i) the operation of liability management on preference shares, completed in October, as well as the deleverage process and reinforcement of financial collateral which, amongst other measures implemented under the capital plan defined by the Bank, enabled strengthening the Core Tier I ratio. At the end of 2011 this ratio reached 9.4%, the highest value ever; ii) the loan portfolio repricing initiatives and focus on growth of on balance sheet funds, reflected in the reduction of the commercial gap by 7.8 billion euros. Loans and advances to customers declined by 6.4% while deposits increased by 4.2%, in particular concerning domestic business where deposits grew by 7.2%, relative to the end of 2010; iii) the expansion of ActivoBank, which opened eight branches in 2011, thus consolidating its status of leadership on the national market in the area of innovation; and iv) the focus on the provision of excellent service, with the Customer satisfaction index having reached its highest level ever (81.2 index points) since the creation of the Millennium brand.

In 2011, consolidated net income was negative by 849 million euros, penalised by exceptional factors with a negative aggregate impact of 1,034 million euros. Amongst these non-recurrent events, special reference should be made to the provisioning of the Greek public debt and the devaluation of the Portuguese sovereign debt, the recognition of impairment relative to the remaining goodwill of Greece, the cost related to the partial transfer of the pension funds and the strengthening of the allocations for loan impairment, arising from the Special Inspections Programme implemented under the Economic and Financial Assistance Programme to Portugal.

However, it is important to highlight the very positive contribution of the international operations, which offered a diversification effect in view of the negative performance in Portugal, although insufficient to totally eliminate the impacts of the exceptional events on the Group's consolidated net income. The contribution to net income derived from abroad increased from 51.8 million euros in 2010 to 122.7 million euros in 2011, especially concerning the Polish and African operations which grew by 49.7% and presented historic levels of profit. In particular, note should be made of the net income recorded by the Polish operation of 113.3 million euros, boosted by the increased income and decreased cost of risk, and pursuit of the expansion plans in Africa, with Millennium Angola having closed the year with 61 branches, thus ensuring its presence in all the Angolan provinces, and Millennium bim having exceeded the milestone of one million active Customers. Considered as a whole, the African operations achieved a contribution of 122.7 million euros, corresponding to growth of 60.6% relative to 2010.

In spite of the net income for 2011 having been constrained by negative events of an exceptional character, various areas of the Group showed good performance, especially in relation to the following: i) the growth of net interest income, both in Portugal and in the international operations, having increased by 4.1% in consolidated terms relative to 2010; ii) the continued reduction of operating costs which fell by 2.3%, in consolidated terms, excluding the effect of non-recurrent events, and recorded a reduction of 3.9% in the international business notwithstanding the expansion plans in progress and the opening of branches in the African operations; and iii) the compliance with the objectives defined in the liquidity plan, where there was a reduction of exposure to the European Central Bank of 2.2 thousand million euros relative to December 2010.

The efforts expended with a view to the implementation of the measures agreed under the Economic Adjustment Programme established with the Portuguese authorities were reflected in the reduction of the Bank's loans-to-deposits ratio, decreased dependence on the European Central Bank and presentation of the capitalisation plan to the Bank of Portugal, on 20 January 2012, under the terms of the communication of the European Banking Authority of 8 December.

The actions developed with communities under the social responsibility programmes were continued during 2011. In Portugal, the Millennium bim Foundation and, in Mozambique, the "More Mozambique for Me" programme developed a large number of specific social support and interaction activities in areas such as culture, education and charity. In Angola, various initiatives targeting the more vulnerable groups of the population were supported through a partnership with Grupo Amizade. Also under the Bank's social responsibility policy, Banco Millennium Angola and Banco Privado Atlântico signed a protocol to strengthen microcredit in Angola, as a vehicle to boost entrepreneurship and social inclusion. In Portugal, through this instrument, support was maintained to a large number of entrepreneurs, reflected during 2011 in the creation of 214 new micro-enterprises which led to 315 new jobs.

Over the last years, with the dedication and contribution of all the Employees, Millennium bcp has managed to continue to innovate so as to respond in a faster manner to the alterations in the form of relations and to the consumption patterns of Customers and improve the efficiency of internal processes, as well as to consolidate the African and Polish operations, while strengthening its capital and solvency levels to unprecedented values, in spite of the negative effect of exceptional factors. Having reached this far and after the stabilisation of the shareholder base, it will now be necessary for Millennium bcp to advance, strengthening and improving upon what has already been achieved.

The next few years will not be less demanding or challenging. Bank activity will be confronted with the requirements arising from the adjustment programme which the Portuguese economy and financial sector are undertaking. Millennium bcp will have to meet the criteria stipulated in the requirements of the European Banking Authority regarding the Core Tier I ratio for 30 June 2012, and prudential requirements of the Bank of Portugal for the end of 2012, as an intermediary step towards conformity with Basel III criteria by 2014. At the same time, Millennium bcp will have to pursue the deleverage effort, aiming at improving its liquidity position and reducing its dependence on funds obtained from the European Central Bank and maintaining tight cost control.

The implementation of the capitalisation plan which will be approved, will result in the strengthening of the financial solvency of Bank, which, combined with the amendment to its governance model, will allow to lay the foundations for a new strategic project involving all areas of the Group and its Stakeholders, namely the over 5 million Customers, the 182 thousand Shareholders and the approximately 21 thousand Employees. Such will certainly reinforce its status as a financial institution of reference in the national and international market.

Porto Salvo, 23 April 2012

Nuno Amado

Chaiman of Executive Committee

Vice-Chairman of the Board of Directors

António Monteiro

Chairman of the Board of Directors

MILLENNIUM GROUP

Banco Comercial Português, S.A. ("BCP", "Millennium bcp" or "Bank") is the largest Portuguese private bank: the BCP Group has total assets of 93,482 million euros, loans and advances to customers (gross) of 71,533 million euros and customer funds of 65,530 million euros, as at 31 December 2011. Since its incorporation, Millennium bcp has been associated to innovation, dynamism and financial strength, and has maintained these vectors as its strategic pillars which contribute to the highest efficiency of the platform and constitute an element of key differentiation in relation to the competition. The Bank, with decision making centre located in Portugal, meets the calling: "Going further beyond, doing better and serving the Customer", guiding its action by values such as the respect for people and institutions, focus on the Customer, a mission of excellence, trust, ethics and responsibility, being a distinguished leader in various areas of financial business in the Portuguese market and a reference institution at an international level.

In Portugal, the Bank operates with the largest banking distribution network of the country, with 885 branches, and is the second bank in terms of market share, both in loans and advances to customers (approximately 19.6%) and customer deposits (approximately 17.6%). The activity in Portugal represents 76% of total assets, 76% of loans and advances to customers (gross) and 68.4% of total customer deposits.

The Group assumes also a prominent position in Africa through its banking operations in Mozambique and Angola, and in Europe through its operations in Poland, Greece, Romania and Switzerland. Since 2010, the Bank has operated in Macao through an on shore branch, having signed, in that year, a memorandum of understanding with the Industrial and Commercial Bank of China with the objective of strengthening cooperation between the two banks, which is extended to other countries and regions beyond Portugal and China. The Bank is also presented in the Cayman Islands through BCP Bank & Trust, with a license type B. In 2011, the Bank formalised a license application for the opening of an on shore branch in the Popular Republic of China. Particular reference should also be made to the signing, in 2011, of the partnership agreement with Banco Privado Atlântico, S.A. for the constitution/acquisition of a bank in Brazil, aiming to exploring opportunities in the Brazilian market, namely in the areas of corporate finance and trade finance, through partnerships. The entry into the Brazilian market completes the last vertex of the strategic diamond of Portugal, Africa, China and Brazil.

The international operations currently represent 48.6% of the total of 1,722 branches and 53.7% of the 21,508 Employees of the BCP Group, presenting a contribution of 122.7 million euros for 2011. Should be highlighted, the maintenance of the expansion plans in Africa, with Millennium Angola having opened its 61st branch and Millennium bim, a strong leader in Mozambique, having achieved the milestone of one million active Customers. As a whole, in 2011, these two operations recorded a contribution of 77.2 million euros, corresponding to an increase of 62.1%, year-on-year. Also noteworthy are the good results of the Polish operation, held by 65.5%, which showed a contribution of 74.2 million euros in 2011 (+39.3% in relation to 2010, including FX effects) and the growing size and importance of the operation of Bank Millennium in Poland with 451 branches and a market share of approximately 4.9% in deposits and 5.0% in loans and advances to customers.

BCP shares are listed on Euronext Lisbon and market capitalisation as at 31 December 2011, stood at approximately 980 million euros. On the same date, the Group presented a consolidated solvency ratio and Core Tier I ratio, calculated in accordance with rules of the Bank of Portugal, of 9.5% and 9.3%, respectively.

VISION OF MILLENNIUM BCP

Millennium bcp aspires to be the reference Bank in Customer service, based on innovative distribution platforms, where over two thirds of the capital is allocated to Retail and Companies, in markets of high potential which are projected to have annual growth of turnover of more than 10%, and also to achieve higher efficiency levels, reflected in a commitment to an efficiency ratio at reference levels for the sector and with tighter discipline in capital, liquidity and cost management.

MISSION OF MILLENNIUM BCP

Create value for Customers through the offer of high quality banking and financial products and services, complying with rigorous and high standards of conduct and corporate responsibility, growing with profitability and sustainability, in order to provide an attractive return to Shareholders, which supports and strengthens the strategic autonomy and corporate identity.

Values of Millennium bcp

The values of Millennium bcp reflect the way that the Bank guides its action in relations with Stakeholders.

OUR VALUES INSPIRE US

Respect for People and Institutions
Respect for others, for people and institutions, is a principle that inspires us. We are a responsible actor in society and we believe that our existence makes sense only if we contribute to the common good.

Focus on the Client
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.

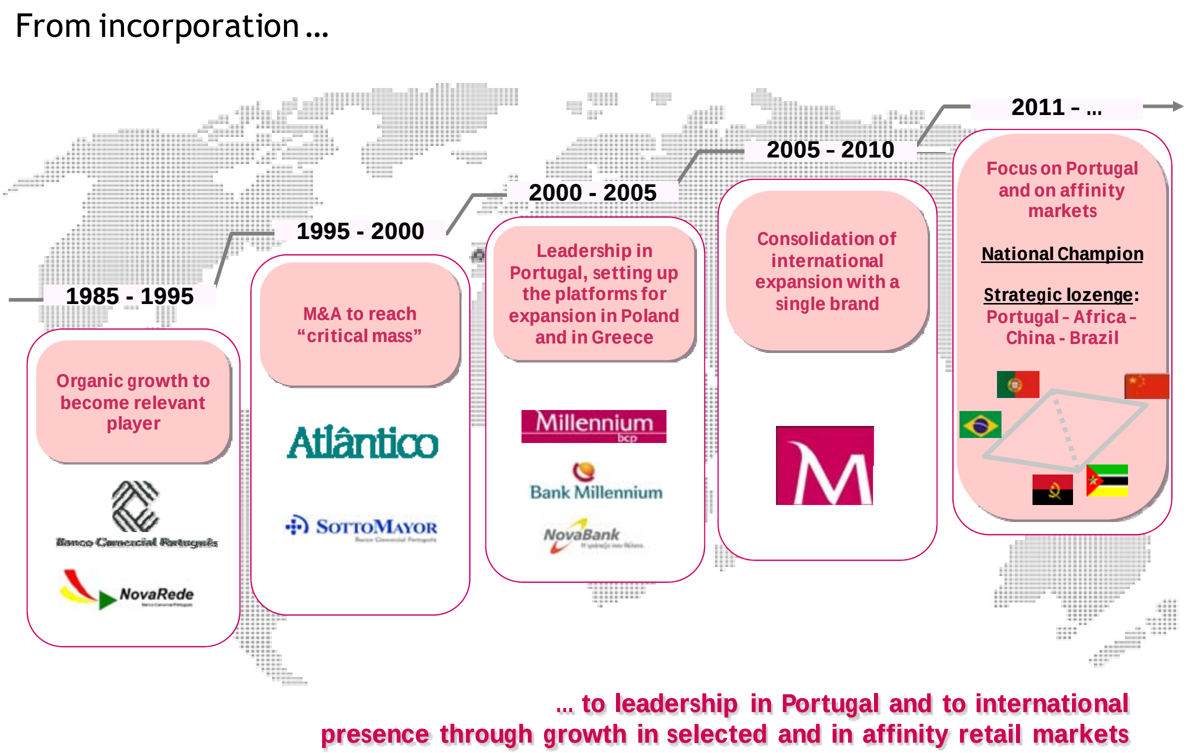
Working for Excellence
We believe in the value of excellence. We strive to develop the best products and services and we persistently seek out new solutions, as long as new means better.

Trust
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.

Ethics and Responsibility
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.

History

Since its foundation up to the present date, Banco Comercial Português has lived a success story, during which it has become, over this quarter of a century, a leading bank in Portugal and a reference institution in various areas in the different markets in which it operates under the Millennium brand.



The Bank, constituted in 1985 following the deregulation of the Portuguese banking system, has scaled up various levels of growth. The first phase of its development was characterised essentially by organic growth, through the exploration of market opportunities as a consequence of the deregulation. In 1989, the Bank launched an innovative banking concept, the “Nova Rede”, with the objective of evolving towards a universal value proposition, offering a complete range of products and services to all sectors of economic activity with broad geographical coverage. By 1994, Banco Comercial Português has achieved an impressive expansion of its presence in the Portuguese market, having reached, in that year, market shares of approximately 8% of total assets, loans and advances to customers and deposits, according to information of the Portuguese Bank Association (APB).

The second phase of development began in 1995 with the intensification of market competition in the domestic banking market, following the modernisation of the existing financial institutions and entry of new foreign banking and financial institutions. During this period, the Bank based its growth on the acquisition of domestic banks with business complementarity so as to gain and consolidate its share in the banking market, in insurance and other related financial services. Hence, in 1995 it acquired Banco Português do Atlântico which, at the time, was the largest private bank in Portugal, and, in 2000, Banco Mello and Banco Pinto & SottoMayor. The growth of BCP catalysed the evolution of the Portuguese banking system, to become one of the most developed and innovative of Europe.

After achieving and consolidating a significant position in the Portuguese market, the Banco entered into the third phase of its development, focusing on the expansion of the Retail business into new geographic areas. From the very beginning, the implicit objectives of the internationalisation process were based on the prospects of growth and profitability of foreign markets with a close historic link to Portugal or which had large communities of Portuguese descendants, as well as markets where there was a strong commercial rationale for the establishment of banking operations supported by business models and technological platforms similar to those used by the Bank and of recognised success in the Portuguese market, adapting them to the financial requirements and needs of local Customers.

The fourth phase of expansion of the Bank is underpinned by the consolidation of the international expansion with the creation of a unique brand ("Millennium") and focus on organic growth and the creation of value, based on the objective of creating a truly multi-domestic bank with a supranational identity, driven by the creation of value in core business areas. In this context, during 2006, important transactions were developed, involving the sale or reduction of exposure in non-core assets, in particular regarding the operations held in France, Luxembourg and Canada.

The deterioration of global macroeconomic conditions, between the end of 2008 and early 2009, was exacerbated by the impact of the preceding financial turbulence, exerting considerable pressure on the profitability and solvency of financial institutions. Thus, in 2009, in view of a particularly adverse context and under the pressure of many exogenous variables, Millennium bcp considered that, following a period of institutional stabilisation, the launch of new strategic priorities was justified, which were based on three fundamental pillars: 'Solidity and Trust', 'Commitment and Performance' and 'Sustainability and Value', with focus on the European portfolio and affinity markets being defined as one its priority lines of action. As a result of the reanalysis of the portfolio of international operations, in October 2010 the Bank sold the entire network of branches of Millennium bcpbank in the USA, the respective deposit base and part of the loan portfolio to Investors Savings Bank, ceasing to hold banking operation in the USA. Also following the above mentioned strategy of focus on priority markets, the Bank also concluded, in December 2010, 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..

The year 2010, which had been expected of recovery from the financial crisis experienced in the previous years, was marked by the eclosion of the sovereign debt crisis, which shadowed the European markets, especially of the peripheral countries. In response to the aggravation of the economic and sovereign crisis, Millennium bcp carried out a new adjustment to its strategic agenda, having implemented initiatives based on three priority lines: i) 'Increasing Trust', in particular the strengthening of customer relations, higher capital ratios via reduction of risk weighted assets (RWA), maintained control of the commercial gap and improved results; ii) 'Overcoming financial and economic crisis', especially through the repricing of loans, growth of funds, deleverage of the balance sheet and launch of an innovative Bank based on the ActivoBank platform; and iii) 'Focus and Sustainability', through organisational simplification, cost control and focus on the international portfolio.

MILLENNIUM BRAND

The Millennium brand reflects a promise of value for Customers and enables the differentiation of the Bank and its service in relation to the competition, by clearly embodying the principles and values undertaken by Millennium bcp and perceived by the market, including, in particular, "Innovation", "“Modernity/Youth", "Dynamism" and "Quality", according to independent studies conducted by Marktest (BASEF) and Consultores Group (brandScore). The Millennium brand constitutes a base for the entire offer of the Bank and a fundamental part of its commercial strategy with direct impact on its results, leading to the positioning of the Millennium bcp in the mind of its Customers and to the projection of credibility, strengthening the relation of trust in the Bank and creating feelings of loyalty, boosting the value of the brand.

By having the brand signature "Life inspires us", Millennium bcp expresses not only the rationale underlying its activity, but also its commitment and action programme. In addition to a strong visual identity, Millennium bcp assumes its brand personality with the desire to live, taking pleasure in being useful, remaining open to the new, with seriousness and transparency, and with a continuous respect for the community in which it operates.

The brand constitutes an intangible asset of the Bank and consists of a series of intrinsic and extrinsic perceptions, responsible for its positioning in the market. Its management is crucial for the commercial success of Millennium bcp. The value of the brand is extremely dependent on the effectiveness of its communication - advertising and institutional - and on its level of notoriety, brand loyalty, perceived quality and brand image, and contributes in a critical manner to the value of the Bank as a whole.

The international consultants Brand Finance publish the "Global Banking 500" study on an annual basis, which assesses the brand value of the 500 most valuable banking institutions of the world. In the study published in February 2012, the Millennium brand registered a value of 357 million USD (approximately 272 million euros at the exchange rate on the date of the study), positioning as the 247th of the global ranking (2nd brand within the private owned financial institutions in Portugal).

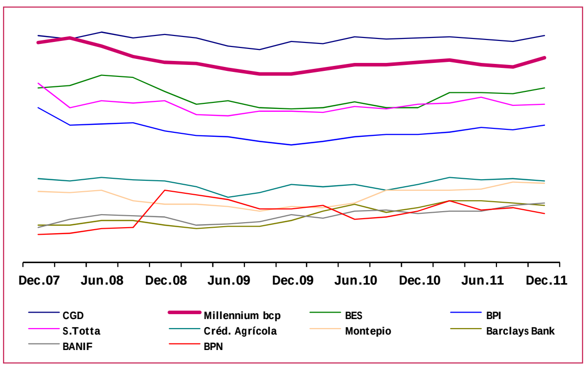
2011 was marked by a new phase in the communication of Millennium bcp aimed at conveying greater energy and modernity to the brand, further boosting its reputation and its media and advertising visibility. For this purpose, the Bank contracted José Mourinho as the "face" of Millennium bcp, expressing the same values of success and passion, a personality which constituted the leitmotiv of the institution's main campaigns over the year. At the same time, the Bank strengthened its focus on communication for the Youth segment, with an innovative and differentiating market offer ("Millennium GO!").

Concepts such as confidence, security, tranquillity and openness to constant and constructive dialogue with all present and potential Customers, Shareholders and other Stakeholders, reinforcing the Bank's association with social responsibility, were maintained as priorities during last year. This communication effort was transversal to all campaigns carried out, always following best market practices and ensuring compliance with the requirements issued by the supervisory authorities relative to transparency, balance, equity and relevance of the information provided, contributing to greater clarity in the commercial messages addressed to the market.

Millennium bcp is amongst the best in the indices in the banking sector in Portugal in terms of Brand fame ("Top-of-Mind" and "Spontaneous Reputation") and Campaigns ("Spontaneous Reputation"), according to the last available study of brandScore (2nd bank in the first two indices and 1st bank in the last). In the latest BASEF study published by Marktest, Millennium bcp is in the first place, amongst the private banks operating in Portugal, in terms of "Total Spontaneous Notoriety" and "Top-of-Mind".

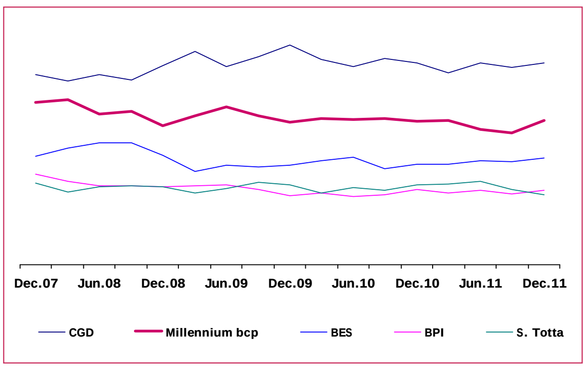
Total Spontaneous Notoriety

(References above 10%)



TOP of Mind of Banks – 1.ª reference

(References above 10%)



Base: all individuals (total)
Source: BASEF Banca - Marktest

The main challenges for 2012, as in the previous year, involve reinforcing the communication of the values of the Millennium brand to the market and its Customers, strengthening Customer trust in Millennium bcp, fostering creativity and the pride in being Portuguese, in order to maintain its leadership in Portugal.

MAJOR CAMPAIGNS

Institutional Campaign

In February 2011, on Millennium Day, in a staff meeting open to all Employees, a firsthand presentation was given of the institutional campaign "Mourinho – Passion" based on the value and principles common to Mourinho and Millennium bcp: professionalism, leadership, ambition and excellence. Summarising the entire message in the claim "our work, our passion", Millennium bcp's new campaign marked a new phase of the Bank's communication strategy, reinforcing its underlying values and consolidating its positioning as a leading Bank. Speaking directly, José Mourinho offers his testimonial and justifies the reasons why now he "is also Millennium": sharing the same spirit of victory, ambition and search for perfection.

The communication strategy developed in 2011 achieved notable results. Apart from the "Mourinho - Passion" advertising campaign having been acclaimed the winner of the prestigious "Gold Award" in the category "Financial Services and Insurance" of the 2011 Effectiveness Awards, the Bank achieved leadership in confirmed recall of the banking sector, as well as the historic record of recall value of the sector, with 31.8% (source: Marktest). In fact, this campaign led to the Bank's achievement (and even surpassing) of its previously defined objectives regarding reputation and notoriety. After the launch of the "Mourinho - Passion" campaign, Millennium bcp rose by 31% in the "Spontaneous Recall" indicator, and at the same time achieved a historic record in "Reputation", "Satisfaction" and "Brand Equity", as well as a record total value of 287% in "Top-of-Mind Effectiveness", according to Marktest data.

"We are Millennium" Campaign

The institutional campaign was followed by strong internal communication action, under the claim "Seeking Mourinhos (m/f)". The Employees were invited to participate in the campaign through an internal casting session which took place over almost a month. This initiative covered national-based Employees and raised high levels of interest and enthusiasm throughout the entire country, fostering the real "Millennium spirit". In fact, the adherence was significant - close to one hundred candidatures - with the selection having occurred in various phases, with 14 Employees having been shortlisted for the final stage.

Observing the tone, attitude and atmosphere of the original film, the Millennium bcp Employees - performing in the film for one day as true professional actors - convey the values they share with José Mourinho: the search for perfection, passion underlying their career and spirit of victory.

"Pride in being Portuguese" Campaign

In the beginning of the last quarter of the year, Millennium bcp and José Mourinho issued a challenge to the country, which sought to emphasise and bring out the feeling of "Portugueseness" inherent in us all: "Show pride in being Portuguese". This was the signature of the Bank's new communication action: by presenting José Mourinho stating "I am the best trainer of the World and I am Portuguese", an appeal was made to a joint desire of belief in the future and determination to win. Not only does Mourinho believe in the Portuguese people but he also has faith in their enormous capacity to work, talent and determination, summarising in these qualities the values, principles and attitudes that he perceives both in himself and in the Bank to which he belongs. And it is in this sharing of behaviour that is reflected in the truth and certainty that the Future belongs to those who work with the same Passion as Mourinho and the professionals of Millennium bcp. The Future belongs to the Portuguese people who, in spite of difficulties, make daily efforts demonstrating their strength and fighting spirit.

However, more than a mere statement of willingness, the new campaign had another ambition. It intended to issue a challenge which would allow a physical exhibition of this feeling of Portugueseness: the expression of pride through the use of a wrist band - the band of pride. This was the objective of the campaign. That all Portuguese - whether Bank customers or not - should joint this initiative, by going to a branch of Millennium bcp, to pick up their bands and place them on their wrist, also showing pride in Portugal and in their nationality.

"Millennium GO!" Campaign

"Millennium GO!" was launched in response to the need to communicate with Young People aged from 18 to 25 years old, a segment which is proving to be increasingly more strategic. This is a multiproduct solution composed of financial products and services that have been specifically designed for the daily management of younger people, expressed in the message "Everything you need to go further" and embodied in a pack which offers: a "GO! Book", a "GO! Guide to Benefits", a "GO! Marker", "GO! headphones", as well as discounts at various partners such as TMN, Youth Hostels, ZON Lusomundo, ACP, Lightning Bolt and the magazines "Evasões" and "Volta ao Mundo".

The major objective of the campaign was to establish new dynamics in the attraction and enhancement of the loyalty of Customers between the ages of 18 to 25 years old, focusing its message on the headline "Conquer your independence". With strong visual impact, the campaign concentrated greatly on the Internet, particularly Facebook where a page was created directly aimed at the target with pastimes/daily posts and interaction with users in real time. Furthermore, a "GO! Music" was created, composed by the group "Maria Amélia", reflecting a positive message at a particularly difficult time in terms of economic circumstances. This campaign had a strong impact, and on the same day that the download of the music was made available on the "Millennium GO!" page of Facebook, over 8 thousand downloads were carried out. The page already has some 20 thousand fans, and has thus become the Facebook page, of the banking sector, with the most followers.

OTHER CAMPAIGNS

In this difficult economic context, the commercial campaigns of 2011 aimed, above all, to enhance Customer loyalty, as well as to attract funds, where special note should be made to the following campaigns:

- Income M Campaign: "Don't trust luck, play safe";
- Special One + Campaign: "Score a bulls-eye with the Special One+ Deposit";
- Salary Domiciliation Campaign: "Liven up your Salary";
- Applause Customer: attraction/retention of company and sole proprietorship Customers.

The Bank in the Social Media

Having actively entered the Social Media in May 2010, Millennium bcp currently has several dozens of thousands of "followers", in particular on Facebook, where the higher number of visitors and ongoing activity support a communication strategy which has proved to be particularly beneficial due to its immediacy and proximity to target groups.

Always with the mission of taking value added to Customers and other public groups, the presence of Millennium bcp in the social networks has focused on publicising information of general interest regarding the activity of each of the areas present. Having started its approach to these new channels through the entertainment topic with the “Stage Millennium” (official presence of Millennium bcp at Rock in Rio), the success of the initiative rapidly spread to other areas giving rise to the presence of “Millennium Mobile” (targeting a public particularly interested in new technology and online presence), “Microcredit”, “Millennium Suggests” and the “Millennium bcp Foundation” (closer to social responsibility) and recently, of a more commercial nature, “Millennium GO!”, a retail product targeting a younger age group.

Careful management, with a coherent policy on contents and permanent supervision, has ensured that this experience in a new field has developed without major set-backs, and is currently supported by a large community which, in turn, is supportive and helps us to grow.

Millennium Movement

An initiative promoted by Millennium bcp and the newspaper Expresso, who main objective was to challenge all citizens to search for solutions to the major issues which will define and characterise the life of the next generations of Portuguese in the areas of democracy, business, cities and consumption. The movement enrolled 117 projects, with over 20 thousand online votes and recorded almost 1 million visits to the official website www.movimentomilenio.com, the central platform of the whole initiative.

The winners in each category and their projects benefited from strong exposure to the public and media, as well as from the monetary awards and payment of their participation costs in reference conferences or workshops at a worldwide level in the areas relative to the awarded categories.

SPONSORSHIPS

In 2011, Millennium bcp received 700 sponsorships proposals, regarding which 168 merited a positive opinion. Simultaneously with the more highly publicised support, the Bank has a policy of contributing to local actions and entities which play a fundamental role in the development of the communities in which they operate. The Bank has continued to be the most important brand of the sector in the sponsorship of music, to a large extent due to its association with the event Rock in Rio and via the latest communication of the event for 2012.

APPLAUSE CUSTOMER
January 2011

JOSÉ MOURINHO
February 2011

INCOME M
March 2011

SPECIAL ONE DEPOSIT
June 2011

EMIGRATION
August 2011

MÉDIS
September 2011

MILLENNIUM GO!
September 2011

WE ARE MILLENNIUM
October 2011

MAIN AWARDS IN 2011

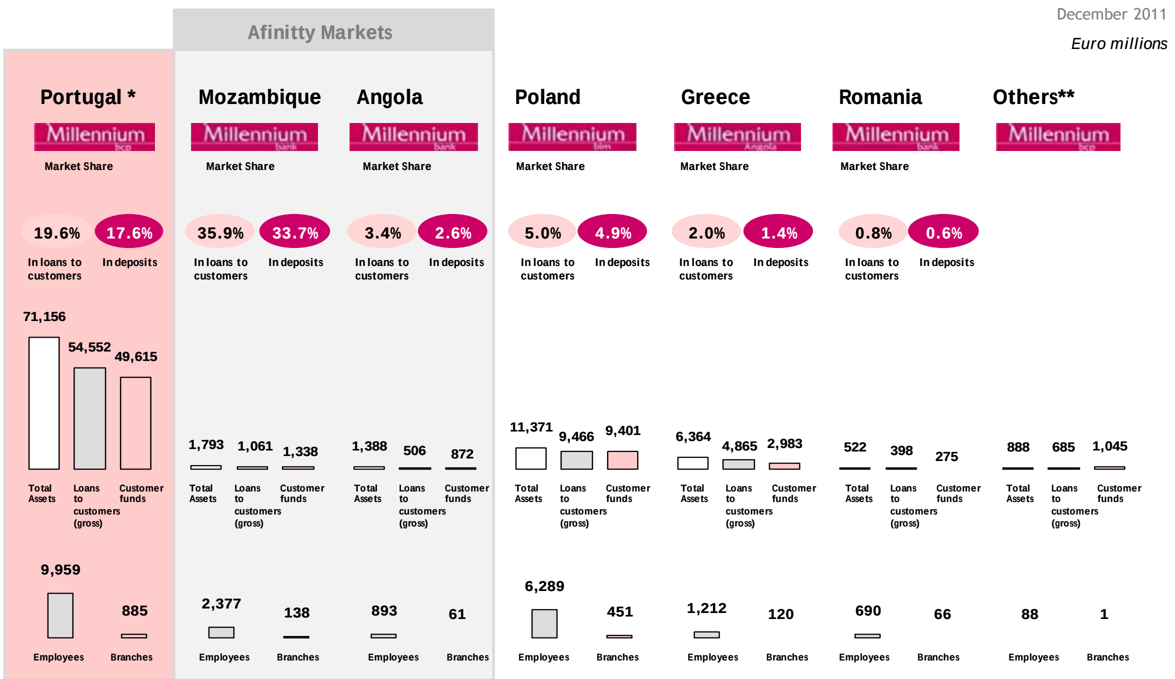
PORTUGAL	
"Best Bank in Portugal"	EmeaFinance
"Best Commercial Bank in Real Estate"	Euromoney
"Best Private Bank"	Euromoney
"Best Management Report in 2010	APCE
"MicroFinance Recognition Award" in the category of Commitment to social and financial transparency to Millennium bcp Microcredit	Microfinance
"Deal of the Year 2010" to Project ELOS, of which Millennium bcp is shareholder and financial advisor	Euromoney
"Most Innovative Bank" in Portugal to ActivoBank	World Finance
"Best Consumer Internet Bank" in Portugal, "Best Integrated Consumer Bank Site", "Best Web Site Design" and "Best in Mobile Banking" in Europe to ActivoBank	Global Finance
Millennium bcp brand awarded as the "Most Valuable" among the Portuguese private owned banks	Brand Finance
Millennium bcp and Médis brands distinguished as "Brands of Excellence"	Superbrands
"Trustworthy Brand 2011" in Health Insurance to Medis	Selec. Readers Digest
"Best Insurance Company in 2011" in Portugal to Millenniumbcp Ageas	World Finance
MOÇAMBIQUE	
"Bank of the Year 2011"	The Banker
"Best Bank in Mozambique"	Global Finance
"Best Banking Group in Mozambique 2011"	World Finance
"Best Bank in Mozambique"	EmeaFinance
"Best Local Bank in Africa"	IC Publications/African Banker
"Excellence Brand"	Superbrands
"Best Brand in Mozambique in the banking sector"	GFK
ANGOLA	
"Bank of the Year 2011"	The Banker
"Best Banking Group in Angola 2011"	World Finance
"Best Bank in Angola"	Euromoney
"Most Innovative Bank"	EmeaFinance
"Excellence Brand"	Superbrands
POLÓNIA	
"Best Bank for Companies" and award of "Five Stars" distinction to Bank Millennium	Forbes
Integration in the "Respect Index"	Warsaw Stock Exchange
"Best Advertising in Social Networks"	Media & Marketing
"Best Sustainability Deal 2010" to the Wind Project Margonin, financed under project finance by Bank Millennium in Poland, with Millennium Investment Bank as financial advisor	EmeaFinance
Top 3 in terms of quality service offered to customers, ranking third in the "Traditional Customer's Friendly Bank" and "Best Internet Bank" categories	Newsweek Friendly Banks
"Best card" to Millennium Visa Impresja in the Best New Customer Proposition category	Visa Europe
Millennium MasterCard World Signia card ranked first on "value-added services" and "high spending limit" categories	Forbes
"Special Award" to Dobre Konto current account and to its debit card in the innovative cards category	Publi-News
GRÉCIA	
Excellence award "2010 EUR Straight – Through Processing"	Deutsche Bank
ROMÉNIA	
"Effie Award" for the mortgage loans campaign "Happiness"	Effie
"Best advertising campaign" for promoting usage of the advantages attached to its debit and credit cards	Visa Romania

COMPETITIVE POSITIONING

With the largest network of branches in Portugal, and a growing network in the countries in which it operates, in particular in the African markets of affinity, Millennium bcp offers its customers a wide range of banking and financial products and services, from current accounts, instruments of payment, saving and investment products, to private banking, asset management and investment banking, including mortgage loans, consumer loans, commercial banking, leasing, factoring and insurance, amongst others, serving its Customers on a segmented basis.

Millennium bcp is a bank focuses on Retail where it offers universal banking services, seeking to concentrate all its relations with Customers. Supplementary, the Bank offers remote banking channels (banking service by telephone and Internet), which operate as distribution points for its financial products and services. The remote channels also underlie a new banking concept, based on the ActivoBank platform, as a privileged way of serving a group of urban Customers who are young in spirit, intensive users of new communication technologies and value simplicity, transparency, trust, innovation and accessibility in banking relations.

Millennium bcp is present in five continents through its banking operations, representation offices and/or commercial protocols, corresponding to approximately 5.4 million customers by the end of 2011. In 2011, with the redefinition of the strategic vision of the Group, the Bank maintains the focus on retail distribution in Portugal and in markets that ensure a competitive presence and significant position in the medium long term. All the operations develop their activity under the Millennium brand.

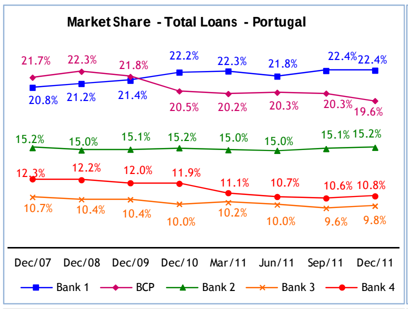


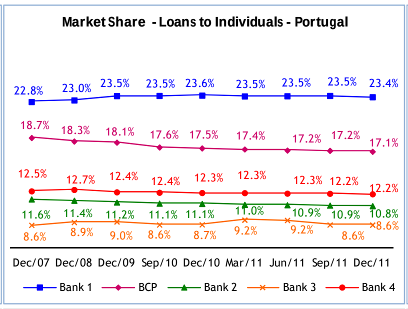
Source: BCP. Market shares in Portugal are based on Bank of Portugal and Portuguese banks' public data. Market shares in Poland are from the National Bank of Poland. Market shares in Greece are based on Bank of Greece and Greek banks' public data. Market shares in Mozambique are based on Bank of Mozambique public data. Market shares in Angola are based on National Bank of Angola public data. (*) Includes Macao; (**) BCP Banque Privée, BCP Bank & Trust, Consolidation adjustments.

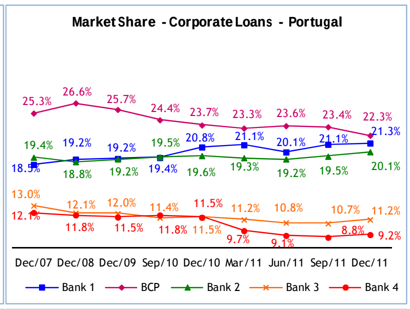
PORTUGAL

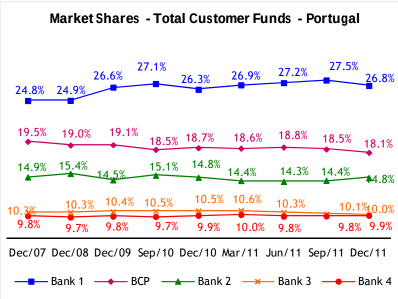
Millennium bcp is Portugal's largest private banking institution, with a leadership and a prominent position in several products, financial services and market segments based on a strong franchise of great presence in Portugal. By the end of 2011, Millennium bank had a network of 885 branches and 9,959 Employees in Portugal.

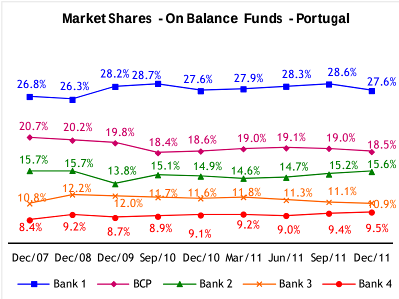
Notwithstanding the adverse environment experienced in 2011, arising from the sharp deterioration of the sovereign debt crisis and process of macroeconomic adjustment agreed with the troika, on the one hand and, on the other hand, by the uncertainties regarding the evolution/composition of the Eurozone, reflected in pronounced adjustment processes by the Portuguese Banks, including deleveraging programmes and initiatives to strengthen capital, Millennium bcp has maintained its relative position in the national market, both in loans - where it continues to be the first bank in terms of loans granted to companies - and in funds.

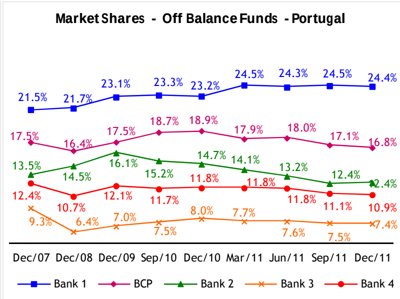












INTERNATIONAL

Millennium bcp pursues the expansion plans of its operations in Africa. At the end of the 3rd quarter of 2011, Millennium bim reached the milestone of 1 million active customers and Millennium Angolan inaugurated its 61st branch. Millennium bim is the leading bank in Mozambique, with a market share of 35.9% in loans and advances to customers and 33.7% in deposits. In Angola, the Group aspires, with the investment in progress, to become a reference player in the sector, with market shares above 10% in the medium term. By the end of 2011, the Bank had a market share of 3.4% in loans and advances to customers and 2.6% in deposits. Special reference should also be made to the awards received by Bank's operations in these regions from several renowned entities. Thus, Millennium bim was recognised as the "Best Banking Group in 2011" in Mozambique and "Best Local Bank in Africa" and Millennium Angola as the "Best Banking Group/Bank in 2011" and "Most Innovative Bank" in Angola.

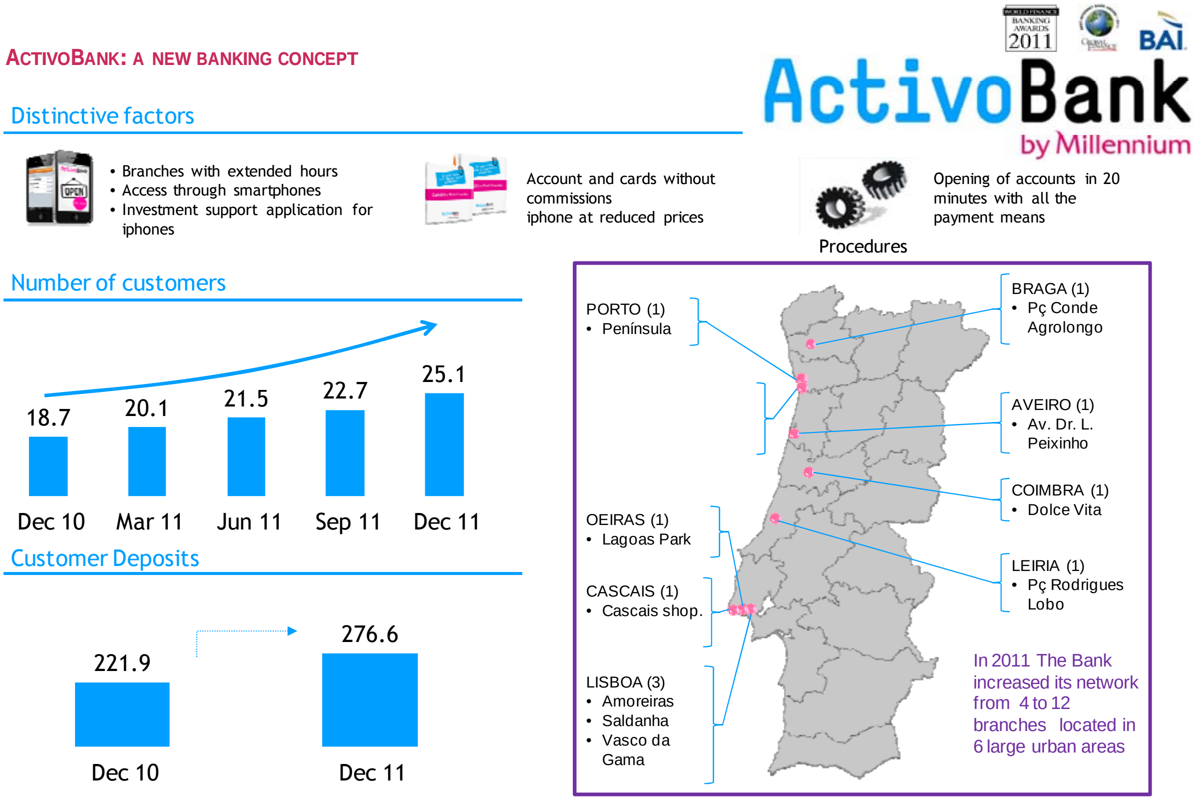
In Poland, by the end of 2011, Millennium Bank had a market share of 5.0% in loans and advances to customers and 4.9% in deposits. Since Millennium bcp considers that a sustainable position in the banking market in the different geographical areas in which it operates involves a presence with market shares above 5%, the Group, under the adjustment of its strategic agenda announced in July 2011, analysed various options, including those arising from the offers received of acquisition of the holding in Bank Millennium, and concluded that the option which is most in the interest of its Stakeholders and best fosters the creation of value is that of the maintenance of its holding in Bank Millennium, having reaffirmed its commitment to the organic growth of the Polish operation.

In Greece, in December 2011, the Group had a market share of 2.0% in loans and advances to customers and 1.4% in deposits, while in Romania the market share in loans and advances to customers and in deposits, reached 0.8% and 0.6%, respectively. In both operations, where its presence, in the context of these markets, isn't relevant, the Group is currently appraising various operations in order to create value, which might involve the reduction of its exposure and/or search for partners to support expansion plans.

INNOVATION

Millennium bcp is positioned in the market as an innovative bank and with a strong tradition in innovation, being recognised by the market as a leading bank in innovation. From the foundation of Millennium bcp up to the present date, innovation is and will continue to be a distinctive and differentiating value in relation to the competition, both in national and international operations, being present in the financial offer to customers, in particular in credit and saving solutions, following a path of simplification and transparency in banking relations, especially in the channels of contact with Customers and in the actual concept of Banking, where ActivoBank is an example, in its service and model of interaction with customers, adopting new technological trends concerning contact, expressed through the Internet and Mobile Banking, in internal processes and in operations, including the management of people and talent, in the business model - currently under reformulation - and in the communication strategy, both in terms of the message and the actual media.

The ActivoBank embodies a new banking concept, based on distinctive factors, such as branches with extended hours, bank access via smartphones, applications for investment support for iphones. The ActivoBank opened eight branches in 2011, consolidating the leading role that the bank holds in the national innovation market. It was recognized by the international financial community, having been honoured with awards such as "Most Innovative Bank in Portugal" by World Finance magazine (Banking Awards 2011), "Best Consumer Internet Bank in Europe" and "Best in Mobile Banking", awarded by Global Finance magazine, among others, and the appointment as one of five finalists among approximately 200 applicants in the Global Banking Innovation Awards in the category "Disruptive Innovation" sponsored by the BAI.



Millennium Network

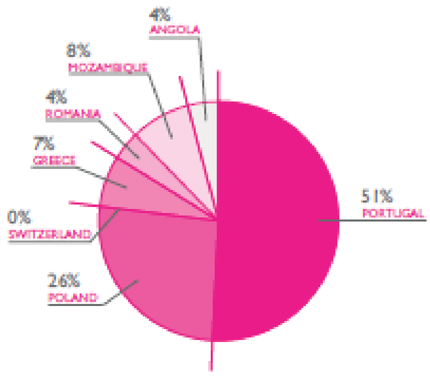
DISTRIBUTION NETWORK

NUMBER OF BRANCHES

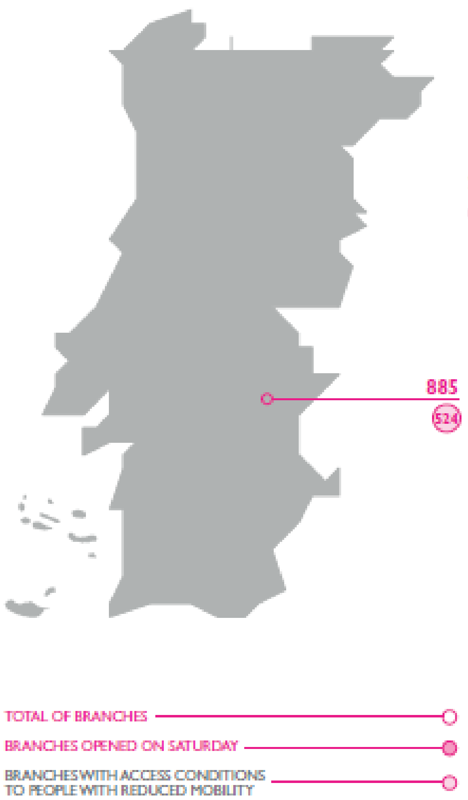
	'11	'10	'09	Change % '11/'10
TOTAL IN PORTUGAL	885	892	911	-0.8%
POLAND	451	458	472	-1.5%
SWITZERLAND	1	1	1	0.0%
GREECE	120	155	177	-22.6%
ROMANIA	66	74	74	-10.8%
MOZAMBIQUE	138	125	116	9.6%
ANGOLA	61	39	23	56.4%
TOTAL OF INTERNATIONAL OPERATIONS	837	852	863	-1.9%
TOTAL	1,722	1,744	1,774	-1.3%

1,722 MILLENNIUM BRANCHES

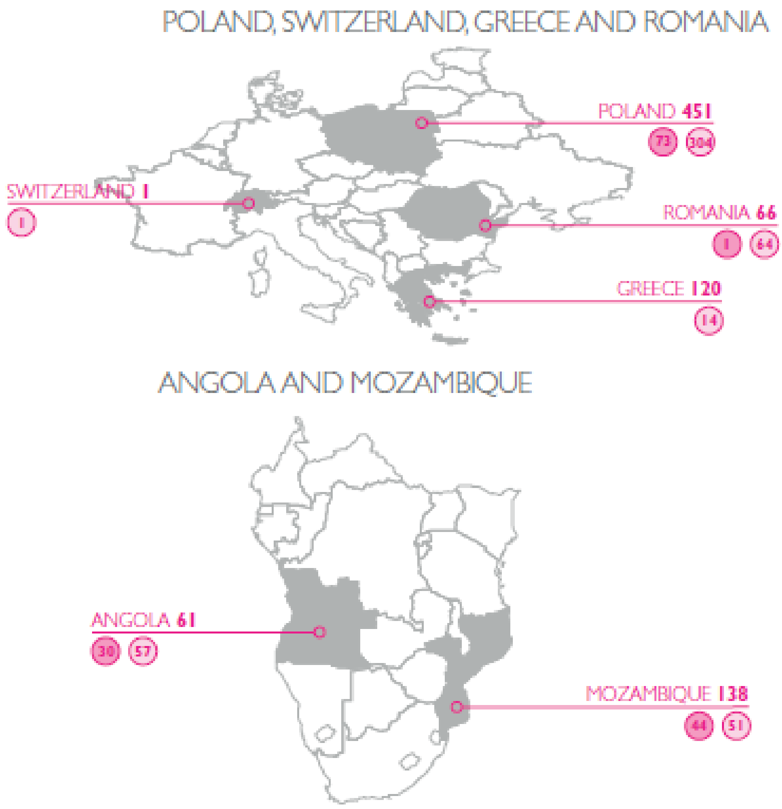
BRANCHES BREAKDOWN



PORTUGAL



INTERNATIONAL

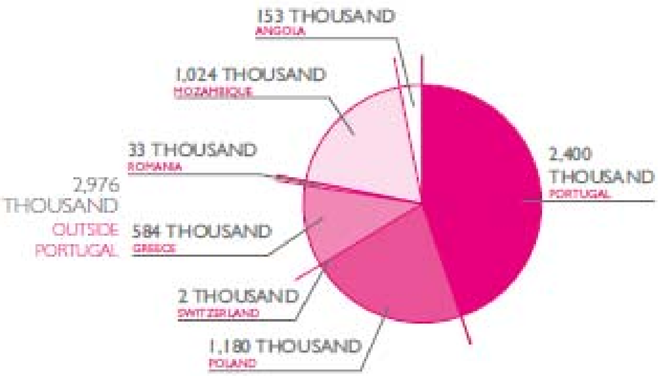


REMOTE CHANNELS AND SELF-BANKING

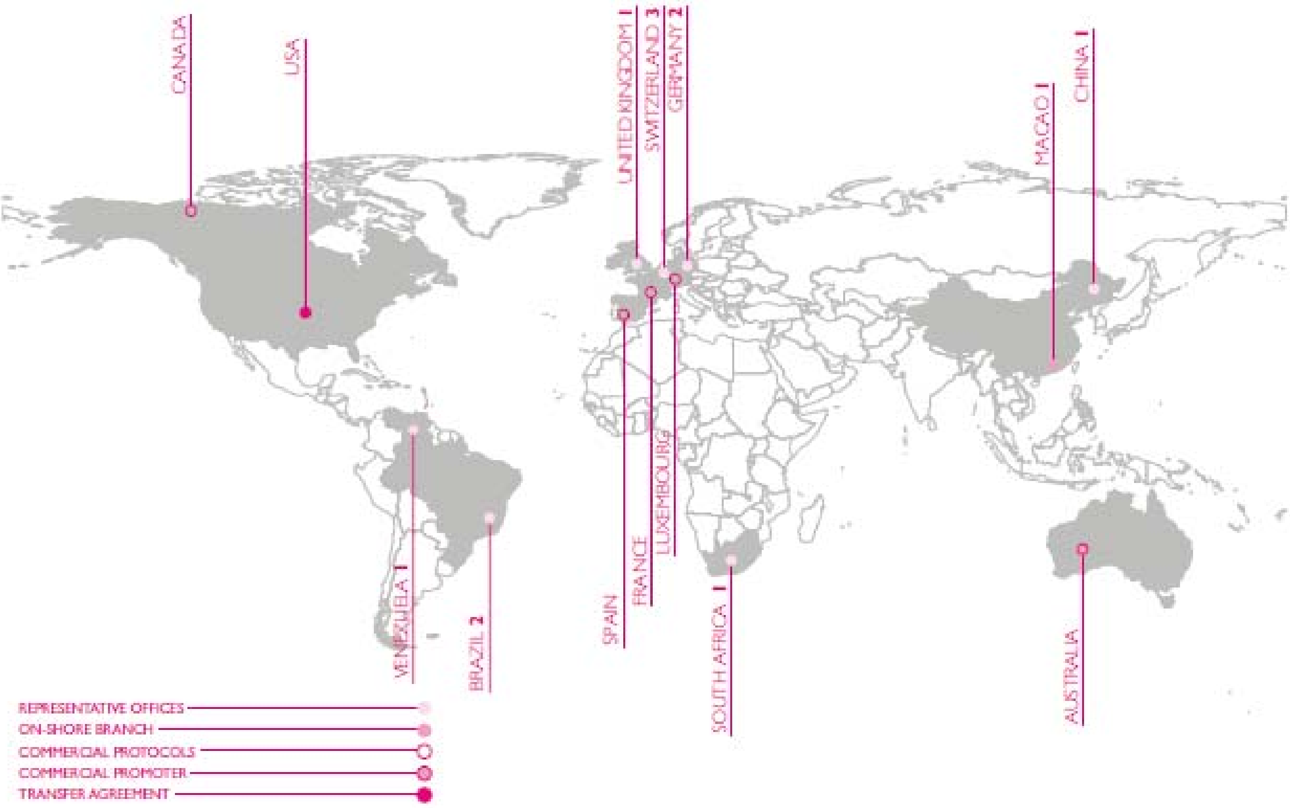
	Internet	Call Centre	Mobile Banking	ATM (*)
TOTAL IN PORTUGAL	541,877	102,983	39,743	2,430
POLAND	612,102	30,305	28,278	571
GREECE	16,982	17,467	106	206
ROMANIA	13,328	638	517	68
MOZAMBIQUE	18,540	124,922	96,992	345
ANGOLA	850	0	0	88
TOTAL OF INTERNATIONAL OPERATIONS	661,802	173,332	125,893	1,278
TOTAL	**1,203,679**	**276,315**	**165,636**	**3,708**

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.

5.4 MILLION CUSTOMERS

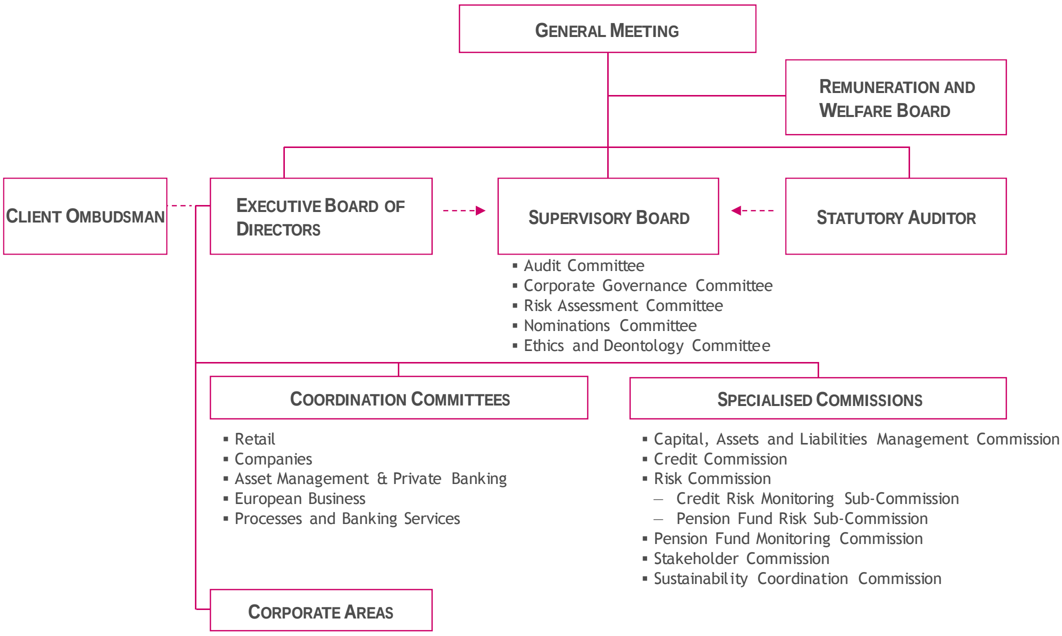


REPRESENTATIVE OFFICES, BRANCHES, COMMERCIAL PROTOCOLS, COMMERCIAL PROMOTER AND TRANSFER AGREEMENT

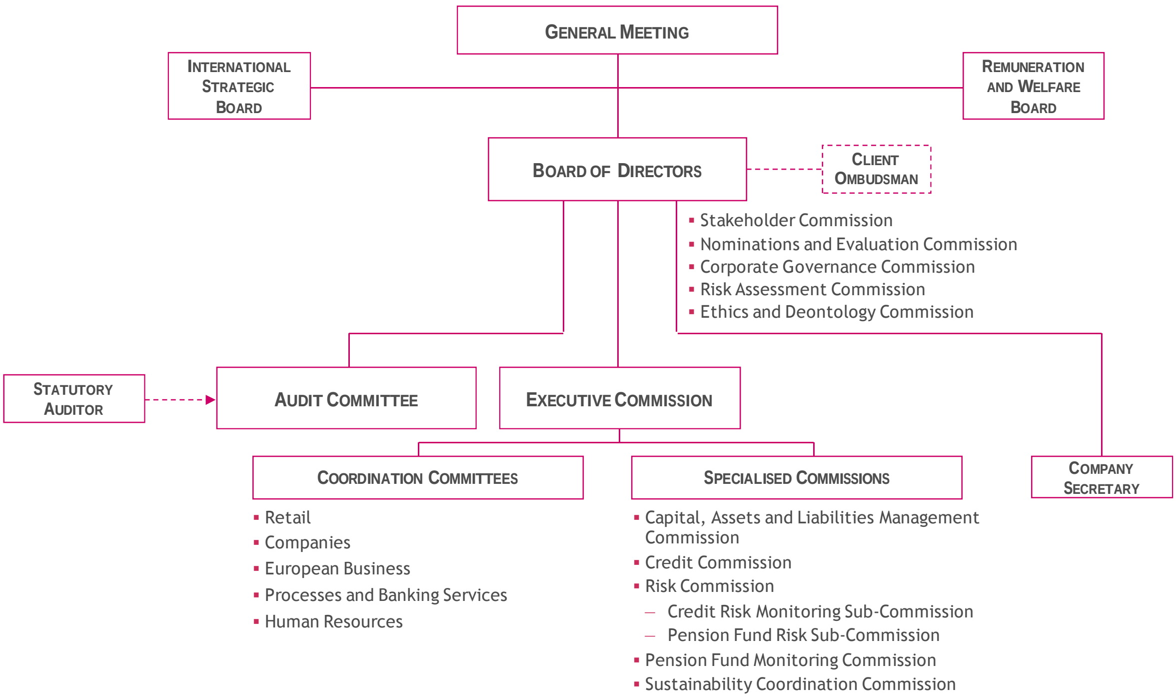


INTERNAL ORGANISATIONAL MODEL

As at 31 December 2011, Millennium bcp adopted the two-tier governance model, which enable the separation between management and supervision, with the first activity being under the responsibility of the Executive Board of Directors (EBD) and the second being undertaken by the Supervisory Board (SB), composed by members majoritarily independent in relation to the company.



As at 28 February 2012, it was held a General Meeting of Shareholders of Banco Comercial Portuguese, SA, being approved the alteration and restructuring of the articles of association of the company, which was consolidated in the adoption of an one-tier management and supervision model, composed by a Board of Directors, an Audit Committee and Statutory Auditor, as well as the creation of an International Strategic Board.



As at 31 December 2011, the internal organisational model of Millennium bcp covered four business areas: Retail, Companies, Asset Management & Private Banking and Business Abroad (Europe, Africa and Other), and two support units - Processes and Banking Services and Corporate Areas.

BUSINESS IN PORTUGAL

RETAIL *
- Retail Banking (South, Centre South, Centre North, North)
- Madeira and Azores Regional Departments
- Direct Banking
- Cards Department
- Network Support Department
- ActivoBank

COMPANIES *
- Companies Banking (South, North)
- Corporate I and II
- Investment Banking Department
- Tax Advisory Services - Investment Banking
- Specialized Credit Department
- Real Estate Business Department
- International Department
- Microcredit

PRIVATE BANKING & ASSET MANAGEMENT
- Millennium bcp Gestão de Ativos
- Treasury & Markets Department
- Private Banking Department

PROCESSES AND BANKING SERVICES
- IT Department
- Operations Department
- Credit Department
- Standardized Recovery Department
- Specialized Recovery Department
- Litigations Department
- Administrative & Logistis Department
- Prevention & Safety Office
- Quality Department

CORPORATE AREAS
- Compliance Office
- Planning & Budget Control Department
- Research Office
- 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 EC
- FBSU - Foreign Business Support Unit
- Staff Management Support Department
- Risk Office
- Rating Department
- Financial Holding Department
- Assets and Liabilities Management Department
- Support Office of the Board of Directors

INTERNATIONAL BUSINESS

EUROPE
- Bank Millennium (Poland)
- Millennium Bank (Greece)
- Banca Millennium (Romania)
- Banque Priveé BCP (Switzerland)
- Banque BCP (France and Luxembourg) **

AFRICA
- Millennium bim (Mozambique)
- Millennium Angola

OTHERS
- Millennium bcp Bank and Trust (Cayman)
- Desk Oriente - Macao/China
- Brasil ***

* The Marketing Management Department registries the two Committees ** Consolidated by the equity-method *** Partnership agreement with Private Bank Atrantico, S.A. for the creation/acquisition of a bank in Brazil aiming to exploit the brazilian market.
Note: The Internal Organization Model is structured according to the criterion of geographic segmentation (vs. Business in Portugal. Foreign Business).

COMMITTEES AND COMMISSIONS UNDER THE EXECUTIVE BOARD OF DIRECTORS

As at 31 December 2011, there were five Coordination Committees, aimed at facilitating the articulation of current managerial decisions, involving the senior management of the units included in each Business Area and in the Banking Services Unit, with the mission of aligning perspectives and supporting the management decision-making process of the Executive Board of Directors:

Retail Committee – This Committee mission is the monitoring and management of Retail Customers, with the objective of analysing the Bank's activity in this area and finding the best solutions for growth and enhancement of loyalty in the different segments. The duties of this committee involve monitoring the activity and outcomes related to Individual and Business Customers and analysis of compliance with the objectives; definition of the priorities of the commercial action; approval of products and services for Retail customers; analysis of the business context and proposal of commercial action so as to respond to this context; analysis of the main risk indicators associated to the Individual and Business segments; and analysis of the models of coordination of the Individuals segment regarding their migration in the value proposition and networks of the Bank.

Companies Committee – This Committee mission is the analysis and planning of the monitoring and development of the Bank's business in the SME, Corporate and Investment Banking segments. The duties of this committee involve monitoring the activity related to Company and Corporate Customers and analysis of compliance with the objectives; definition of the priorities of the commercial action; approval of the products and services to be launched; analysis of the business context and proposal of commercial action so as to respond to this context; analysis of the main risk indicators associated to the business; and analysis of the models of coordination of the business regarding their migration in the value proposition and their interconnection with the Bank's networks.

Asset Management & Private Banking Committee – This Committee objectives are monitoring and Coordination of investment processes, investment policies, benchmarks and guidelines of investment products managed and/or distributed by the Bank and Advisory services (of the relevant areas - Asset Management, Management of Portfolios and Individual Customers, Treasury and Markets, Life Insurance and Private Banking); and the "high-level" discussion and definition of scenarios of market evolution by relevant geographical area. The duties of this committee include the review and regular monitoring of investment processes, investment policies, benchmarks and guidelines of investment products; analysis of the performance of all the investments products managed and/or distributed by the Bank; analysis of the effectiveness of the implemented advisory processes; and market analysis and definition of scenarios of market evolution. This committee discusses the "high level" definition of scenarios of market evolution by relevant geographical area, based on the analysis of the effectiveness of the implemented advisory processes and analysis of scenarios of market evolution.

European Business Committee – This Committee mission is the monitoring of activity concerning the Group's operations on European territory. Its duties involve analysis of the evolution of activity in the different European operations; the search for the best solutions to control costs, increase the efficiency and streamline the various Banks; the monitoring of the Process Management model and governance structure of the different operations and definition of the main policies on action and guidelines.

Processes and Banking Services Committee – This Committee mission is the monitoring of activity in the major areas of support to the bank's front-end services and fundamental search for mechanisms and processes to efficiency, cut costs, and improve the business processes and monitoring of the management structure of processes implemented at the Bank. The duties of this committee involve the analysis of the evolution of the activities of the areas included under the committee; the search for the best solutions to control costs, enhance the efficiency and streamline the Bank's activity; the monitoring of the Process Management model, governance structure and creation of new processes, definition and stimulation of the duties and competences of the process owners; approval of proposals of innovation in the management of the Bank's resources and in the optimisation of their use; definition of policies concerning procurement and control of external services to be used by the Bank; definition of policies on contracting, monitoring and control of outsourcers and other external services; and definition of the measurement of analysis and evolution of the areas under the control of this committee, so as to enable the continuous measurement of the efficiency and productivity levels of the resources.

The monitoring of the activity of the previous Corporate & Investment Banking segment has been transferred to the Companies Committee. Business Abroad in Africa (Mozambique and Angola) and Other International Business (Macao/China) were considered that the particularities of these markets warrant individualised treatment and, consequently, that they would not benefit from integration into coordination committees.

Furthermore, there were six commissions under the Executive Board of Directors whose duties are essentially of an overall and transversal nature, involving the study and assessment, for each area of intervention, of the policies and principles which should guide the action of the Bank and Group. These Commissions are as follows:

Capital, Asset and Liabilities Management Commission (CALCO) – this commission is responsible for the monitoring and management of market risks associated to the structure of assets and liabilities, the planning and proposals of capital allocation and proposals for the definition of suitable liquidity and market risk management policies, at the level of the Group's consolidated balance sheet.

Credit Commission – deliberates on the granting of loans and advances to Customers, pursuant to the Credit Regulation.

Risk Commission – whose duties involve monitoring overall risk levels (credit, market, liquidity and operating risk), ensuring that these risks are compatible with the objectives and available financial resources and strategies approved for the development of the Group's activity.

Credit Risk Monitoring Sub-commission – which is responsible for monitoring the evolution of credit exposure and the contracting process; monitoring the evolution of the portfolio's quality and key indicators on performance and risk; monitoring the counterparty risk and concentration risk of the highest exposures; monitoring the evolution of impairment and the main cases of individual analysis; analysis of the performance of the recovery processes; monitoring of property portfolio divestment; preparation of proposals for the definition of policies and rules on credit concession; monitoring of the PD and LGD models; and monitoring of the models underlying the calculation of impairment and monitoring of the automatic decision-making and loan recovery processes.

Pension Fund Risk Sub-commission – whose duties involve monitoring the performance and risk of the Group's Pension Funds and establishing appropriate investment policies and hedging strategies.

Pension Fund Monitoring Commission – whose duties involve monitoring the financial management of the Pension Funds and issuing opinions on proposals to alter the respective pension plans, and was established under the terms of article 53 of Decree-Law 12/2006, of 20 January, in the wording given by Decree-law 180/2007, of 9 May.

Stakeholders Commission – this body for relations with Stakeholders works as a special channel for the dissemination of the company's internal information and a debating and strategic advisory forum for the EBD.

Sustainability Coordination Commission – whose duties involve the submission of proposals for decision-making on topics related to the action plan based on the sustainability policy, monitoring and reporting on the degree of achievement of the approved initiatives, and supervision of the preparation of reports and other communication formats in the area of sustainability.

COMMISSIONS UNDER THE SUPERVISORY BOARD

As at 31 December 2011, five specialised committees have been created with a view to ensuring and contributing to the good performance of the duties of the Supervisory Board:

Audit Committee - responsible for the supervisory matters concerning management, financial reporting documents, qualitative measures for the fine-tuning of internal control systems, risk management policy and compliance policy. This Committee also analyses the process of classification of the bank's Customers in terms of risk, carried out by the Rating Department, supervises internal audit activity and endeavours to ensure the independence of the Statutory Auditor.

Corporate Governance Committee – its main duty is the analysis of the corporate governance model adopted by the Bank, proposing any changes deemed suitable. This Committee is also responsible for issuing opinions on the capacity of independence of the members of the Supervisory Board, and may propose changes to its Working Regulations and Committees. Furthermore, this body also issues opinions on the Working Regulations of all other governing bodies and on the Corporate Governance Report.

Risk Assessment Committee – responsible for advising the Supervisory Board and Executive Board of Directors on matters related to the definition of strategy with respect to risk, and monitoring the implementation of this strategy by the Bank. This action should include advice on strategies for capital and liquidity management, as well as market risk management.

Nominations Committee – issues recommendations on new members of the Management body, on the appointment of Coordinating Directors and first line reporting, as well as the appointment of Directors or Coordinating Directors in other institutions in which the Group has interests. This Committee is responsible proposing, on an annual basis, to the Supervisory Board, the document of assessment of the performance of the Executive Board of Directors and Supervisory Board, and it may also participate in the monitoring of the Bank's policies regarding human resources and staff.

Ethics and Deontological Committee – its main duty is to ensure that the Bank has the appropriate means to promote a suitable decision-making process and in compliance with the law, external and internal regulations, and also carries out an assessment of the compliance function.

Following this General Meeting of 28 February 2012 began to emanate from the Board of Directors the following committees: Stakeholders, Corporate Governance, Risk Assessment, Nominations and Ethics and Deontological. From the Executive Committee began to emanate the Coordination Committees (it was created the Human Resources Coordination Committee and it was extinguished the Asset Management & Private Banking Coordination Committee), as well as the specialized committees that previously emanated from the EBD, with the exception of the Stakeholders Commission that now is under the Board of Directors. The new **Human Resources Committee** aims to define, decide and monitor HR policies to support the Bank's operational efficiency and business, aiming accuracy and meritocracy promoted through strong leadership, enthusiastic, closer to people and based on experience of the values of the Millennium bcp.

For more detailed information on the composition, mission and functions of each Coordinating Committee and Specialized Commissions of the EBD and the SB should be consulted the Report on Corporate Governance (Volume II of this report).

ECONOMIC ENVIRONMENT

OVERALL APPRAISAL

The process of economic recovery which began in 2010 continued during the first half of 2011, notwithstanding the persistence of risks associated to the real estate market in the USA, the growing pressure on the sustainability of the public debt of the peripheral countries of the Eurozone and respective processes of economic adjustment and budgetary consolidation, the higher volatility in the emerging markets and the process of implementation of improvements in the regulation of the financial system. A significant part of these risks tended to occur in 2011, namely the increased tension in the European institutional framework, contributing to uncertainty and expectations regarding the conclusions and decisions which will be reached during 2012. The deterioration of funding conditions in interbank markets led to the greater use, by European banks, of direct funding from the ECB. These circumstances, of greater risk for economic growth in the Eurozone, combined with a reduction of inflationary pressures and dysfunctionality of monetary transfer mechanism, encouraged the ECB to review its monetary policy parameters, having lowered interest rates and adopted exceptional measures to support the liquidity of the financial system, the effects of which should be felt throughout 2012.

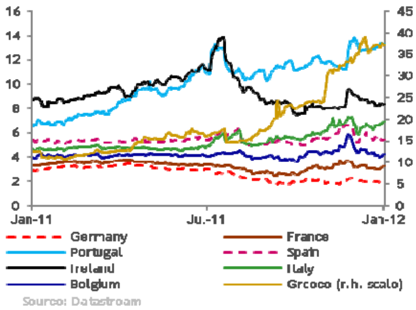
In April 2011, the Portuguese authorities undersigned the Economic and Financial Assistance Programme, aimed at the correction of macroeconomic imbalances (budget deficit and external deficit), the sustainability of public finance and financial stability, and the implementation of a series of structural reforms to boost long term economic growth. In compensation, the International Monetary Fund, European Commission and European Central Bank will ensure an important proportion of the public funding needs up to 2013, with it being expected that the country will gradually return to being able to meet its funding needs in the market over this period. Notwithstanding this, the consolidation of public finance will have strong repercussions on the level of disposable income of families and companies, constraining economic growth and saving capacity.

The economic and financial uncertainty has constrained the performance of the national financial system and the search for solutions to comply with the regulatory requirements on bank recapitalisation and liquidity. Particular note should be made of the added importance of attraction of stable financial funds, as well as greater selectivity in processes of loan concession and identification of the most competitive business segments, factors to be taken into account for the achievement of deleverage targets and promotion of economic growth in a context of strong funding restriction. The efficient achievement of these objectives implies a strengthening of customers and investor trust, through the promotion of ethics and transparency in management, the involvement of all stakeholders,, more effective risk management and the search for innovative proposals and processes with a view to meeting the needs arising from a new economic paradigm, reconciling financial, social and environmental objectives.

GLOBAL ECONOMIC ENVIRONMENT

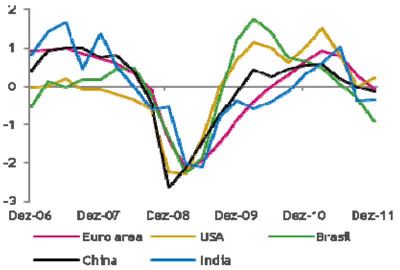
The global economy was affected negatively in 2011 by atypical and temporary exogenous factors, such as the natural disaster in Japan, by phenomena of systemic nature with repercussions on the evolution of market behaviour and by global political developments of impact as yet undetermined. Simultaneously with the persistence of modest consumption and investment levels in the advanced economies, due to the process of correction of the high levels of public and private debt and arising from the climate of uncertainty, there was an increase of political tension in the Middle East and North Africa and unusual instability in the European financial system, with implications on the evolution of international trade and potential growth of the world economy.

Sovereign debt strains in the euro area spread and become systemic
European sovereign debt
Yields 10y Bonds (in percentage)



The economic activity in European countries deteriorated over 2011, as a result of the intensification of the mechanisms of interaction between sovereign risk, the financial system and real economy, which progressively involved countries of higher economic relevance. The volatility of the financial markets increased, as a consequence of the higher European institutional instability, in view of the uncertainties on the solidity of the mechanisms supporting the Economic and Monetary Union and the deleveraging and recapitalisation requirements of the financial system. The persistent legacy of the excessive debt levels will continue to affect economic performance in 2012. The sustainability of public finance may require additional and continuous measures of budgetary consolidation, in order to compensate the negative effects of the economic cycle in the more immediate term and of the demographic challenges in the long term. It is expected that economic growth will be modest during 2012, with the persistence of some disparity of performance between the countries of the periphery of Europe and the countries of Central and Eastern Europe, arising from the room for manoeuvre enabled by the different conditions of public finance. Employment gains are likely to be very moderate, indicating structurally high levels of unemployment. Business prospects continue poor, with very modest evolution of orders, although, in compensation, stock levels have been adjusted accordingly, which may represent a positive factor for productive activity in the long term. During 2012, the return to more robust and sustained growth will depend on expectations regarding the correction of the economic and financial imbalances and on the reactions of investors to the measures aimed at mitigating the uncertainty surrounding the future of the European Union.

Global economic activity weakened considerably
Business Confidence Indices
Normalized values in the period



Source: Datastream

The USA showed improved performance by the end of 2011, underpinned by increased consumption. However, the budgetary restrictions and limits in terms of monetary policy options, to stimulate the economy, constrain potential long term growth, with higher risks for the evolution of family expenditure. The political cycle could also be a motive for increased uncertainty.

The slowdown of the global economy has attenuated inflationary pressures in the emerging economies, which enabled the adoption of less restrictive monetary policies. Economic policies will be important in the correction of global macroeconomic imbalances, constituting a structural challenge for the emerging economies, since balanced solutions will have to be found for the transition from a development model based mainly on external stimulus to a system providing more continuous engines of growth based on internal demand with generalised improvement in living standards in a sustainable manner.

The IMF forecasts published in September point to global growth of 4% in 2011 and 2012, a downward revision of 0.3 and 0.5 p.p. relative to the forecasts of the end of the first semester, especially due to the higher risks regarding growth in the Eurozone (1.6% in 2011 and 1.1% in 2012) and slowdown of growth in the USA (1.5% in 2011 and 1.8% in 2012). The contagion effect of the economic and financial turbulence of the European countries to other zones will be higher the stronger the trade connections and exposure to the European financial sector. However, the IMF considers that the risks of contagion to the largest emerging economies will be limited, and forecasts growth of these economies at around 6% in 2011 and 2012.

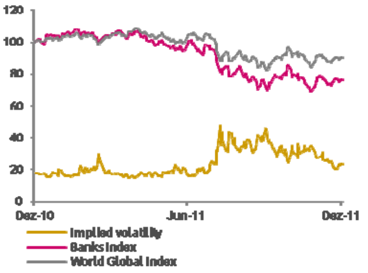
Global Financial Markets

2011 was characterised by renewed volatility in the financial markets and higher aversion to risk by investors. The intermittence of the global economic recovery and the redefinition in progress of the European institutional framework represent important risk factors for the performance of the financial markets in 2012.

Commodities maintained their trend of appreciation in 2011, but more modestly than the previous year and less homogeneously, where gold was a particular exception, having recorded new historic peaks, and being a special instrument due to its nature as a refuge investment and properties of investment portfolio diversification that it still offers.

With the lower rate of global economic growth and inflationary pressures, the priorities of economic policy moved away from the control of inflationary pressures and towards sustainment of economic growth, with the implementation of more expansionist monetary policies (European and emerging countries). At a European level, the limitations of budgetary policy and the instability of the economic climate might offer an opportunity for new reductions of interest rates, in spite of the reference rates of the central bank already being at historically minimum levels in the EMU. The aggravation of the tension associated to the resolution of the sovereign debt crisis has made the access of financial institutions of the Eurozone to wholesale debt markets a more difficult and costly process, especially for long term debt. In order to mitigate these difficulties, the ECB introduced new liquidity assignment instruments - unlimited funds for a period of three years, reduction of minimum cash reserve requirements to half, and review of securitisation eligibility -, whose repercussion on market behaviour should be evident throughout 2012, in the expectation of attenuating part of the funding problems of the European interbanking system.

Investors risk aversion affected financial markets performance
Equity Global Indices (100=Dec.2010)
Implied volatility (in percentage)



Source: Datastream

In the foreign exchange market, the upward trend of the euro was reversed by the end of the first semester. The intensification of the pessimism shown by investors led to the depreciation of the European currency in relation to the USD, to values below 1.30 USD, a minimum recorded in September 2010, and in relation to the yen, to around 100 yen per euro. The divergence in economic performance and dampening of demand at a worldwide level contributed to increasing the concerns on the valuation of currency in certain countries, with examples such as the determination of the Swiss and Brazilian authorities to intervene in the value of their currencies. Foreign exchange policy decisions should continue to be highly relevant in the economic and political context throughout 2012.

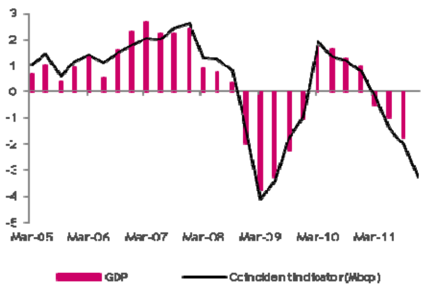
The evolution of global stock market indices in 2011 reflect the progressive cooling down of business activity and growing climate of risk aversion. On average, there was a devaluation of 10% in global stock market indices, with a strong negative influence on the performance of securities of the banking sector, which recorded a devaluation about three times higher than that of the market.

The instability of the economic and political context led to numerous rating revisions, in particular the decision of one of the agencies to downgrade the rating of the USA in August (from AAA to AA+, with negative outlook) and the possibility of revision of the rating of 15 countries of the Eurozone, including the six countries which had maximum rating.

Prospects for the Portuguese Economy and Implications for the Banking Business

During 2011, the structural imbalances of the Portuguese economy became preponderant. The high levels of public and private indebtedness, in a context of low economic growth, and the aggravation of the perception of the credit risk of sovereign debt instruments led to prohibitively exorbitant funding conditions, imposing the request for international financial assistance in April. Since this date, the Portuguese economic and financial context has been constrained to the implementation of the Economic and Financial Assistance Programme, under its fundamental pillars: sustainability of public accounts, implementation of structural reforms and defence of financial stability, and the sustained funding of economic activity in Portugal.

Portuguese economy double-dip in the second half of 2011
GDP vs. Coincident Indicator (Mbcp)
Real annual percent change



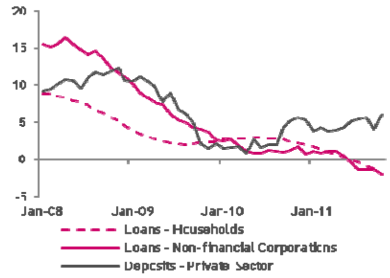
Source: INE e MBCP

Concerning the promotion of financial stability, the economic adjustment plan establishes objectives for the reduction of the transformation ratio (loans-to-deposits ratio), the strengthening of the capital and liquidity ratios of the financial system and the reduction of funding needs from abroad. These conditions are considered necessary to ensure the recovery of access to the international debt markets by 2013. During this adjustment period, the capacity to replace the current funding structure by stable domestic funds, i.e., less sensitive to alterations in the perception of risk by international investors, will be very limited. Therefore, the funding of the economy should continue to be ensured, essentially, through institutional means (European and ECB funds), which will evolve in accordance with the successive balance established between the deleveraging process and the adverse collateral effects on economic activity and the productive structure.

The progressive weakening of internal demand has exacerbated the recessive process into which the Portuguese economy has fallen since the first quarter. However, the contraction of economic activity in 2011, estimated at approximately 1.6%, was attenuated by the more favourable behaviour of net external demand in the beginning of the year. The budgetary consolidation necessary in 2012 in order to ensure compliance with the Economic and Financial Assistance Programme, with repercussion on private expenditure (tax and effective parafiscal load, remunerations and pensions), and the conditions of access to more restrictive funding, limit consumption and investment, leading to a higher contraction of GDP, with negative impacts on productive capacity, the evolution of employment and the financial circumstances of families and companies. The behaviour of external demand and the capacity to improve the attractiveness of Portuguese products and services have become determinant to prevent an even more negative and penalising scenario of the economic and financial adjustment process.

This context implies further challenges for banking activity. As a consequence of the deterioration in economic circumstances, there has been a significant weakening of the profitability of banking activity and loan quality. It is expected that there will be a slowdown in demand for credit, above all by individuals, as well as greater selectivity in the loan concession process, with the reallocation of the funding between sectors and companies, favouring businesses which show prospects of being more competitive. The most demanding regulatory requirements and the process of convergence of the transformation ratio (loans-to-deposits ratio) to 120% by the end of 2014 constitute active restrictions on the capacity to grant loans and advances to the economy; the fall in real disposable income, the exhaustion of the effect of financial asset recomposition and the restrictions to the remunerative rates of financial investments could constrain the behaviour of deposits in the short term. In spite of the risks and challenges to the activity, the financial system will continue to play a fundamental role in the sustained support of economic growth, especially in the allocation of the very scarce resources to foster innovation and the transformation of the Portuguese economy, promoting its opening to the world abroad and structurally reducing funding needs.

Financial deleveraging proceeding
Loans and deposits, private sector
Annual percent change



Source: Datastream

The profound alteration of the economic, financial and regulatory context should continue to stimulate the review of business models and geographical positioning by the banks, with a view to more specialised action, with greater focus on the exploration of distinctive advantages and in accordance with the supporting financial capacity, thus constituting a fertile context for the simultaneous emergence of business opportunities and threats, remodelling the competition and competitive context in which banks operate.

INTERNATIONAL OPERATIONS

The application of the public accounts consolidation measures under the financial assistance programme to Greece had a strongly recessive effect on economic activity in 2011, circumstances which should persist in 2012. Internal demand remains very depressed due to the reduction in family income, credit restrictions and adjustment in the labour market. The social and political instability, the non-compliance with the budgetary targets and the unaffordable levels of debt in 2011 maintained a climate of strong risk aversion, leading to the flight of deposits and creating additional difficulties in the funding of the economy. In this context, the support through institutional means has been crucial, with the design of a new multiannual assistance programme being underway, which involves multilateral financial assistance under the IMF and the voluntary participation of the private sector in the restructuring of part of the Greek debt, constituting an important risk factor for 2012.

Less exposed to the turbulence in the periphery of the Eurozone, the growth of the countries in Eastern Europe kept up a good rate during 2011. In the case of the Polish economy, business activity may slow down over the next two years in view of the lesser buoyancy abroad, the progressive budgetary consolidation process and the phased effect of the increased interest rates in 2011, although these were partially compensated by the depreciation of the zloty. Even so, the growth rate will be robust as a result of the public projects co-financed with European Community funds and the European football championship. Inflation should be modest, enabling interest rates of 4.5% or even a slight reduction.

Economic activity in Romania has evolved beyond its potential, a fact which reduces the risk of significant inflationary pressures, hence the interest rate should remain at 6.0%. The economy may accelerate in 2012, due to consumption and private investment, subject to risk derived from decreasing external demand. The greater climate of risk aversion could affect institutional and market funding conditions, in particular as the elections established for 2012 draw closer.

The strong growth of the Mozambican economy has been sustained by "megaprojects" (aluminium, electrical energy, natural gas, titanium and coal) and by public investment projects. However, evidence begins to emerge of a slight slowdown at a sectorial level. Monetary policy has been prudent, both in control of inflationary pressures, through a restrictive monetary pressure which is reflected in a pronounced deceleration of credit to the economy, and in the reconstitution of external reserves aimed at ensuring a minimum funding level for 4.5 to 5 months of imports.

The performance of the Angolan economy in 2011 was strongly influenced by the negative contribution of the oil sector to GDP growth (approximately -2 p.p.). Although international oil prices increased, the prolonging of the maintenance works of the oil facilities until mid-2011 led to a sharp fall in oil production. In compensation, the non-oil sector showed robust growth (~8% in 2011 and 12.5% in 2012), where this productive diversification is associated to public infrastructure projects (water, electrical energy, health and transport). Inflation has been falling, correcting the hike in the price of energy, and there has been good progress in the implementation of the economic and financial adjustment programme negotiated with the IMF.

Gross Domestic Product

Real annual percent change

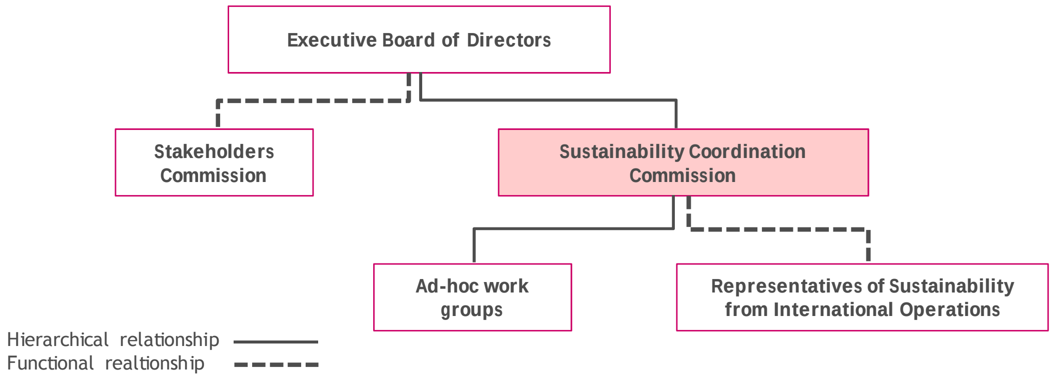
	2009	2010	2011 (E)	2012 (P)
EUROPEAN UNION	-4.2	2.0	1.6	0.6
Portugal	-2.5	1.4	-1.9	-3.0
Greece	-2.0	-3.5	-5.5	-2.8
Poland	1.7	3.9	4.0	1.4
Romania	-7.1	-1.9	1.7	2.1
SUB-SAHARAN AFRICA	2.7	5.4	5.2	5.8
Angola	2.4	3.4	3.5	10.8
Mozambique	6.3	6.8	7.2	7.5

Source: European Countries: European Commission, Fall 2011; African Countries: IMF, WEO, Sep.2011 & Country Reports

DIALOGUE WITH STAKEHOLDERS

STAKEHOLDERS ENGAGEMENT

The formal incorporation of the Stakeholders engagement in the Bank's organisational model began in 2005, taking on a transversal coverage, directly under the Chairman of the Executive Board of Directors, reflecting the importance of this matter within the Organisation. Currently, this management is placed within the sphere of action of the Stakeholders Commission and Sustainability Coordination Commission, both of which support the decisions of the Executive Board of Directors in the areas of corporate and social responsibility.



During 2011, four meeting were held concerning the monitoring of the Bank's activity:

- In the Sustainability Coordination Commission meeting was presented: i) the progress of the activities established in the Sustainability Master Plan and analysed the actions planned up to the end of 2011; ii) a summary of the Annual Report, which for the first time integrated information on social and environmental performance; and iii) an update on the topic of Financial Literacy;
- During the three Stakeholders Commission meetings the following topics were presented and debated: i) economic and financial context; ii) analysis of the funding plan for 2010 and objectives for 2011; iii) integrated Annual Report; iv) Behavioural Supervision report of the Bank of Portugal and main impacts on the bank's activity; v) conclusions of the General Meeting held on 18 April; vi) impact on the banking sector of the Economic and Financial Assistance Programme to Portugal; vii) adjustments in the 2011-2013 strategic plan arising from the economic and financial context and commitments assumed under the economic and financial adjustment programme; viii) status report on the operation to increase share capital; and ix) Millennium bcp Foundation activities plan. During the May meeting, two additional permanent members were appointed: António Ramalho, Member of the Executive Board of Directors of Millennium bcp, and Patrick Huen, Deputy Chairman of the Industrial and Commercial Bank of China – Macao, and the leaving of Luís Campos e Cunha was announced.

Millennium bcp offers a large number of communication channels in order to foster a better understanding of Stakeholder expectations and their integration in the Bank's strategy. The Institutional website provides the model of dialogue with interested parties, as well as the mapping of the subgroups of Stakeholders which determines the type of involvement with each of them.

IDENTIFICATION OF MATERIAL SUBJECTS

The strategy of action in the area of sustainable development reflects the commitment of Millennium bcp of involvement and hearing of the main Stakeholders – Employees, Customers, Shareholders, Suppliers, Media and Analysts, and of close relations with all others – Regulatory Entities, structures representing the Employees, partners for education and culture and social support entities.

Millennium bcp has consistently worked on the consultation of Stakeholder representatives since 2009, directly concerning Stakeholders whose type of involvement was identified as focusing and informing, which has led to the prioritisation of topics taking into account the crossing of the importance attributed by each group of Stakeholders and by the Bank.

In 2011, an analytical study was made of the topics considered by the Corporate and Social Responsibility Analysts (ESG Analysts) as being the most relevant taking into account the current economic, social and environmental context.

Various international publications were analysed, namely: i) "A New Era of Sustainability" by United Nations Global Compact (UNGC); ii) "Vision 2050" report by the World Business Council for Sustainable Development (WBCSD); and iii) European Commission Communication on Corporate Social Responsibility, of October 2011, which presents the new strategy of the European Union for the period of 2011-2014 on this topic.

The table below summarises the material topics arising from this consultation and analysis.

Employees	Reputation of the Bank, strengthening of motivation, financial results, alterations of the Pension Fund, possible restructuring of the Bank, working conditions and particular issues concerning Employees.
Customers	Transparency in pricing, service quality, compliance with regulations and legislation, guaranteed liquidity in deposits, closer relations and of trust, risk associated to investment products, speed of response to loan requests, innovation in products and services, and adjustment to needs and conditions of access to credit.
Shareholders	Shareholder structure and share yield and volatility, efficiency of costs and operations, sustained growth, reputation of the Bank, valuation of shares relative to peers and communication.
Suppliers	Cost control, guaranteed payment, compliance with social and environmental principles, contract profitability and contractual renegotiation.
Media	Financial strategy and results, investments and divestments, reputation and governance model.
ESG Analysts	Economic Dimension: Governance model, diversity in the composition of the Governing Bodies, models of appraisal and compensation of the Governing Bodies, coverage of internal codes and regulations and mechanisms for dissemination/training and monitoring of their compliance, and risk management models. Social Dimension: Human Rights, labour practices, talent management, Employee development practices, management of Customer satisfaction, mechanisms for listening to Employees and Customers, level of integration of the social principles regarding Suppliers and Customers, and level of involvement with the community and respective monitoring of the impacts. Environmental Dimension: Assessment of the impact of climate change on the activity and main risks and opportunities identified for their mitigation, level of incorporation of environmental policies in the activity, model of assessment of direct impacts and respective reduction and mitigation policies.

The monitoring of the subjects that are considered material, identified based on direct involvement with the Stakeholders, and those consequent from regulations and trends arising from the most recent and profound changes - economic, social and environmental - has enabled identifying the strengths of Millennium bcp and opportunities for improvement, whereby the activity developed during 2011 and the strategic adjustments, summarised in this report, reflect the Bank's concern to respond to these circumstances.

Communication and Interaction

Customers

Satisfaction Management System

In Portugal, during 2011, 21 studies were conducted covering the different business areas, segments, products and services offered, which involved sending over 890 thousand questionnaires via the post and electronically, and had an overall response rate of 7%. The in-depth diagnosis carried out amongst Customers of the Retail Network - normally done every three or four years - enabled identifying the challenges and aspects the Customers value most highly in their relations with the Bank. The quality of attendance, friendliness and courtesy shown by the Employees, the competence of the front-office staff are, in the Customers' opinion, determinant factors in the provision of excellent service. Trust in the Bank was clearly the attribute selected by Customers as the main reason for the choice of their main Bank.

The monitoring of Retail Customer satisfaction with the overall offer and service (Satisfaction Management System) enabled concluding that good levels of satisfaction have been maintained based on the strengthening of Customer relations, support and information / financial advisory services and suitability of the offer.

OVERALL INDEX OF SATISFACTION OF THE RETAIL NETWORK CUSTOMERS

Activity in Portugal — Index points

	2011	2010	2009
Overall satisfaction	80	80	79
Repurchase	80	80	79
Recommendation	82	83	82
Continuity	86	86	85

The satisfaction survey of Customers of Portuguese nationality with residential address in Switzerland, Germany and the United Kingdom, covered 28,688 Customers with a response rate of 5.8%. From the analysis of the answers and comments it was concluded that 75% of Customers consider that the existence of a representation office in their country of residence is important. Following this study, Millennium bcp is currently reviewing its offer aimed at Customers resident abroad as well as its actual monitoring and contact model.

A survey to Customers' experience with the direct channels was also conducted and the results reflected the excellent service provided: i) for the telephone service, 91% of Customers are satisfied or very satisfied with the way their problems were resolved; ii) 94% of Customers using mobile banking and 97% of Customers using the Companies Internet will continue to use the service; and iii) 95% of Customers using the Companies Internet are satisfied or very satisfied with the channel.

In order to complement these studies, personal interviews were conducted to Micro and Small Enterprise Customers, aimed at strengthening knowledge on the most important factors in company relations with the Banking sector, preferred forms of contact, and fundamental aspects in the value proposition in terms of products and service.

Regarding international operations:

- Millennium bank in Poland conducted 18 studies, with an overall response rate of 28%, where the level of overall satisfaction with the Bank continues in line with previous years with a value of 78 index points (i.p.) and an increase in the continuity index from 77 i.p. to 80 i.p.;
- Millennium bank in Romania carried out a Customer survey for the first time through telephone interviews, conducted by a market research firm. The seven studies conducted over the year, where an overall response rate of 46% was achieved, enabled concluding that the level of overall satisfaction with the Bank is 87 i.p. and the recommendation index is 89 i.p..
- Millennium Angola Bank continued its research on the quality of attendance at branches through the "Mystery Client", having carried out two actions during 2011, each involving two visits to branches. A Customer satisfaction survey was carried for the first time, with a response rate of 15%, where the level of overall satisfaction with the Bank was 74 i.p. and the continuity index was 84 i.p..

Claims

In Portugal, the downward trend in the number of claims presented continued (with a reduction of 20% relative to 2010). The product on which most claims are incident continues to be the current account, where the various fees payable are the issue which has most contributed to the displeasure shown by Customers.

Close collaboration between the Customer Support Centre (CSC) and Quality Department began in 2011, aimed at analysis and intervention with Customers in areas which, in the answers to the customer satisfaction surveys, reveal indices of dissatisfaction or report occurrences / problems with the Bank.

Following the analysis of claims and dissatisfaction, during 2011, 32 opportunities for improvement were reported to the persons responsible for the management of the respective processes.

Regarding international business: the operations in Romania and Mozambique followed the downward trend, falling by 14% and 10% respectively and in contrast the operations in Poland, Greece and Angola recorded an increase in the number of claims presented, where Poland had the highest number of claims, representing 83% of international business, having recorded 2,046 more claims than in 2010.

CLAIMS [1]

	2011	2010	2009	Change 11/10
CLAIMS REGISTERED				
Activity in Portugal	20,643	25,682	32,284	-24.4%
International Activity	53,995	50,252	69,247	6.9%
CLAIMS RESOLVED (%)				
Acitivity in Portugal	97%	97%	103%	
International Activity [2]	99%	98%	105%	
AVERAGE CLAIMS RESOLUTION TIME (DAYS)				
Activity in Portugal (working days)	5	7	8	
International Activity [3]				
Romenia, Mozambique and Angola (working days)	9	5	2	
Poland and Greece (calendar days) [4]	14	13	34	

[1] Information not available for Switzerland. Information not available for Angola in 2009.

[2] Includes four claims from Poland which conclusion was the lack of Customers privacy.

[3] Information not available for Greece and Mozambique in 2009 and Mozambique and Angola in 2010.

[4] Calendar days according to legal framework.

The Ombudsman followed up 1,099 cases of claims which, due to being allegations received for the first time at the Bank, were forwarded to the Customer Support Centre (CSC), with 81 appeals submitted by Customers having been of its exclusive competence after prior decisions, by the pertinent areas of the Banco Comercial Português Group, which were unfavourable to the Costumer. The products on which the Customers addressed more appeals, as in 2010, were current accounts, mortgage loans, cards, cheques and insurance policies, which represented over 70% of the total number of claims presented.

OMBUDSMAN OF MILLENNIUM BCP

Activity in Portugal

	2011	2010	2009	Change 11/10
Claims forwarded to the CSC[1]	1,099	1,100	1,248	-0.1%
APPEALS PROCESSED BY THE OMBUDSMAN	81	56	83	30.9%
TOTAL APPEALS CONCLUDED	80	52	81	
Concluded successfully	19	11	13	
Concluded with dismissal	61	41	68	
Average response time (days)	14	12	16	

[1] The number reported are included in claims registered indicator, activity in Portugal, on table above.

Concerning the requests usually received from the Portuguese Association for Consumer Defence (DECO), during 2011 the most frequent questions were related to the income paid by the Millennium Monthly Income Fund and data confirmation of for the Personal Credit and Mortgage Loan Barometer.

ENQUIRIES ANSWERED BY MILLENNIUM BCP TO DECO

Portugal

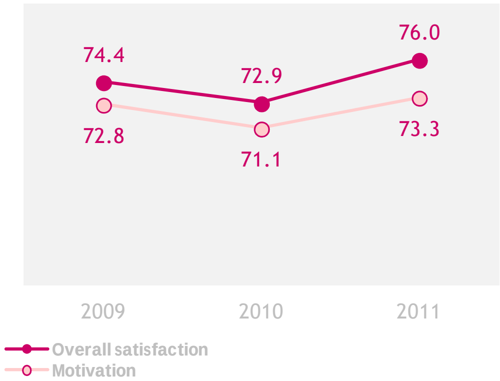
	2011	2010	2009	Change 11/10
Enquiries answered	62	73	82	-17.7%
Average response time (days)	1	1	5	

Employees

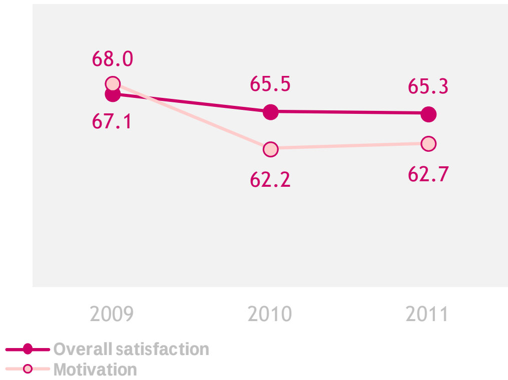
Survey on satisfaction and motivation

The Annual Survey on Employee Satisfaction and Motivation, conducted for the first time in Portugal in 1992, recorded its highest participation in January 2011, in the Group and in Portugal, with a response rate of 83% and 82% respectively. Specific action plans have been implemented based on the information gained from these surveys, and more interventive monitoring has been carried out in the areas of greatest need of improvement in terms of teams motivation and satisfaction, enabling increased levels of satisfaction and motivation in Portugal.

EMPLOYEES SATISFACTION
Activity in Portugal
Index points



EMPLOYEES SATISFACTION
International Activity*
Index points



*Information not available for Poland in 2009.

Internal Customer surveys

The results obtained in Portugal and Greece in the overall survey of the different areas showed a positive evolution with an overall satisfaction index of 76 i.p. (index points), although for the operations in Poland and Romania the values obtained were below 70 i.p., with 65 i.p. and 66 i.p. respectively.

In 2011, the assessment of IT services and applications was expanded to all the Group's operations, thus allowing for a wider and comparable vision of this service in the different countries. The overall results were positive - closing of the year with 75 points of overall satisfaction – being Portugal the country which recorded the highest level of satisfaction with 78 P.I..

The model of daily communication with Employees managed from a platform of shared knowledge – intranet, Millennium TV and newsletter- continues to show a good overall satisfaction, with a value of approximately 79 i.p..

Shareholders, Analysts and Regulators

In compliance with its legal and regulatory reporting obligations, the Bank periodically discloses information on its results and business activity, holding press conferences and conference calls with Analysts and Investors, involving members of the Executive Board of Directors. All the relevant information and reports referred to above, as well as press releases, are public and available on the Bank's Institutional website.

In 2011, the Carbon Disclosure Project was answered for the third time, under the strategy of response to climate change. The Bank also participated in the Climate Change and Corporate Management (ACGE) national index which enables assessing the response of companies to the challenge of climate change and a low carbon economy. Answers were provided to national and international entities that analyse economic, social and environmental practices, namely Vigeo, Oekom research, Trucost and the Business Council for Sustainable Development (BCSD Portugal).

Suppliers

The Bank's main suppliers are companies that publish their economic, environmental and social performance. Nevertheless, Millennium bcp in Portugal includes an annex to supply contracts, entitled "Principles for Suppliers", which establishes the need of compliance with sustainability principles. Currently 430 Suppliers subscribe these principles. Questions on the degree of compliance with these principles are included in the annual Suppliers assessment process.

In all its operations, Millennium bcp continues to favour a procurement process involving Suppliers from the respective country, with this value corresponding to 93% in Portugal and an average of 87% for the international operations. The value of Portugal is in line with the figures recorded in 2009 and 2010, and for the international operations this represents a decrease of 5 p.p. relative to 2010, mainly due to the business in Mozambique. In most countries, 30 days is established contractually as the period of payment, except in Romania and Switzerland whose payment periods are 19 and 28 days respectively. In all countries the contractual periods for payment were respected.

STRATEGY

The changes to the macroeconomic and regulatory environment in the Portuguese banking sector led to the revision of the strategy and to the consolidation of the strategic priority vectors.

Millennium bcp has redefined its corporate vision, assuming a perfect position of national leadership: i) in Portugal, where its market leadership, talent for innovation and quality service and the advantages of scale provide a solid business platform as a base for efficiency gains; ii) in Angola and Mozambique, where it is already a reference bank and where the opportunities for growth and the strong commitment to these countries favour them as the principal geographic areas with high potential to support expansion in the medium term; iii) in Africa, Brazil and China, other markets of affinity where the potential leveraging of the domestic franchise and follow-up of Customers abroad enable access to additional business opportunities, in partnership; and iv) the revaluation of the European portfolio, having already been reaffirmed, after considering various alternatives, its commitment to the organic growth of the Polish operation.

The environment of the Portuguese banking sector deteriorated significantly during 2011, as a result of the intensification of the effects of the sovereign debt crisis, increased European institutional instability, and the uncertainties regarding the mechanisms supporting the European Economic and Monetary Union and the countries under market pressure.

Regarding Portugal, attention focused on the structural imbalances of the Portuguese economy. The high levels of public and private indebtedness, in a context of low GDP growth, weak external competitiveness and aggravation of the credit risk of sovereign debt instruments led to prohibitively exorbitant funding conditions, constraining the action of the Portuguese State and leading to the request for international financial assistance. On 5 May 2011, the Portuguese Government, with the support of the main political parties, announced that it had reached a memorandum of agreement with the IMF, European Union and European Central Bank in relation to an Economic Adjustment Programme (Programme). The main implications of the Programme for the Portuguese financial sector consist of the need to: i) implement a continuous deleveraging process through reduction of the loan portfolio; ii) decrease funding from the Eurosystem during the period of the Programme; iii) achieve a Loans-to-Deposits ratio of 120% by the end of 2014; and iv) comply with the new requirements on solvency, namely a Core Tier I ratio of 9% by December 2011 and 10% by December 2012.

Furthermore, on 8 December 2011, the European Banking Authority (EBA) recommended the strengthening of capital requirements in accordance with bank exposure to sovereign debt, for precautionary reasons. The solvency requirements established by the EBA consist of a Core Tier I ratio of 9% by June 2012 (including the valuation of public debt at market prices and additional deduction to Core own funds, related to financial holdings in financial institutions) and of 10% by the end of 2012. Lastly, it should be noted the phased transition to Basel III criteria as of 1 January 2014.

On 27 July 2011, Banco Comercial Português announced a new strategic agenda for the period 2011-2014, based on four key areas of action: i) guaranteed solvency levels above the regulatory requirements (Core Tier I of 9% in 2011 and 10% in 2012); ii) management of the deleveraging process so as to stabilise funding requirements and structure; iii) recovery of the profitability levels of the business in Portugal, with the objective of surpassing a return on equity of 10%, after the stabilisation of the cycle; and iv) focus of the international portfolio according to its attractiveness and available funds. Under its new strategic vision and focus intended for Portugal, Africa, Asia and Brazil, all other operations in Europe would be subject to a process of assessment of different scenarios with a value to the appropriation of value.

The main initiatives of Millennium bcp in the medium term should be based on the following pillars:

I. Strengthening of the leadership in Portugal

This pillar includes:

- "Project M", aimed at the launch of a new business model which will seek higher efficiency in the approach towards the Mass Market, a new service model for the Affluent and Business segments, focusing on active and self-directed Young People, as well as on a leading multichannel platform, which should enable the reconfiguration of the branch network, concentration of capability and optimisation of resources;
- Restructuring of the operating model, through the redesign of lean front and back office processes, adjustment of the capacity to the new model and strengthening of loan recovery capacities;
- Specialised partnerships, aimed at the development of banking business (in real estate, leasing and factoring and investment banking, amongst others) and expansion of the current offer of non-banking products and services.

II. Angola and Mozambique as a platform of growth for Africa

Millennium bcp will seek to strengthen its operating base for growth in the region, reinforcing the importance of the business in Africa through the intensification of the expansion plans in progress in Angola and Mozambique, and consideration of short term expansion to other countries, as well as the possible development of the mobile banking business.

III. Growth in new markets of affinity

After the signing of a partnership agreement with Banco Privado Atlântico, in September 2011, to create a bank in Brazil in order to access the opportunities of the Brazilian market, namely in the corporate finance and trade finance areas, through partnerships, the Bank is awaiting the issue of a banking license. Moreover, Millennium bcp also plans to strengthen its physical presence in China, having, in 2011, formalised a license application for the opening of an official branch in China.

IV. Reassessment of the positioning of the European operations

Under its new strategic vision and focus in Portugal, Africa, Asia and Brazil, a process of strategic review of all other operations in Europe has been started, for the assessment of the creation of value of the different possible options, enabling a decision on the respective corporate holdings.

On 19 December 2011, Banco Comercial Português, following a process of assessment of different scenarios with a view to the creation of value relative to business in Poland, and having meticulously examined various options, restated its commitment to the organic development of Bank Millennium in Poland. From its analysis, Banco Comercial Português concluded that the option which is most in the interest of its Stakeholders and best fosters the creation of value is the maintenance of its stake in Bank Millennium. Hence, the Bank restated its confidence in the progress of the Polish economy and its commitment to continue to support and sustain the organic development of Bank Millennium, based on its strong position in the retail market, the low risk shown by its loan portfolio and the efficiency and productivity gains that have been achieved successfully.

The Bank is currently appraising options to restructure and/or reduce its exposure to the Greek market, having established a process of assessment of different options and opportunities, including possible participation in the process of consolidation of the Greek banking sector, relative to Millennium bank, Societé Anonyme, in Greece.

Regarding Romania, the option consists of the stabilisation of the business, maintaining the objective of achieving break even in the short term.

BCP SHARE

The situation of the financial markets deteriorated progressively during 2011 in spite of the year having begun with the disclosure of positive macroeconomic indicators, showing the recovery of economic activity at a worldwide level. Various factors contributed negatively to this trend inversion, especially the European sovereign debt crisis, the political conflicts in the Middle East, the earthquake and nuclear crisis in Japan and the deterioration of economic indicators, particularly in the developed economies.

Stock exchange indices recorded heavy losses during the second half of the year in view of the exacerbation of the crisis and the incapacity of European leaders to take substantive steps to overcome the situation. The credit rating agencies successively downgraded the rating of sovereign debt over the year and, consequently, the rating of various companies. The issue of the budget deficit of the USA actually led Standard & Poor's to remove the maximum rating of AAA of the country. In December, the same agency placed the rating of 15 countries of the Eurozone under revision, including six with a maximum rating, and, by January 2012, had already proceeded with the downward revision of the rating of nine countries, of which four by two notches and the rest by one notch.

At the end of the year, various measures were taken to contain the contagion of the sovereign debt crisis, which gave some encouragement to the markets, namely the coordinated action between six central banks to boost the global financial system, the anticipation of the entry into force of the European Financial Stability Mechanism in July 2012 and the increased funds of the International Monetary Fund.

Portugal was one of the countries most affected by the sovereign debt crisis. After the financial assistance to Greece and Ireland and, following the deterioration of the budget deficit, Portugal also resorted to external assistance.

From the beginning of the year, the country experienced progressive increases in the credit spreads implicit in Portuguese public debt securities, following the successive downgrades of the rating of the Portuguese Republic and its companies, and major political instability which finally resulted in the request for external assistance in May 2011, in the holding of early elections and consequent choice of a minority government.

Under the external assistance agreement, Portugal undertook the commitment to a series of structural reforms and budget targets, aimed at overcoming the challenges currently facing the country. This agreement also established support lines for the funding and recapitalisation of the financial sector, as well as targets for the domestic banking sector, namely new minimum limits for capital ratios, and the presentation of a liquidity and capital plan for each financial entity.

In this context, the domestic index PSI20 fell by 27.6%, penalised above all by the domestic banking sector which followed the devaluation of its European peers in a more pronounced manner.

BCP SHARE INDICATORS

	Units	2011	2010
Price (1)			
Maximum price (January 11, 2010 and March 14, 2011)	(€)	0.610	0.866
Average annual price	(€)	0.365	0.639
Minimum price (April 28, 2010 and November 11, 2011)	(€)	0.097	0.515
Last price	(€)	0.136	0.540
Shares and Equity			
Number of ordinary shares	(M)	7,207.2	4,694.6
Shareholders' equity attributable to the Group	(M€)	3,826.8	5,114.1
Shareholders' equity attributable to ordindary shares (1)	(M€)	3,653.3	3,178.8
Value per Share			
Adjusted net income (EPS) (2)(3)	(€)	-0.07	0.05
Book Value (2)	(€)	0.51	0.68
Market Indicators			
Price earnings ratio (4)	(P/E)	-	12.04
Price to book value	(PBV)	0.27	0.85
Earnings yield (4)	(%)	-	7.40
Market capitalisation (last)	(M€)	980.2	2,732.3
Liquidity			
Annual turnover	(M€)	3,297.9	4,703.1
Average daily turnover	(M€)	12.8	18.2
Annual volume	(M)	11,727.3	6,842.9
Average daily volume	(M)	45.6	26.5
Capital rotation (5)	(%)	193.7	146.0

(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 avergae 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 last price.

(5) Total number of shares traded over average number of issued shares.

Share Capital Increase

Following the deliberations of the General Meeting of Shareholders held on 18 April 2011, Banco Comercial Português, S.A. increased its share capital from 4,694,600,000 euros to 6,064,999,986 euros, involving the following components:

- Increase of 120,400,000 euros, through incorporation of issue premium reserves, via the issue of 206,518,010 new ordinary shares, book-entry and registered without nominal value, with unit issue value of 0.583 euros, attributed free of charge to the shareholders;
- Increase of 990,147,000 euros, through the issue of 1,584,235,200 ordinary shares, book-entry and registered without nominal value, with unit issue value of 0.625 euros, against the tender offer for acquisition of subordinated perpetual securities with conditioned interest ("Securities") of the value of 1,000,000,000 euros. Following the Offer, 990,147 Securities were exchanged, of a value of 990,147,000 euros, corresponding to 99.01% of the total Securities object of the Offer.
- Increase of 259,852,986 euros, through the public offer for subscription of 721,813,850 ordinary shares, book-entry and registered without nominal value, with unit issue value of 0.36 euros, offered to the Bank's shareholders, under the exercise of their respective preemptive rights. 701,018,935 shares were subscribed under the exercise of subscription rights, representing approximately 97.1% of the total shares to be issued under the Offer, with 20,794,915 shares having remained available for apportionment. The supplementary requests for shares under apportionment came to a total of 483,373,771 shares, resulting in a total demand of 1.64 times the total shares offered.

Absolute and Relative Performance

During the period from 31 December 2010 to 31 December 2011, BCP shares recorded a minimum price (on an adjusted basis) of 0.097 euros, a maximum of 0.610 euros and an average price of 0.365 euros, having reached the price of 0.136 euros by the end of 2011.

Until the end of May, the performance of BCP in the stock market was in line with the sector, at a national level, with a relative under-performance during the period of the share capital increase, which is normal in this type of event. Over the next period, the shares of Portuguese banks were heavily penalised by the revision of their ratings, following the revisions of the rating of the Republic, and also by the disclosure of the results of the successive stress tests delineated by the European Banking Authority (EBA).

For the year as a whole, BCP shares recorded a devaluation of 74.8% against 62.4% of the PSI Financials and 32.5% of the DJ Eurstoxx Banks.

Index	Total change in 2011
BCP shares	-74.8%
PSI20	-27.6%
IBEX	-13.1%
ASE20	-60.1%
MIB	0.0%
CAC	-17.0%
DAX	-14.7%
FTSE	-5.6%
Euronext PSI Financial Services	-62.4%
Bebanks	-31.7%
DJ Eurostoxx Banks	-32.5%
DJ Eurostoxx	-18.1%
Dow Jones	5.5%
Nasdaq	2.7%
S&P500	0.0%

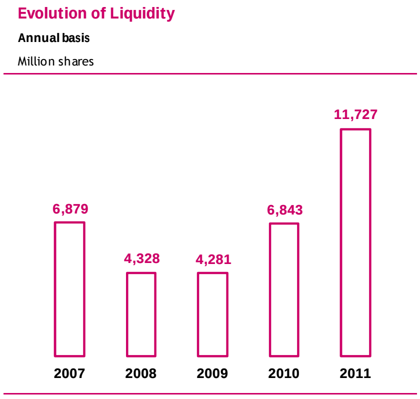
Fonte: Euronext, Reuters e Bloomberg

Liquidity

In 2011, there was a considerable increase in the liquidity of BCP shares, which continue to be among the securities most traded on the Portuguese market and the most liquid of the financial sector.

During 2011, 11,727 million BCP shares were traded, representing an increase of 71.4% in relation to the previous year and corresponding to an average daily volume of 45.6 million shares (26.5 million in the previous year). The annual rotation of BCP shares was the highest of the securities listed in Portugal during 2011, corresponding to 194% of its annual average number of shares issued (146% in 2010).

In terms of turnover, BCP shares represented 11.8% (3.3 billion euros) of the total turnover of shares traded on the regulated market of Euronext Lisbon.



Indices in which BCP Shares are listed

BCP shares are listed in over 40 national and international stock market indices, in particular the following:

Index	Weight (%)	Ranking
Euronext PSI Financial Services	24.30%	2
PSI20	3.38%	9
Lisbon General	1.93%	11
Euronext 100	0.66%	55
DJ Eurostoxx Banks	0.30%	31
DJ Stoxx Banks	0.13%	49
Bebanks	0.09%	44
DJ Eurostoxx	0.03%	304
Bloomberg Europe	0.01%	487

Source: Reuters and Bloomberg.

Apart from these indices, Millennium bcp is part of sustainability indices composed of a group of companies with best performance on matters of sustainability (environmental, social and governance).

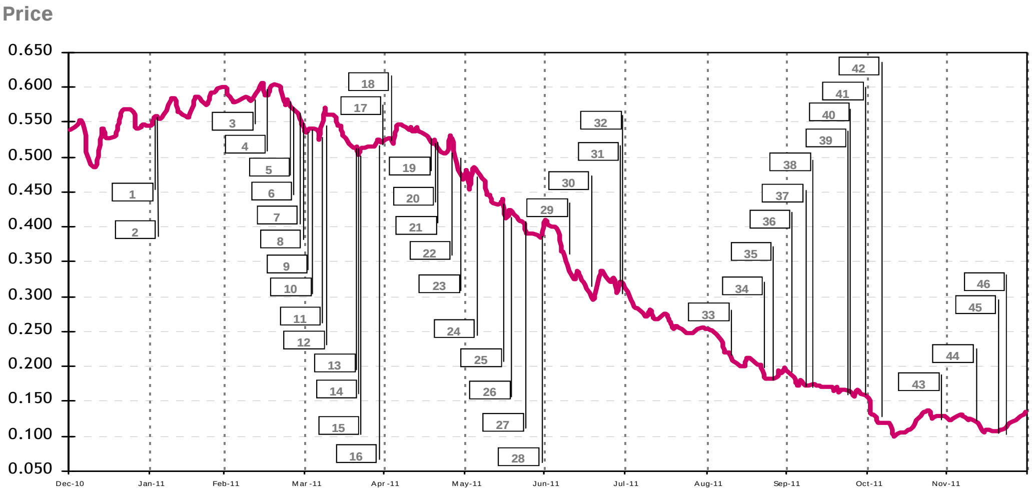
Index
Aspi Eurozone
Ethibel Excellence Europe Ethibel Excellence Euro
STOXX® Global ESG Leaders

MAIN EVENTS AND IMPACT ON THE SHARE PRICE

The table below summarises the main events of 2011, the change of the share price both the next day and 5 days later, as well as its relative evolution compared to the leading reference indices during these periods.

Nr	Date	Event	Change+ 1D	Change vs. PSI20 (1D)	Change vs. DJS Banks (1D)	Change. +5D	Change vs. PSI20 (5D)	Change vs. DJS Banks (5D)
1	01/02/2011	Fourth Quarter 2010 results of Bank Millennium (Poland)	0.5%	0.2%	-0.3%	5.2%	3.4%	3.1%
2	02/02/2011	Consolidated results 2010	-0.8%	-0.4%	-0.5%	4.5%	2.3%	3.4%
3	11/03/2011	Sonangol participation	3.5%	2.6%	3.2%	2.8%	3.3%	5.6%
4	15/03/2011	Moodys rating decision for the Republic of Portugal	-1.2%	-0.2%	1.4%	-1.2%	-1.1%	-1.9%
5	24/03/2011	Fitch rating decision for the Republic of Portugal	-1.9%	-1.7%	-1.5%	-8.3%	-6.8%	-4.8%
6	25/03/2011	Standard and Poors rating decision for the Republic of Portugal	-1.5%	-1.1%	-1.9%	-5.4%	-5.5%	-4.5%
7	28/03/2011	Standard and Poors rating decison for BCP	-2.3%	-2.1%	-1.2%	-4.3%	-4.8%	-2.2%
8	29/03/2011	Disclosure of the proposal for the capital increase	-0.3%	-0.9%	-0.3%	-4.6%	-4.2%	-3.5%
9	31/03/2011	Fitch rating decision for BCP	1.2%	-0.2%	-1.0%	6.6%	4.6%	2.3%
10	01/04/2011	Fitch rating decision for the Republic of Portugal	-0.3%	-0.4%	0.4%	3.8%	3.1%	1.6%
11	05/04/2011	Moodys rating decision for the Republic of Portugal and for BCP	4.2%	3.9%	2.3%	3.7%	3.8%	2.3%
12	06/04/2011	Announcement of the external aid request by the Portuguese Government and Moodys rating decision for BCP	4.1%	2.9%	3.0%	-0.3%	-1.2%	-0.4%
13	18/04/2011	Conclusions of the Annual General Meeting	0.4%	-0.2%	0.4%	0.6%	0.1%	-1.7%
14	19/04/2011	Resolutions adopted at the Annual General Meeting and notice of share capital increase by incorporation of reserves	-2.3%	-2.7%	-2.9%	0.3%	0.3%	-2.1%
15	20/04/2011	Change of publication date of first quarter 2011 results and Underwriting Agreement	2.3%	2.5%	0.8%	4.0%	4.0%	2.1%
16	27/04/2011	First Quarter 2011 results of Bank Millennium (Poland)	0.6%	0.1%	0.1%	1.7%	1.2%	2.9%
17	28/04/2011	Beginning of the incorporation rights negotiation period	-0.7%	-1.1%	-1.0%	4.2%	3.0%	7.0%
18	02/05/2011	Beginning of the Exchange Public Offer	-1.5%	-0.8%	-1.0%	2.2%	1.5%	5.0%
19	16/05/2011	Results of the public offer for the acquisition of perpetual subordinated securities with conditional interest	-1.1%	-0.9%	-0.5%	-4.7%	-2.9%	-1.9%
20	17/05/2011	Commercial registry of share capital increase	-0.9%	-0.5%	-0.9%	-2.7%	-0.9%	-0.1%
21	19/05/2011	Notice for the exercise of subscription rights	-2.2%	-1.7%	-1.4%	-1.5%	-0.2%	-0.2%
22	24/05/2011	Request for the state guarantee for debt issuance	3.9%	3.0%	1.8%	-5.9%	-5.4%	-9.4%
23	27/05/2011	Beginning of negotiation of subscription rights	-6.6%	-5.7%	-6.1%	-3.0%	-2.6%	-1.4%
24	03/06/2011	Exercise of disposal rights over REN shares	-3.3%	-2.1%	-1.8%	-10.3%	-6.1%	-6.4%
25	13/06/2011	Results of the offer and allocation of shares and capital increase results	1.1%	0.4%	0.0%	-5.7%	-4.6%	-6.9%
26	15/06/2011	Commercial registry of capital increase and Standard and Poors rating decision	1.2%	1.8%	1.4%	-1.9%	-1.3%	-2.9%
27	20/06/2011	Listing of capital increase shares and resignation of the Vice-Chairman of the Executive Board of Directors	-0.2%	-1.5%	-2.0%	-5.4%	-3.2%	-1.7%
28	27/06/2011	Conclusions of the General Meeting of Shareholders	-0.8%	-0.8%	-2.1%	3.4%	-3.1%	-3.9%
29	07/07/2011	Moodys rating decision for Republic of Portugal	-3.6%	-2.1%	-1.2%	-11.3%	-4.5%	-5.5%
30	15/07/2011	Stress test results and Moodys rating decision for BCP	-7.2%	-4.7%	-4.0%	6.0%	0.9%	0.2%
31	26/07/2011	First Half of 2011 results of Bank Millennium (Poland)	-6.7%	-4.1%	-4.6%	-10.7%	-5.0%	-4.4%
32	27/07/2011	First Half of 2011 Consolidated Earnings and adjustment of strategic agenda	1.6%	0.7%	0.3%	-6.2%	-1.8%	0.1%
33	07/09/2011	Partnership for the Brasilian market and nomination of Vice-Chairman and the distribution of areas of responsibility of	0.0%	-1.1%	-0.9%	-9.0%	-5.4%	-4.0%
34	19/09/2011	Clarification of media reports regarding Poland	0.5%	-0.5%	-0.5%	-8.9%	-4.6%	-9.6%
35	22/09/2011	Announcement regarding the offer for exchange of securities	0.0%	1.0%	-3.5%	9.3%	6.1%	-6.3%
36	30/09/2011	Extension of the duration regarding the offer for exchange of securities	-5.6%	-3.0%	-2.9%	-11.8%	-12.3%	-13.5%
37	04/10/2011	Authorization to increase the amount for exchange of securities	4.6%	1.8%	0.0%	0.0%	-6.7%	-11.9%
38	07/10/2011	Results of the offer for exchange of securities and rating decisions for BCP	1.7%	-0.6%	-0.6%	-1.2%	-4.0%	-2.4%
39	20/10/2011	DBRS rating decision for BCP	3.1%	1.7%	-0.7%	3.1%	1.7%	-10.3%
40	21/10/2011	Third Quarter of 2011 results of Bank Millennium (Poland)	-1.2%	-0.9%	-2.9%	-4.2%	-3.4%	-13.3%
41	27/10/2011	EBA Exercise regarding exposure to sovereign debt	-4.2%	-3.4%	-4.1%	-24.0%	-20.8%	-15.6%
42	02/11/2011	Third Quarter 2011 Consolidated Earnings	-3.1%	-6.0%	-5.0%	-16.0%	-16.6%	-13.1%
43	25/11/2011	Fitch rating decision for BCP	1.6%	-1.3%	-4.1%	-1.6%	-8.8%	-15.4%
44	08/12/2011	EBA capital exercise	0.8%	-0.7%	-1.8%	-12.1%	-9.9%	-8.7%
45	16/12/2011	Results of Special Inspections Program by the Bank of Portugal and Standard and Poors rating decision for BCP	-1.8%	-2.0%	-1.6%	6.4%	4.8%	1.5%
46	19/12/2011	Commitment with the organic growth of Bank Millennium Poland	0.9%	0.5%	-2.3%	16.7%	14.2%	12.3%

The following graph illustrates the performance of BCP shares in 2011:



Dividend Policy

Taking into account, on the one hand, the principles of prudence in capital management and, on the other hand, the implementation of the new rules on capital, that may lead to the temporary suspension of the dividend payment, Millennium bcp reiterates the dividend distribution policy based on a 40% payout.

The dividends distributed by Millennium bcp since 2000 are detailed in the table below:

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* [5]	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						
Iterim Dividend	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						
Iterim Dividend	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						
Iterim Dividend	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						
Iterim Dividend	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]	2011	*scrip* [6]	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;

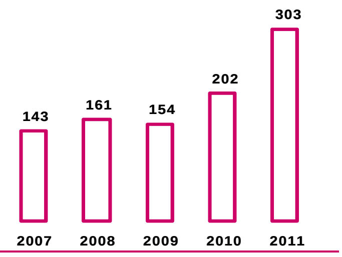
(5) The scrip dividend corresponds to 0.150 euros per share 62.36% of net income and 2.65% of the sahre price at the end of 2000;

(6)The scrip dividend corresponds to 0.026 euros per share 39.79% of net income and 4.39% of the sahre price at the end of 2010.

Monitoring of Investors and Analysts

BCP shares are covered by the leading national and international investment firms, which issue regular investment recommendations and price targets on the Bank. During 2011, the average price target of the investment firms which closely monitor the Bank reflected the impact of the deepening of the sovereign debt crisis, Portugal's request for external assistance, the prospects for the Portuguese and world economy, as well as the pressure which has been exerted on the banking sector due to the enforcement of new capital requirements. By the end of the year, 12 Financial Intermediaries were actively covering BCP shares.

Meetings with Investors



In 2011, BCP achieved a new record: more than 300 meetings with investors. The Bank has carried out various roadshows and participated in the main conference of the banking sector in Europe and Portugal, in particular the conferences organised by HSBC, Morgan Stanley, Goldman Sachs and Santander, the Euronext Portuguese Day in New York, Nomura, BBVA, KBW, Merril Lynch and JP Morgan.

Treasury Shares

In keeping with the deliberation of the General Meeting of Shareholders, the Bank may acquire or dispose of treasury shares up to the limit of 10% of its share capital.

As at 31 December 2010, Banco Comercial Português, S.A. held 5,533,539 treasury shares in its portfolio. During 2011, the Bank traded 144,654,349 treasury shares, corresponding to 2.01% of the share capital.

	Purchases			Sales			Total traded	
	Quantity	Value	Average unit price (€)	Quantity	Value	Average unit price (€)	Quantity	% Share Capital
BANCO COMERCIAL PORTUGUÊS, S.A. (*)	71,776,293	19,131,774	0.267	72,878,056	16,783,552	0.23	144,654,349	2.01%

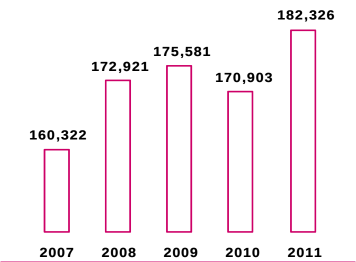
Hence, as at 31 December 2011, Banco Comercial Português, S.A. directly and indirectly held 4,431,776 treasury shares, equivalent to 0.06% of the Bank's share capital.

	31.12.2010	31.12.2011	% of Share Capital
BANCO COMERCIAL PORTUGUÊS, S. A.(*)	5,533,539	4,431,776	0.06%

(*) As at December 31, 2011, this heading excludes 20,695,482shares (December 31, 2010: 23,261,904 shares) held by Customers, the aquisition 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

Number of shareholders



According to the file received from the Central Securities Depositary (CVM), as at 31 December 2011 the number of Shareholders of Banco Comercial Português reached the highest value of the last five years: 182.326.

The Bank's shareholder structure continues very dispersed, since no single shareholder holds more than 15% of the share capital and only seven Shareholders own qualified holdings (over 2% of the share capital) and just one Shareholder holds a stake above 10%.

Particular reference should be made to the increased weight of other individual Shareholders, which currently account for 34% of the share capital (27% in 2010).

Shareholder structure	Number of Shareholders	% Share capital
Group Employees	3,912	0.57%
Other individual Shareholders	173,831	33.76%
Companies	4,203	22.80%
Institutional	380	42.87%
Total	**182,326**	**100.00%**

Shareholders with over five million shares represent 63% of the share capital (67% at the end of 2010).

Number of shares per Shareholder	Number of Shareholders	% Share capital
> 5.000.000	81	63.00%
500.000 to 4.999.999	518	8.30%
50.000 to 499.999	9,505	15.50%
5.000 to 49.999	48,913	10.90%
< 5.000	123,309	2.20%
Total	**182,326**	**100.00%**

In 2011, there was an increase in the percentage of share capital held by national Shareholders to 67.0% (59% at the end of 2010).

	National Shareholders		Foreign Shareholders	
Number of shares per Shareholder	Number	% Share capital	Number	% Share capital
> 5,000,000	44	32.10%	37	30.91%
500,000 a 4,999,999	457	6.99%	61	1.34%
50,000 a 499,999	9,166	14.90%	339	0.59%
5,000 a 49,999	47,702	10.66%	1,211	0.29%
< 5,000	119,304	2.17%	4,005	0.06%
Total	**176,673**	**66.81%**	**5,653**	**33.19%**

QUALIFIED HOLDINGS

As at December 31, 2011, the following shareholders held 2% or more of the share capital of Banco Comercial Português, S.A.:

31 December 2011

Shareholder	Nr.shares	% Share capital	% Voting rights
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	794,930,620	11.03%	11.04%
Members of the Management and Supervisory Bodies	1,159	0.00%	0.00%
Total of the Sonangol Group	**794,931,779**	**11.03%**	**11.04%**
Teixeira Duarte - Sociedade Gestora de Participações Sociais, S.A.			
Teixeira Duarte - Gestão de Participações e Investimentos	340,563,541	4.73%	4.73%
Tedal - Sociedade Gestora de Participações Sociais, S.A.	53,647,851	0.74%	0.74%
Members of the Management and Supervisory Bodies	844,627	0.01%	0.01%
Total of Teixeira Duarte Group	**395,056,019**	**5.48%**	**5.48%**
Fundação José Berardo			
Fundação José Berardo	238,066,347	3.30%	3.31%
Metalgest - Sociedade de Gestão, SGPS, S.A.			
Metalgest - Sociedade de Gestão, SGPS, S.A.	66,114,248	0.92%	0.92%
Kendon Properties	846,154	0.01%	0.01%
Moagens Associadas S.A.	13,827	0.00%	0.00%
Cotrancer - Comércio e transformação de cereais, S.A.	13,827	0.00%	0.00%
Bacalhôa, Vinhos de Portugal S.A.	11,062	0.00%	0.00%
Members of the Management and Supervisory Bodies	20,404	0.00%	0.00%
Total of Berardo Group	**305,085,869**	**4.23%**	**4.24%**
Bansabadell Holding, SL	253,578,691	3.52%	3.52%
Banco de Sabadell, S.A.	44,454,342	0.62%	0.62%
Members of the Management and Supervisory Bodies	15,083	0.00%	0.00%
Total of Sabadell Group	**298,048,116**	**4.14%**	**4.14%**
Pensõesgere - Sociedade Gestora de Fundos de Pensões, S.A.	**278,739,200**	**3.87%**	**3.87%**
Caixa Geral de Depósitos, S.A.	185,382,556	2.57%	2.57%
Companhia de Seguros Fidelidade-Mundial, S.A.	25,275,788	0.35%	0.35%
Companhia de Seguros Império-Bonança, S.A.	5,167	0.00%	0.00%
Fundo de Pensões CGD	1,042,763	0.01%	0.01%
Parcaixa, SGPS, S.A.	5,300,000	0.07%	0.07%
Total of Caixa Geral de Depósitos Group	**217,006,274**	**3.01%**	**3.01%**
EDP -Imobiliária e Participações, S.A	144,592,140	2.01%	2.01%
Fundo de Pensões EDP	70,755,665	0.98%	0.98%
Members of the Management and Supervisory Bodies	219,321	0.00%	0.00%
Total of EDP Group	**215,567,126**	**2.99%**	**2.99%**
Total qualified shareholdings	**2,504,434,383**	**34.75%**	**34.77%**

The voting rights referred to above are solely in respect of direct and indirect shareholdings in Banco Comercial Português. Any other allocations of voting rights envisaged in Article 20 of the Securities Code, were either not communicated or have not been revealed

FINANCIAL REVIEW

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

The consolidated financial statements are not directly comparable between 2011, 2010 and 2009, due to the sale in 2010 of 95% of the share capital of Millennium bank in Turkey (current Fibabanka, Anonim Sirketi) 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. However, the impact of these transactions is considered not materially relevant on the Group's profit and loss account and balance sheet as a result of the small dimension of these operations in the context of the consolidated activity.

Moreover, at the end of 2011, considering the agreement signed between the Portuguese Government, the Portuguese Banking Association and the banking employees unions for the transfer to the General Social Security Scheme of the liabilities related to pensions for retired employees and pensioners, the Bank decided, prior to the said transfer, to change the accounting policy associated with the recognition of actuarial deviations.

Following the analysis of the alternatives allowed by International Accounting Standard (IAS) 19 Employee Benefits, the Group decided to begin to recognise actuarial deviations of the period against reserves. Previously, the Group had deferred actuarial deviations in accordance with the corridor method, where unrecognised actuarial gains and losses exceeding 10% of the greater value between the present value of the liabilities and the fair value of the Fund's assets were recognised against profit or loss according to the estimated remaining working life of the active employees.

In order to reflect the abovementioned change, in accordance with IAS, this change was carried out with retroactive effect on 1 January 2010, whereby the entirety of the deferred actuarial deviations was recognised in the equity. Under the applicable rules, the Group restated the financial statements with reference to 1 January 2010 and 31 December 2010, for comparative purposes.

Financial highlights

Million euros

	2011	2010	2009	2008	2007	Chan. % 11/10
Balance sheet at December 31						
Total assets	93,482	98,547	95,550	94,424	88,166	-5.1%
Loans and advances to customers (net) (1)	68,046	73,905	74,789	74,295	64,811	-7.9%
Total customer funds (1)	65,530	67,596	66,516	65,325	62,719	-3.1%
Shareholders' equity and subordinated debt	4,973	7,153	9,108	8,559	7,543	-30.5%
Statement of income						
Net operating revenues	2,569.6	2,902.4	2,522.3	2,872.8	2,888.0	-11.5%
Net interest income	1,579.3	1,516.8	1,334.2	1,721.0	1,537.3	4.1%
Other net income	990.3	1,385.6	1,188.1	1,151.8	1,350.7	-28.5%
Operating costs	1,634.2	1,543.2	1,540.3	1,670.8	1,748.6	5.9%
Impairment						
For loans (net of recoveries)	1,331.9	713.3	560.0	544.7	260.2	86.7%
Other impairment and provisions	825.1	227.8	126.5	315.3	190.9	262.2%
Income tax						
Current	66.9	54.2	65.6	44.0	73.0	
Deferred	(525.7)	(39.8)	(19.4)	40.0	(3.5)	
Non-controlling interests	85.9	59.3	24.1	56.8	55.4	44.8%
Net income attributable to shareholders of the Bank	(848.6)	344.5	225.2	201.2	563.3	
Average number of shares outstanding adjusted (in thousands)	6,215,072	5,051,090	5,024,548	4,816,863	4,353,591	
Adjusted basic and diluted earnings per share (euros)	(0.073)	0.048	0.031	0.032	0.118	
Profitability						
Return on average shareholders' equity (ROE)	-22.0%	9.8%	4.6%	4.5%	14.9%	
Income before tax and non-controlling interests / Average shareholders' equity (3)	-28.0%	10.6%	5.7%	7.1%	17.1%	
Net operating revenues / Net average assets (3)	2.6%	3.0%	2.7%	3.1%	3.5%	
Return on average total assets (ROA)	-0.8%	0.4%	0.3%	0.3%	0.7%	
Income before taxes and non-controlling interests / Average net assets (3)	-1.3%	0.4%	0.3%	0.4%	0.8%	
Net interest margin	1.74%	1.68%	1.57%	2.06%	2.09%	
Other income / Net operating revenues	38.5%	47.7%	47.1%	40.1%	46.8%	
Eficiency						
Cost to income (2) (3)	58.4%	54.1%	62.9%	58.5%	60.2%	
Cost to income - Activity in Portugal (2)	59.9%	48.0%	59.2%	54.0%	58.4%	
Staff costs / Net operating revenues (2) (3)	31.9%	29.0%	35.2%	32.2%	32.7%	
Credit quality						
Loans and advances to customers (1)	71,533	76,411	76,935	75,765	66,027	-6.4%
Overdue loans total	3,476	2,500	2,032	851	555	39.1%
Impairment for loans	3,488	2,506	2,157	1,480	1,222	39.2%
Overdue loans (>90 days) / Total loans	4.5%	3.0%	2.3%	0.9%	0.7%	
Total impairment / Overdue loans (>90 days)	109.1%	109.4%	119.0%	211.6%	251.8%	
Total impairment / Total overdue loans	100.3%	100.2%	106.1%	173.9%	220.4%	
Capital (*)						
Own Funds	5,263	6,116	7,541	7,057	5,897	
Risk Weighted Assets	55,455	59,564	65,769	67,426	61,687	
Core Tier I (3)	9.3%	6.7%	6.4%	5.8%	4.5%	
Tier I (3)	8.6%	9.2%	9.3%	7.1%	5.5%	
Total (3)	9.5%	10.3%	11.5%	10.5%	9.6%	
Other						
Branches						
Activity in Portugal	885	892	911	918	885	-0.8%
International activity	837	852	898	886	744	-1.8%
Employees						
Activity in Portugal	9,959	10,146	10,298	10,583	10,742	-1.8%
International activity	11,549	11,224	11,498	12,006	10,380	2.9%

(1) Adjusted from companies partially sold - Millennium bank Turkey (2007 to 2008) and Millennium bcpbank USA (2007 to 2009).

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

(3) According to Instruction no. 23/2011 from the Bank of Portugal.

(*) Capital ratios based on the IRB approach in 2011 and in 2010 and in accordance with the standard approach in 2009 to 2007 (detailed information in the section "Capital Management").

Note: the values presented for 2011 and 2010 include the adjustment to the accounts from 1 January 2010.

The deterioration of the international macroeconomic and financial environment in 2011, in the context of generalised tensions associated to the sovereign debt crisis in the Eurozone, exacerbated by the persistence of scepticism regarding the institutional mechanisms for its solution, further magnified both the risks for financial stability at a European and global scale, and the challenges faced by the Portuguese economy and financial system. Indeed, the adverse international scenario not only hindered the correction of the internal macroeconomic imbalances, but it also constrained the activity and profitability of Portuguese banks and banks of the Eurozone, by limiting, in particular, the access to medium and long term funding in wholesale funding markets.

Although the Economic Adjustment Programme, agreed in May 2011, includes measures which contribute to mitigating the risks for financial stability in Portugal, important factors of systemic risk still persist relative to the business volumes and quality of the assets of the national banking system, combined with a series of challenges which the national banking system shall continue to face in the short term, inseparably linked to the additional pressures on bank capital ratios and gradual deleveraging process required from the national economy and, in particular, from the banking system.

In this context, Millennium bcp pursued a proactive management of its equity-to-assets structure aimed, on the one hand, at its adjustment to the new challenges and requirements and, on the other, ensuring the pursuit of the strategic objectives defined by the Group, in particular the strengthening of capital ratios, reduction of the commercial gap and general improvement of efficiency in operations, recovery of the profitability levels of the activity in Portugal, in particular through the redefinition of business models and the strengthening of the operating base for growth in Africa supported by the development of the subsidiaries operating in the region, combined with the exploration of new affinity markets.

Total assets stood at 93,482 million euros as at 31 December 2011, compared with 98,547 million euros as at 31 December 2010. The balance of loans and advances to customers, before loan impairments reached 71,533 million euros as at 31 December 2011, compared with 76,411 million euros as at 31 December 2010, reflecting the contraction both in terms of loans to companies and to individuals, determined by decreased demand, by greater selectivity in loan concession and by the impact of the efforts towards reduction of the commercial gap induced by the gradual deleveraging process in progress.

Total customer funds stood at 65,530 million euros as at 31 December 2011, compared with 67,596 million euros as at 31 December 2010, influenced above all by the off-balance sheet customer funds, despite the increase in balance sheet customer funds, in particular customer deposits, which, in the activity in Portugal, reached the historic maximum business volume of 33 thousand million euros, during 2011.

Net income was negative by 848.6 million euros in 2011, compared with the positive net income of 344.5 million euros in 2010 (restated in accordance with the change of the accounting policy), caused by the activity in Portugal, since net income increased in the international activity.

PROFITABILITY ANALYSIS

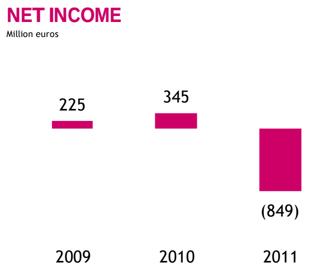
Net Income

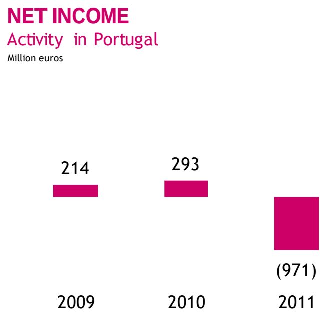
The net income of Millennium bcp was negative by 848.6 million euros in 2011, compared with the profit of 344.5 million euros in 2010 (restated in accordance with the change of the accounting policy), influenced by exceptional negative factors related to the reinforcement of loan impairment charges, the recognition of impairment relative to the goodwill of Millennium bank in Greece, the increase of impairment charges for other financial assets, the effect of the partial transfer of the liabilities related to pensions for retired employees and pensioners to the General Social Security Scheme and the mark-to-market of Portuguese sovereign debt. These exceptional factors fundamentally reflect the persistence of an adverse national and international macroeconomic context, added to the intensification of the tensions related to sovereign debt in the Eurozone and the increased uncertainty in international financial markets.

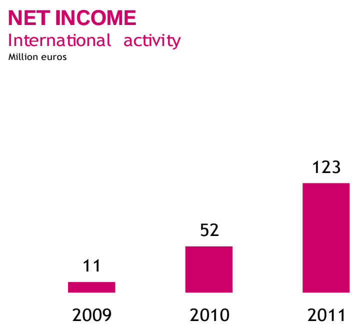
Net income for 2011 includes the impact of the reinforcement of loan impairment charges following the Special Inspections Programme, carried out under the Economic Adjustment Programme established with the Portuguese authorities and applied to the largest Portuguese banking groups, of 270.5 million euros net of tax, the recognition of impairment relative to the remaining goodwill of Millennium bank in Greece of 147.1 million euros (the same amount as posted in 2010), the accounting recognition of impairment losses of Greek sovereign debt securities in the amount of 408.9 million euros net of tax, and the recording under staff costs of the costs associated to the partial transfer of the liabilities related to pensions for retired employees and pensioners to Social Security of 117.0 million euros net of tax.

Furthermore, the net income for 2011 also reflects the recording of losses associated to Portuguese sovereign debt securities of 90.9 million euros net of tax (13.2 million euros net of tax in 2010), the cancelation of provisions related to the pension fund of former members of the Executive Board of Directors, in the first quarter, and of employees relative to the complementary plan of 31.4 million euros net of tax and the cost related to early retirements of 8.7 million euros net of tax (5.3 million euros net of tax in 2010). In 2010, the net income also incorporated the recording of the gain obtained from the sale of the shareholding in Eureko, B.V. of 65.2 million euros.

Nevertheless, the consolidated net income was favourably influenced by the increased net interest income, supported by the positive interest rate and business volume effects, as well as by the reduction of other administrative costs, benefiting from the savings achieved in most line items, and by the lower level of depreciation costs.







The evolution of profitability on a consolidated basis was determined by the performance in the activity in Portugal, since the international activity recorded an increase in net income.

The activity in Portugal was constrained by the exceptionally negative factors noted above, which were attenuated by the increase in net interest income, benefiting from the adjustment of the loan spreads to customer risk profiles, by the reduction of other administrative costs, reflecting the initiatives which were implemented aimed at strict cost control relative to external supplies and services, and by the lower level of depreciation costs, in particular equipment and buildings.

Quarterly income analysis

Million euros

	2011					2010	2009
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total		
Net interest income	401.6	406.1	389.1	382.5	1,579.3	1,516.8	1,334.2
Other net income							
Dividends from equity instruments	0.0	1.1	0.2	0.0	1.4	35.9	3.3
Net commissions	195.5	205.7	193.4	194.8	789.4	811.6	731.7
Net trading income	26.5	(2.0)	156.7	26.4	207.6	439.4	254.5
Other net operating income	20.2	(10.0)	(2.6)	(30.3)	(22.7)	31.0	132.3
Equity accounted earnings	16.7	7.3	(21.9)	12.5	14.6	67.7	66.3
Total other net income	258.9	202.1	325.8	203.4	990.3	1,385.6	1,188.1
Net operating revenues	**660.5**	**608.2**	**714.9**	**585.9**	**2,569.6**	**2,902.4**	**2,522.3**
Operating costs							
Staff costs	174.6	206.6	188.0	384.4	953.6	831.2	865.3
Other administrative costs	139.4	144.6	142.3	158.2	584.5	601.8	570.2
Depreciation	24.8	23.1	22.5	25.7	96.1	110.2	104.8
Total operating costs	**338.8**	**374.3**	**352.8**	**568.3**	**1,634.2**	**1,543.2**	**1,540.3**
Impairment							
For loans (net of recoveries)	166.6	395.5	202.0	567.8	1,331.9	713.3	560.0
Other impairment and provisions	31.4	(23.7)	159.3	658.1	825.1	227.8	126.5
Income before income tax	**123.7**	**(137.9)**	**0.8**	**(1,208.3)**	**(1,221.6)**	**418.1**	**295.5**
Income tax							
Current	25.3	16.9	14.9	9.8	66.9	54.2	65.6
Deferred	(10.5)	(200.4)	(20.8)	(294.0)	(525.7)	(39.8)	(19.4)
Income after income tax	**108.9**	**45.6**	**6.8**	**(924.1)**	**(762.8)**	**403.8**	**249.3**
Non-controlling interests	18.8	21.4	23.5	22.1	85.9	59.3	24.1
Net income attributable to shareholders of the Bank	**90.1**	**24.2**	**(16.7)**	**(946.2)**	**(848.6)**	**344.5**	**225.2**

The net income of the international activity was boosted by the higher level of net income achieved in most of the subsidiaries abroad, underpinned by the growth in net operating revenues induced by the higher business volumes and efficiency gains despite the investments in progress, with particular emphasis on the net income achieved by Bank Millennium in Poland, Millennium bim in Mozambique and Banco Millennium Angola.

Bank Millennium in Poland achieved a net income of 113.3 million euros in 2011, comparing favourably with the 81.3 million euros reached in 2010, boosted by the performance of net interest income, benefiting above all from the increased volume of loans to customers, despite the strong pressure on the remuneration of customer deposits. Operating costs increased in relation to 2010, influenced by other administrative costs, in particular costs related to the Deposit Guarantee Fund and to rents, notwithstanding the lower level of depreciation costs. The evolution of the net income of Bank Millennium also benefited from the reduction of loan impairment charges, reflecting the improvement of the quality of the loan portfolio.

At Millennium bim in Mozambique, net income increased to 89.4 million euros in 2011, compared with the 52.8 million euros recorded in 2010, driven by the growth in net interest income, benefiting from the positive business volumes and interest rate effects, as well as from the increase in net commissions, in particular commissions associated to transfers and cards business and to guarantees, from the higher contribution of other net operating income, and the lower level of impairments for signature credit. The evolution of the net income of Millennium bim was partially mitigated by the growth in operating costs, in line with the business expansion plan in progress although at a lower rate than that of income, thus enabling an improvement in operating efficiency, relative to 2010.

Banco Millennium Angola recorded a growth of net income to 33.3 million euros in 2011, compared with the 23.6 million euros reached in 2010. This increase essentially reflects the performance of net operating income, in particular net interest income and net commissions, supported by the growth of the business volumes, in particular of loans to companies and customer deposits. The net income of Banco Millennium Angola was, however, constrained by the increase in operating costs, arising from the recruitment of employees and the expansion of the branches network, which now covers all of the provinces of Angola, and by the increase in loan impairment charges, following the expansion of the commercial activity shown in the loan portfolio.

Millennium bank in Greece posted a negative net income of 3.5 million euros in 2011, which compares favourably with the loss of 16.0 million euros recorded in 2010. The net income was influenced positively by the performance of net operating revenues, which incorporates gains from the repurchase of debt issued, which offset the impact of the reinforcement of loan impairment charges, as a result of the deterioration of the macroeconomic environment, and of the increase in operating costs, in particular staff costs and depreciation costs, associated to the pursuit of the optimisation plan for the distribution network and for costs in general, begun during the previous year and which already had visible effects in 2011 on the reduction of other administrative costs.

Banca Millennium in Romania recorded a negative net income of 17.8 million euros in 2011, comparing favourably with the loss of 23.6 million euros in 2010, influenced by the good performance of net interest income, showing above all the effect of the higher volume of loans to customers, as well as the reduction of the average interest rate for customer term deposits. The net income of Banca Millennium in Romania also benefited from the reduction in operating costs, materialising the impacts from the redesign of processes and from the resizing of the branch network, as well as the lower needs of loan impairment charges compared to 2010.

Millennium Banque Privée in Switzerland recorded a negative net income of 12.0 million euros in 2011, compared with the profit of 4.2 million posted in 2010. This evolution fundamentally results from the reinforcement of loan impairment charges, reflecting the devaluation of financial collateral and the reduction of net commissions, in particular the commissions related to transactions with securities, due to the lower level of brokerage transactions. However, these impacts were partially compensated by the reduction in staff costs.

Millennium bcp Bank & Trust in the Cayman Islands achieved a net income of 4.6 million euros in 2011, compared with 6.0 million in 2010, influenced by the contraction in net interest income, reflecting the lower business volumes, the unfavourable interest rate effect and higher level of operating costs. This subsidiary is especially directed towards providing international services in the area of private banking to individual customers with a high net worth of assets.

Net income of foreign subsidiaries (1)

Million euros

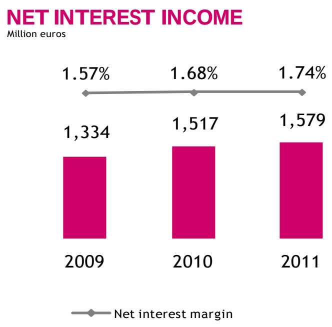
	2011	2010	2009	Chan. % 11/10
Bank Millennium in Poland	113.3	81.3	0.3	39.3%
Millennium bim in Mozambique	89.4	52.8	52.0	69.5%
Banco Millennium Angola	33.3	23.6	14.6	41.4%
Millennium bank in Greece	(3.5)	(16.0)	9.0	-
Banca Millennium in Romania	(17.8)	(23.6)	(38.0)	-
Banque Privée BCP in Switzerland	(12.0)	4.2	7.8	-
Millennium bcp Bank & Trust in Cayman	4.6	6.0	9.6	-23.5%

(1) The amounts showed are not deducted from the non-controlling interests (when applicable).

Net Interest Income

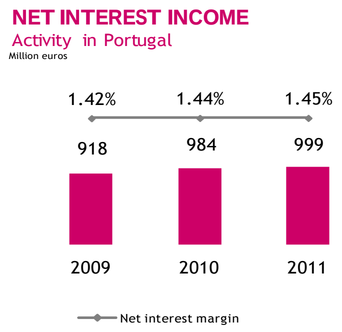
Net interest income increased by 4.1%, reaching a total of 1,579.3 million euros in 2011, from 1,516.8 million euros recorded in 2010, supported by the positive business volume effect of 32 million euros, combined with the favourable interest rate effect of 20 million euros.

The positive business volume effect benefited both from the increase in the balance of financial assets, despite the lower volume of loans to customers, arising from the decreased demand and higher selectivity in credit concession, and from the contraction in debt issued and financial liabilities, notwithstanding the growth in the balance of customer deposits, associated to the efforts dedicated to further increase balance sheet customer funds amongst the customer base, under the deleveraging process and strengthening of stable funding in the funding structure.

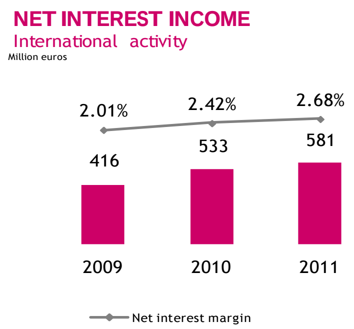


The favourable interest rate effect benefited above all from the performance shown by the customer loan portfolio, based on the pursuit of initiatives focused on the adjustment of the price to the cost of the risk of the operations contracted with customers, and also, although at a lesser scale, from the positive effect related to the financial assets portfolio, despite the higher remuneration of customer deposits and the increase in interest rates of debt securities issued and financial liabilities, following the trend of market reference interest rates throughout 2011.

The increase in net interest income was boosted both by the activity in Portugal and by the international operations. In the activity in Portugal, the growth in net interest income benefited from the impact generated by operations with customers, in particular through the favourable interest rate effect, supported by the adjustment of loan spreads to customer risk profiles, in a context of limitation of access to the interbanking and wholesale funding markets and higher funding costs, despite the growth in the remuneration of term deposits, consistent with the initiatives implemented with a view to the retention and further increase of balance sheet customer funds amongst the customer base in a context of particularly strong competitive intensification. Moreover, the net interest income in Portugal was boosted by the positive volume effect, caused by the increase in business volumes associated to transactions with financial instruments, both through the higher average balance of financial assets and via the reduction of liabilities represented by securities, reflecting the constraints in bond markets.



In the international activity, the increase in net interest income was driven by the favourable interest rate effect combined with the overall positive business volume effect, reflecting the positive evolution of business with customers, boosted by the pricing policies adapted to each geographical area and by the growth in the business volumes. The higher net interest income benefited from the activity developed by most of the international operations, in particular the subsidiaries in Poland, Mozambique and Angola.



The analysis of the average balance sheet, between 2010 and 2011, shows an increase in average interest earning assets rates and interest bearing liabilities rates and a stabilisation of average total assets standing at 97,231 million euros in 2011, which compares with 97,369 million euros in 2010. This stabilisation was influenced by the reduction in the balance of non-interest earning assets, practically neutralised by the increase in interest earning assets, based on the growth of the average balance of financial assets to 12,247 million euros (9,587 million euros in 2010), as well as the slight increase in the average balance of deposits in credit institutions, which more than compensated the reduction in the balance of loans to customers to 72,783 million euros (74,644 million euros in 2010). Average total liabilities also remained stable, reflecting, on the one hand, the increase in average balance of customer deposits to 46,821 million euros and of amounts owed to credit institution to 19,956 million euros, and, on the other, the lower average balances of debt issued and financial liabilities, together with subordinated liabilities. The behaviour of the average balance sheet values fundamentally reflect the gradual deleveraging process in progress, supported by the sustained effort to reduce the commercial gap started in the previous year.

Average balances

Million euros

	2011		2010		2009	
	Average Balance	Yield	Average Balance	Yield	Average Balance	Yield
Interest Earning Assets						
Deposits in credit institutions	4,363	1.67%	3,823	1.21%	3,733	1.97%
Financial assets	12,247	4.16%	9,587	3.53%	5,012	4.82%
Loans and advances to customers	72,783	4.45%	74,644	3.57%	75,325	4.15%
	89,393	**4.27%**	**88,054**	**3.47%**	**84,070**	**4.09%**
Non-current assets held for sale	-	-	818	6.39%	-	-
Total Interest Earning Assets	**89,393**	**4.27%**	**88,872**	**3.49%**	**84,070**	**4.09%**
Non-interest earning assets held for sale	-		40		-	
Non-interest earning assets	7,838		8,457		10,083	
Total Assets	**97,231**		**97,369**		**94,153**	
Interest Bearing Liabilities						
Amounts owed to credit institutions	19,956	1.71%	15,087	1.40%	8,671	2.65%
Amounts owed to customers	46,821	2.92%	45,386	2.01%	44,334	2.52%
Debt issued and financial liabilities	19,732	2.55%	25,286	1.53%	30,051	2.27%
Subordinated debt	1,504	3.18%	2,254	2.96%	2,553	3.73%
	88,013	**2.57%**	**88,013**	**1.79%**	**85,609**	**2.48%**
Non-current liabilities held for sale	-	-	740	4.17%	-	-
Total Interest Bearing Liabilities	**88,013**	**2.57%**	**88,753**	**1.81%**	**85,609**	**2.48%**
Non-interest bearing liabilities associated with assets held for sale	-		118		-	
Non-interest bearing liabilities	3,708		2,707		2,000	
Shareholders' equity and Non-controlling interests	5,510		5,791		6,544	
Total liabilities, Shareholders' equity and Non-controlling interests	**97,231**		**97,369**		**94,153**	
Net Interest Margin (1)		**1.74%**		**1.68%**		**1.57%**

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

Note: Interest related to hedge derivatives were allocated, in 2011, 2010 and 2009, to the respective balance item.

In terms of the average balance sheet structure, the average balance of interest earning assets represented 91.9% of the average total assets in 2011 (91.3% in 2010). Loans and advances to customers continued to be the main aggregate of the asset portfolio, corresponding to 74.9% of average total assets, despite the retraction in loans granted to customers from 2010, followed by the financial assets component, representing 12.6% of average total assets, influenced by the increase in average balance of the investment securities portfolio.

In the structure of average liabilities, customer deposits continued to be the main source of funding of the intermediation activity, representing 51.0% of average total liabilities, reflecting the special focus on the retention and further growth of balance sheet customer funds, with the weight of the component of debt issued and financial liabilities showing a reduction in 2011 to 21.5% of average total liabilities (27.6% in 2010).

The balance of average shareholders' equity in 2011 remained practically stable in relation to 2010, and fundamentally incorporates the share capital increase through the conversion of perpetual subordinated debt securities into ordinary shares and the issue reserved to shareholders, and also reflects the impacts of the exchange of perpetual debt instruments and preferred shares for new debt instruments, the negative net income generated during the period under analysis and the evolution of the balance of the fair value reserves associated to the financial assets available for sale.

The net interest margin stood at 1.74% in 2011, comparing favourably with the 1.68% recorded in 2010, having benefited from the performance of both the activity in Portugal, based on the efforts to adjust the prices of the contracted loan operations to customer risk profiles, in spite of the simultaneous increase in the cost of customer term deposits, and the international activity, in particular of Bank Millennium in Poland and Millennium bim in Mozambique.

Factors influencing net interest income

Million euros

	2011 vs 2010			
	Volume	Rate	Rate / Volume mix	Net change
Interest Earning Assets				
Deposits in credit institutions	7	18	2	27
Financial assets	95	60	18	173
Loans and advances to customers	(67)	662	(17)	578
Non-current assets held for sale	-	-	(53)	(53)
Total Interest Earning Assets	**18**	**702**	**5**	**725**
Interest Bearing Liabilities				
Amounts owed to credit institutions	69	47	16	132
Amounts owed to customers	29	421	14	464
Debt issued and financial liabilities	(86)	261	(58)	117
Subordinated debt	(22)	5	(2)	(19)
Non-current liabilities held for sale	-	-	(31)	(31)
Total Interest Bearing Liabilities	**(14)**	**682**	**(5)**	**663**
Net Interest Income	**32**	**20**	**10**	**62**

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, stood at 990.3 million euros in 2011, compared with 1,385.6 million euros in 2010. This performance was fundamentally influenced by the net trading income as well as, although in a lesser extent, the lower equity accounted earnings and other net operating income. The evolution of other net income reflects, above all, the performance of the activity in Portugal, partially mitigated by the increase recorded in the international activity.

Other net income

Million euros

	2011	2010	2009	Chan. % 11/10
Dividends from equity instruments	1.4	35.9	3.3	-96.2%
Net commissions	789.4	811.6	731.7	-2.7%
Net trading income	207.6	439.4	254.5	-52.7%
Other net operating income	(22.7)	31.0	132.3	-
Equity accounted earnings	14.6	67.7	66.3	-78.4%
	990.3	**1,385.6**	**1,188.1**	**-28.5%**
of which:				
Activity in Portugal	515.9	992.6	808.4	-48.0%
International activity	474.4	393.0	379.7	20.7%

Income from Equity Instruments

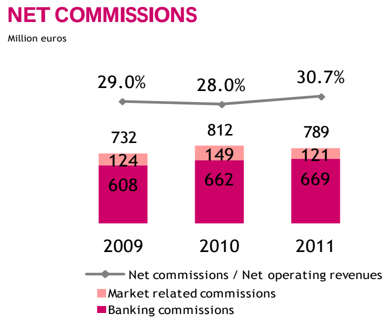
Income from equity instruments, which include dividends received from investments in financial assets available for sale, reached a total of 1.4 million euros in 2011, compared with the 35.9 million euros in 2010. The dividends recorded in 2011 correspond, above all, to the income associated to the Group's investments in shares and in investment fund units, while the income from equity instruments recorded in 2010 fundamentally incorporated the dividends received in relation to the 2.7% stake held in Eureko, B.V., which had been sold as at 31 December 2010.

Net Commissions

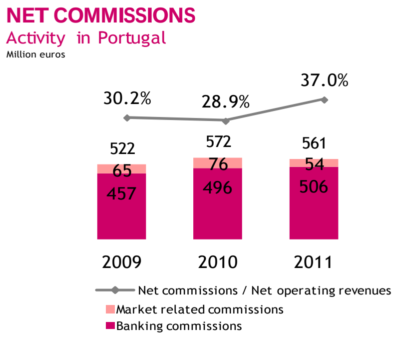
Net commissions stood at 789.4 million euros in 2011, compared with 811.6 million euros in 2010. The evolution in net commissions shows the behaviour of commissions related to the financial markets, partially offset by the favourable performance of the commissions more directly related to the banking business. This performance of net commissions reflects both the evolution of the activity in Portugal, which decreased by 2.0%, and the international activity, which fell by 4.5%, in particular in the subsidiaries in Greece and Switzerland, while in Bank Millennium in Poland the commissions were strongly influenced by the effect of the devaluation of the exchange rate of the zloty against the euro, despite the favourable contribution of Millennium bim in Mozambique and Banco Millennium Angola.

The commissions more directly related to the banking business were boosted by the diversification and adjustment of the income sources to the economic-financial context, having increased by 1.0% to 668.7 million euros in 2011 (662.4 million euros in 2010), supported by the growth in commissions related to loan operations and guarantees and to banking services provided.

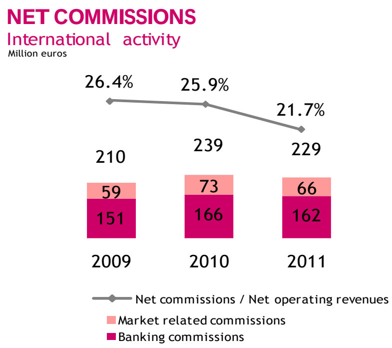
The commissions associated to the cards and cash transfer business reached a total of 184.5 million euros in 2011, compared with the 185.3 million euros recorded in 2010, reflecting the performance of the activity in Portugal and the lower volume of income related to service charges and volume of transactions, on the one hand, and the stabilisation of the annual fees collected, on the other, despite the occasional review of commissions aimed at adjusting their price to the costs incurred and the levels of service provided. In the international activity, the net commissions associated to the cards and cash transfer business benefited from the positive evolution recorded by Millennium bim in Mozambique and also, albeit at a lower scale, by Banco Millennium Angola.



The commissions related to credit operations and guarantees increased to 184.9 million euros in 2011, rising by 3.5% from 178.7 million euros recorded in 2010, driven fundamentally by the international activity, in particular by Bank Millennium in Poland, Millennium bim in Mozambique and Banco Millennium Angola, combined with a slight increase in the activity in Portugal which, despite the greater selectivity in loans granted and decreased demand determined by the slowdown in economic activity, was influenced favourably by the commissions associated to guarantees and specialised credit, in particular factoring operations.



Bancassurance commissions, which reflect the commissions received for the placement of insurance products through the Bank's distribution networks, stood at 72.7 million euros in 2011 (74.3 million euros in 2010), were constrained by the adverse economic- and financial environment, having, however, benefited from the realignment carried out during 2011 in the sales strategy for risk products associated with Life and Non-Life businesses.



Other commissions directly related to the banking business increased to 226.6 million euros in 2011 (224.1 million euros in 2010), driven by the activity in Portugal, in spite of the lower level of commissions achieved in the international activity, in particular at Bank Millennium in Poland. In the activity in Portugal, the evolution of other commissions reflected, in part, the alignment of the pricing to the evolution of the banking business, having benefited from the growth of commissions related to account management, as well as from the attractive offer of integrated banking services, in particular the commissions associated to the "Frequent Customer" loyalty solution.

Commissions related to the financial markets reached a total of 120.7 million euros in 2011, compared with 149.2 million euros posted in 2010, reflecting the weak activity observed in the capital markets. This evolution was influenced by the commissions associated to both securities transac tions and asset management, both constrained by the persistence of particularly adverse circumstances for the management of financial investments, determined by the uncertainty and volatility in the financial markets.

Commissions associated to securities transactions stood at 73.8 million euros in 2011 (96.6 million euros in 2010), reflecting the performance of the activity in Portugal, in particular the lower level of commissions related to the organisation of operations, as well as the international activity, especially influenced by the subsidiary in Switzerland, associated to the lower volume of brokerage operations.

Commissions related to asset management reached a total of 46.9 million euros in 2011 (52.6 million euros in 2010), reflecting the reduction in commissions generated by both the activity in Portugal and international activity, in a context of adjustment of the financial asset portfolios by investors, partially influenced by the impacts caused by the turbulence of the financial markets. The performance shown by the international activity was especially influenced by the subsidiaries in Poland and Greece, despite the favourable evolution recorded by Millennium bim in Mozambique.

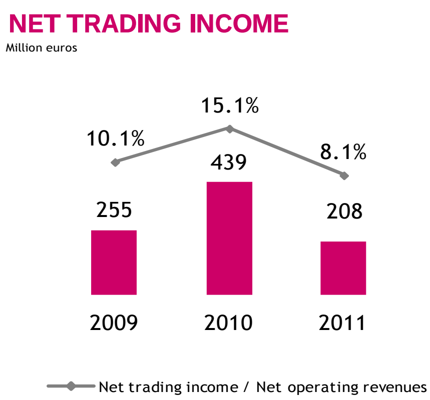
Net commissions

Million euros

	2011	2010	2009	Chan. % 11/10
Banking commissions				
Cards	184.5	185.3	187.3	-0.4%
Credit and guarantees	184.9	178.7	170.4	3.5%
Bancassurance	72.7	74.3	59.7	-2.2%
Other commissions	226.6	224.1	190.2	1.1%
Subtotal	**668.7**	**662.4**	**607.6**	**1.0%**
Market related commissions				
Securities	73.8	96.6	76.2	-23.6%
Asset management	46.9	52.6	47.9	-10.9%
Subtotal	**120.7**	**149.2**	**124.1**	**-19.1%**
Total net commissions	**789.4**	**811.6**	**731.7**	**-2.7%**
of which:				
Activity in Portugal	560.9	572.2	521.8	-2.0%
International activity	228.5	239.4	209.9	-4.5%

Net Trading Income

Net trading income, which includes net gains arising from trading and hedging activities and net gains arising from available for sale financial assets, amounted to 207.6 million euros in 2011, compared with the 439.4 million euros posted in 2010. This evolution reflects, in 2011, the impacts from the instability in the financial markets and in particular from the worsening of the tension related to the sovereign debt crisis in the Eurozone, which led to the high volatility and devaluation of the portfolio of financial instruments more directly exposed to market risk, partially mitigated by the increase in net gains from foreign exchange transactions. In 2010, net trading income included gains of 65.2 million euros, related to the sale of the 2.7% stake held in the share capital of Eureko, B.V..



Results from trading, derivative and other transactions were influenced, essentially, by the earnings from trading and hedging operations, in particular by the recording, in 2011, of losses associated to Portuguese sovereign debt in the amount of 128.1 million euros (18.0 million euros in 2010), to the change in the fair value related with credit risk of financial instruments at fair value option in the amount of 20.6 million euros (gains of 204.6 million euros in 2010) and to the sale of loans operations, only partially offset by the gains associated to the own debt issued repurchase operations.

On this scope, it should be noted that, in accordance with the accounting policies and considering the impact on financial operations referred to above, the Group adopted the fair value option as a method of measurement of its own emissions of financial instruments which contain embedded derivatives or associated with hedging swaps, where the financial liabilities recorded at fair value option are initially recognised at their fair value, with the costs or income associated to the transactions and the subsequent fair value variations being recognised through profit or loss.

Net trading income

Million euros

	2011	2010	2009	Chan. % 11/10
Foreign exchange activity	145.2	99.4	68.8	46.1%
Trading, derivatives and other	62.4	340.0	185.7	-81.6%
	207.6	**439.4**	**254.5**	**-52.7%**
of which:				
Activity in Portugal	(36.1)	294.2	94.1	-
International activity	243.7	145.2	160.4	67.9%

Other Net Operating Income

Other net operating income, which includes other operating income, other net income from non-banking activities and gains from the sale of subsidiaries and other assets, recorded net losses of 22.7 million euros in 2011, compared with net gains of 31.0 million in 2010. The behaviour of other net operating income was fundamentally influenced by the activity in Portugal, reflecting the impact on the costs component of the extraordinary tax contribution on the banking sector in 2011, in the amount of 32.0 million euros, the contribution to the Investor Compensation Scheme in the amount of 16.8 million euros and the losses arising from the reduction in the value of assets, although mitigated by the recording, during the first quarter of 2011, of an adjustment in insurance premiums related to pensions. In the international activity, the lower level of operating income posted by the subsidiaries in Poland and Greece more than neutralised the favourable contribution of Millennium bim in Mozambique.

Equity Accounted Earnings

Equity accounted earnings, which include the results appropriated by the Group associated to the consolidation of entities over which, despite having a significant influence, the Group does not control the financial and operational policies, amounted to 14.6 million euros in 2011, compared with 67.7 million euros in 2010.

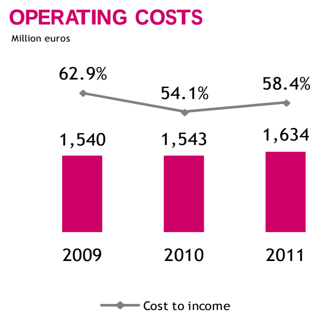
The evolution of equity accounted earnings was fundamentally influenced by the appropriation of lower results appropriated from the 49% stake held in Millenniumbcp Ageas, which, in a context of major uncertainty, high volatility and deterioration of the conditions in the financial markets, were especially constrained by the recognition of impairment losses related to sovereign debt securities and to shares portfolio. However, despite the fall in business volume in the insurance sector, the performance of Millenniumbcp Ageas proved to be better than that of the market, both in terms of mathematical provisions and of Life business and in all Non-Life businesses.

Equity accounted earnings and income

Million euros

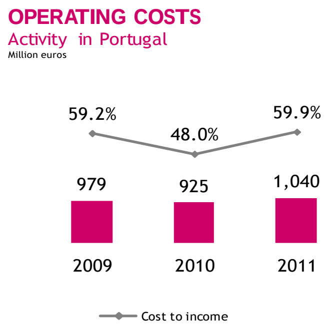
	2011	2010	2009	Chan. % 11/10
Millenniumbcp Ageas	17.9	69.7	57.9	-74.3%
Other	(3.3)	(2.0)	8.4	-
	14.6	**67.7**	**66.3**	**-78.4%**

Operating Costs

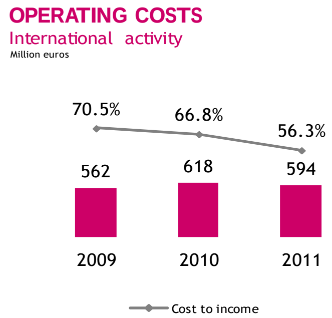


Operating costs, which include staff costs, other administrative costs and depreciation costs, stood at 1,634.2 million euros in 2011 (1,543.2 million euros in 2010). Operating costs incorporate, in 2011, the costs associated to the partial transfer of the liabilities related to pensions for retired employees and pensioners to the General Social Security Scheme in the amount of 164.8 million euros, the cancelation of provisions related to the pension fund of former members of the Executive Board of Directors, posted in the first quarter, and employees related to the supplementary plan of the total amount of 44.2 million euros, and costs related to early retirement in the amount of 12.3 million euros (7.2 million euros in 2010). Operating costs fell by 2.3%, excluding the impacts mentioned above, supported by the overall decreases of 0.4% in staff costs, 2.9% in other administrative costs and 12.8% in depreciation costs, reflecting the strict cost control that has been undertaken in both the activity in Portugal and international activity, based on the continuous implementation of initiatives aimed at the rationalisation and optimisation of operating costs.

In the activity in Portugal, operating costs reached a total of 1,040.4 million euros in 2011 (925.3 million euros in 2010), induced fundamentally by the staff costs, which include a set of impacts mentioned above. Excluding these impacts, operating costs of the activity in Portugal fell by 1.1% from 2010, reflecting the savings achieved in most of the line items of other administrative costs, evidencing the efforts pursued in cost control and in improving operating efficiency, as well as the lower level of depreciation costs, caused by the decrease in depreciation related to equipment and buildings.



In the international activity, the reduction of operating costs reflects, above all, the effect arising from the partial sale of the operations in Turkey and in the United States of America, occurred at the end of 2010, which more than offset the increase in operating costs showed by the operations developed in Poland and Greece, associated to the distribution network resizing plans implemented in these markets, and in Angola and Mozambique, reflecting the support to the business plans in progress in these operations and the reinforcement of the operating base in these markets as a platform of growth for the African continent.



The consolidated cost to income ratio, excluding specific items, stood at 58.4% in 2011 (54.1% in 2010), constrained by the evolution of income, notwithstanding the performance of the operating cost component, which benefited from various initiatives implemented focused on the strict cost control and on the improvement of operating efficiency. The efficiency ratio of the activity in Portugal stood at 59.9% in 2011 (48.0% in 2010), while in the international activity it reached 56.3% in 2011 (66.8% in 2010), based, on the one hand, on the increase in total income, and on the other, on the decrease in operating costs, despite the strengthening of the operational support infrastructure in Angola and Mozambique.

Operating costs

Million euros

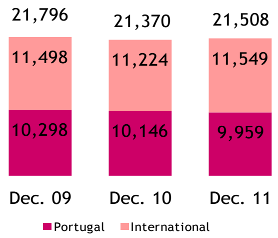
	2011	2010	2009	Chan. % 11/10
Activity in Portugal				
Staff costs	673.3	538.9	604.3	24.9%
Other administrative costs	319.2	331.9	314.3	-3.8%
Depreciation	47.9	54.5	60.1	-12.1%
	1,040.4	925.3	978.7	12.4%
International activity				
Staff costs	280.3	292.3	261.0	-4.1%
Other administrative costs	265.3	269.9	255.9	-1.7%
Depreciation	48.2	55.7	44.7	-13.5%
	593.8	617.9	561.6	-3.9%
Total				
Staff costs	953.6	831.2	865.3	14.7%
Other administrative costs	584.5	601.8	570.2	-2.9%
Depreciation	96.1	110.2	104.8	-12.8%
	1,634.2	**1,543.2**	**1,540.3**	**5.9%**

Staff Costs

Staff costs stood at 953.6 million euros in 2011, compared with 831.2 million euros in 2010, and include the specific impacts referred to above by the total value of 132.9 million euros in 2011 (7.2 million euros in 2010). Excluding these impacts, staff costs fell by 0.4% from the previous year.

In the activity in Portugal, staff costs stood at 673.3 million euros in 2011 (538.9 million euros in 2010). Excluding the specific impacts mentioned above, focusing overall on the activity in Portugal, there was an increase of 1.6%, influenced mostly by the higher level of social contributions, despite the reduction of costs related to pensions and remunerations, from the previous year. Staff costs for the activity in Portugal also reflect the reduction in the number of employees, by a total of 187 employees, between the end of 2010 and end of 2011, showing the rationalisation and optimisation of resources, in line with the strategic focus on the redesign of front and back office processes and reconfiguration and resizing of the distribution network.

NUMBER OF EMPLOYEES



In the international activity, staff costs reached a total of 280.3 million euros in 2011 (292.3 million euros in 2010), demonstrating the abovementioned effect of the partial sale of the operations in Turkey and in the United States of America at the end of 2010. The increase in staff costs in the subsidiaries in Mozambique, Angola and Poland were caused essentially by the higher number of employees, in particular in the first two operations, under the reinforcement of their operational competences and capacities. Millennium bank in Greece also recorded an increase in staff costs as a result of the implementation of measures for the restructuring and redefinition of the activity, with a reduction of 258 employees and 35 branches. However, these performances were partially offset by the lower staff costs in the subsidiaries in Switzerland and Romania.

Staff costs

Million euros

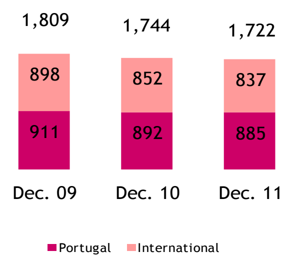
	2011	2010	2009	Chan. % 11/10
Salaries and remunerations	604.3	619.7	583.2	-2.5%
Mandatory social security charges	292.8	171.6	236.0	141.5%
Voluntary social security charges	44.6	29.3	35.1	52.2%
Other staff costs	11.9	10.6	11.0	11.6%
	953.6	**831.2**	**865.3**	**14.7%**

Other Administrative Costs

Other administrative costs fell by 2.9%, standing at a total of 584.5 million euros in 2011 (601.8 million euros in 2010), benefiting from the savings achieved in most line items, in particular in costs related to advertising, information technology services, communications, rents, maintenance and repair, other specialised services and outsourcing.

The reduction in other administrative costs incorporates above all the decrease of 3.8% in the activity in Portugal, standing at 319.2 million euros in 2011, from 331.9 million euros posted in 2010, influenced favourably by the lower expenditure on advertising, other specialised services, outsourcing, communications, and maintenance and repair. This reduction of other administrative costs benefited from the impact of various initiatives implemented focused on the strict control of costs related to external supplies and services, as well as the optimisation of the distribution network to a total of 885 branches as at 31 December 2011 (892 branches at the end of 2010), under the strategic focus on a more comprehensive, integrated and transversal multichannel platform, enabling the reconfiguration of the branch network and optimisation of resources.

BRANCHES



In the international activity, other administrative costs stood at 265.3 million euros in 2011, showing a reduction of 1.7% from the 269.9 million euros recorded in 2010, supported fundamentally by the lower expenditure related to information technology services, rents and communications. This reduction reflects not only the abovementioned effect of the partial sale of the operations in Turkey and in the United States of America, but also the lower costs posted by the subsidiary company in Greece, which, as a whole, more than offset the increases recorded by Bank Millennium in Poland, Banco Millennium Angola and Millennium bim in Mozambique. In the international activity, other administrative costs also reflected the impact of the resizing of the distribution network, which evolved from 852 branches at the end of 2010 to 837 branches as at 31 December 2011, in particular in Greece, Romania and Poland, under the redefinition of the European operations, despite the expansion of the distribution network in both the Angolan and Mozambican markets, with a further 22 and 13 branches, respectively, reflecting the strategy to strengthen the operating platform in Angola and Mozambique.

Other administrative costs

Million euros

	2011	2010	2009	Chan. % 11/10
Water, electricity and fuel	22.3	21.2	19.9	4.8%
Consumables	7.0	7.7	7.7	-9.8%
Rents	148.4	151.0	147.6	-1.8%
Communications	39.5	43.3	44.4	-8.8%
Travel, hotel and representation costs	13.7	14.8	16.2	-8.0%
Advertising	38.9	43.8	39.7	-11.3%
Maintenance and related services	39.1	41.4	40.2	-5.6%
Credit cards and mortgage	16.0	16.6	14.8	-3.8%
Advisory services	24.0	20.5	20.0	16.9%
Information technology services	23.6	28.6	27.2	-17.4%
Outsourcing	90.7	92.0	77.1	-1.5%
Other specialised services	31.3	32.8	29.9	-4.4%
Training costs	3.1	2.9	2.9	6.9%
Insurance	19.2	17.9	14.6	7.4%
Legal expenses	12.3	8.3	7.8	48.4%
Transportation	11.1	10.1	11.2	8.9%
Other supplies and services	44.3	48.9	49.0	-8.6%
	584.5	**601.8**	**570.2**	**-2.9%**

Depreciation

The depreciation costs stood at 96.1 million euros in 2011, compared with 110.2 million euros posted in 2010, having benefited from the lower depreciation recorded for most items, in particular in depreciation associated to tangible assets.

The reduction of depreciation was influenced favourably by both the activity in Portugal and the international operations. In the activity in Portugal, the depreciation costs fell by 12.1% from 2010, reflecting, essentially, the evolution of depreciation related to equipment and buildings, following the progressive end of the depreciation period of the investments carried out, notwithstanding the increased depreciation of software, under the selective investment policy aimed at optimising and adapting the technological and application platform to business requirements, combined with improved operating efficiency.

The depreciation costs in the international activity, which represented 50% of the consolidated amount in 2011 (51% in 2010), decreased between 2010 and 2011, having been influenced by the abovementioned impact of the sale of the subsidiaries in Turkey and the in United States of America, and by the lower level of depreciation in the subsidiaries of Poland, Romania and Mozambique, despite the increase in depreciation costs recorded by Millennium bank in Greece, related to the depreciation of tangible assets allocated to closed branches, and by Banco Millennium Angola, as a result of the investments carried out under the strategy of organic growth in this geographical area.

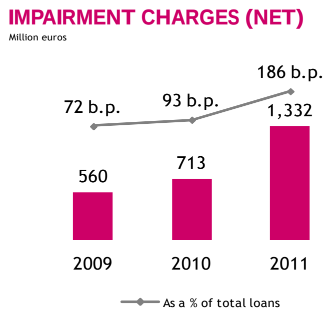
Loan Impairment and Credit Recoveries

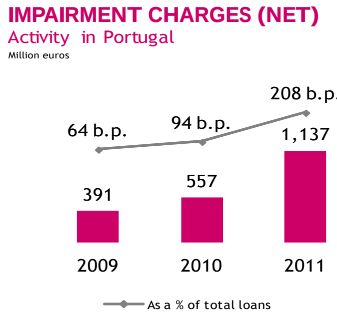
Loan impairment (net of recoveries) stood at 1,331.9 million euros in 2011, compared with the 713.3 million euros in 2010, as a result of the assessment of the loan portfolio in an adverse macroeconomic context, with impact on the deterioration of the financial situation of households and companies in various sectors of activity. In 2011, loan impairment (net of recoveries) includes a reinforcement of impairment charges in the amount of 381.0 million euros, as a result of the Special Inspections Programme in the scope of the Economic Adjustment Programme established with the Portuguese authorities and applied to the largest national banking groups.

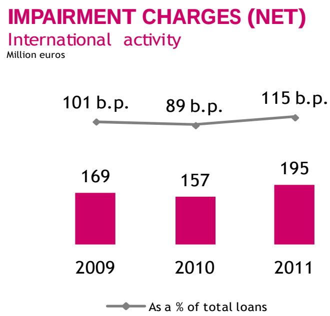
The evolution of loan impairment (net of recoveries) incorporates the reinforcement of loan impairment charges in the activity in Portugal, influenced by the impact of the adjustment related to the special inspection referred to above and by the behaviour of the loan portfolio with signs of impairment, notwithstanding the implementation of initiatives aimed at mitigating the increase of default levels, in particular through the monitoring and the proactive management of risk prevention mechanisms, as well as through the renegotiation and strengthening of the collateral of impaired loans.

In the international activity, loan impairment (net of recoveries) was influenced by the higher level of impairment charges recorded by the subsidiaries in Greece, due to the deterioration in the macroeconomic environment and worsening of tension associated to sovereign debt, in Switzerland, reflecting the devaluation of financial collaterals, and, to a lesser extent, in Mozambique and Angola, following the expansion of the business volumes. Loan impairment charges at Bank Millennium in Poland decreased from 2010, having benefited from the improved quality of the loan portfolio, evidenced in a lower level of impairments associated to loans to companies and in the stabilisation of impairments related to loans to individuals.

The cost of risk, calculated by the proportion of loan impairment charges (net of recoveries) to the loan portfolio, stood at 186 basis points in 2011, compared with 93 basis points in 2010.







Loan impairment charges (net of recoveries)

Million euros

	2011	2010	2009	Chan. % 11/10
Loan impairment charges	1,353.2	743.8	593.4	81.9%
Credit recoveries	21.3	30.5	33.4	-30.3%
	1,331.9	**713.3**	**560.0**	**86.7%**
Cost of risk:				
Impairment charges as a % of total loans	189 b.p.	97 b.p.	77 b.p.	92 b.p.
Impairment charges (net of recoveries) as a % of total loans	186 b.p.	93 b.p.	72 b.p.	93 b.p.

Other Impairment and Provisions

Other impairment and provisions aggregate the items of impairment charges associated with other financial assets, with other assets, in particular assets received as payment in kind resulting from the termination of loan contracts with customers, with goodwill, as well as charges for other provisions.

Other impairments and provisions stood at 825.1 million euros in 2011, compared with 227.8 million euros recorded in 2010. The total amount of other impairment and provisions fundamentally incorporates the recognition of impairment losses associated with Greek sovereign debt in the amount of 533.5 million euros and the accounting of impairment losses relative to the remaining goodwill of Millennium bank in Greece in the amount of 147.1 million euros (the same amount as recognised in 2010), following the process of regular assessment of the recoverable value of the goodwill of financial holdings recorded in the Group's assets, considering the estimated impact of the deterioration of the economic and financial situation of Greece and in accordance with the IAS 36 and the Group´s accounting policy.

At the same time, other impairment and provisions also include the behaviour of impairment charges for repossessed assets in the activity in Portugal which, under the regular process of revaluation of these assets, presented a decrease of their respective market value, as well as the increase in provisions charges associated to other commitments. In the international activity, other impairment and provisions fell in most of the subsidiaries, from 2010, in particular in Millennium bim in Mozambique, Banco Millennium Angola and Bank Millennium in Poland.

Income Tax

Income tax (current and deferred) amounted to -458.9 million euros in 2011, compared with 14.3 million euros in 2010.

This tax includes current tax costs amounting to 66.9 million euros (54.2 million euros in 2010), net of deferred tax income in the amount of 525.7 million euros (39.8 million euros in 2010).

The deferred tax income recorded in 2011 refers, above all, to the impairment losses that are not deductible for the purpose of calculation of the taxable profit for 2011 and the tax losses recorded for the year.

Non-controlling Interests

Non-controlling interests include the part attributable to third parties of the results of the subsidiary companies consolidated through the full method in which the Group does not hold, directly or indirectly, the entirety of their share capital.

Non-controlling interests reflect, essentially, the net income attributable to third parties related to the shareholdings in Bank Millennium in Poland, Millennium bim in Mozambique and Banco Millennium Angola, standing at 85.9 million euros in 2011, compared with the 59.3 million euros in 2010, driven by the increases in the net income recorded by all of these subsidiaries, in particular Millennium bim in Mozambique, followed by Bank Millennium in Poland and Banco Millennium Angola.

Review of the Balance Sheet

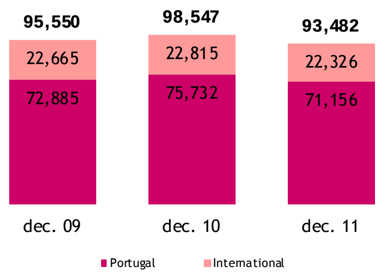
The unfavourable national macroeconomic context was reflected in the progressive deterioration of the financial situation of families and companies, expressed in a transversal and growing materialisation of credit risk throughout 2011 and in the simultaneous reduction of demand, especially by individuals, and greater selectivity in credit concession by financial institutions. At the same time, the aggravation of tensions and funding conditions in international funding markets created difficulties for the funding of the Portuguese State during the first half of the year and led to an important exposure of various banks to the national sovereign risk, which, on the one hand, was reflected in a higher vulnerability of the national banking sector, but which, on the other hand, strengthened its capacity to obtain stable funding at the European Central Bank (ECB) and the occasional refunding on the rep market, using the portfolio of eligible debt securities as collateral, especially relevant in a context of strong limitation of access to wholesale funding markets.

In particularly adverse economic and financial circumstances for the national banking system, Millennium bcp pursued, as noted above, a proactive management of its equity-to-assets structure, seeking, on the one hand, to adjust it to the new requirements arising from the Economic and Financial Assistance Programme to Portugal, namely the pursuit of very demanding targets defined for capital and loans-to-deposits ratios, aimed at strengthening soundness and gradual deleveraging over the next few years, and, on the other hand, to adjust it to the Group's strategic guidelines.

Total assets reached 93,482 million euros as at 31 December 2011, compared with 98,547 million euros recorded as at 31 December 2010.

TOTAL ASSETS

Million euros



Loans to customers, before loan impairment, decreased by 6.4%, to stand at 71,533 million euros as at 31 December 2011 (representing 76% of total assets), compared with the 76,411 million euros recorded at the end of the previous year. This evolution was fundamentally the result of the constraints mentioned above, with consequences on lower demand and higher selectivity in credit concession. Furthermore, the contraction of the loan portfolio was also influenced by the sale of various loan operations, which accelerated the deleveraging and enabled the release of funds with a view to finance customers.

The portfolio of securities, which represents 12.9% of total assets, decreased in terms of both financial assets held to maturity and financial assets held for trading and available for sale. In fact, the financial assets held to maturity fell by 23.5%, to stand at 5,160 million euros as at 31 December 2011 (6,745 million euros at the end of 2010), reflecting the lower exposure to Portuguese public debt securities and the impact of the recognition of impairment associated to Greek sovereign debt securities, as well as the redemption of bonds of national private issuers. In turn, the portfolio of financial assets held for trading and financial assets available for sale decreased to 6,919 million euros as at 31 December 2011 (7,709 million euros at the end of 2010), as a result of the progressive reduction of exposure to Portuguese public debt, incident on Treasury Bills and other securities, while the portfolio of Treasury Bonds and bonds of other public issuers was strengthened in 2011, as well as the lower exposure to Polish public debt.

Total liabilities decreased by 4.1%, standing at 89,108 million euros as at 31 December 2011, relative to the 92,935 million euros at the end of 2010, influenced fundamentally by the reduction of subordinated liabilities (-43.8%), other financial liabilities at fair value through profit or loss (-36.1%) and issued debt securities (-10.5%), which continued to be strongly constrained by the persistent limitation of access to wholesale funding markets, in spite of the Group having made various issues of bonds during 2011, with a view to strengthening the pool of assets eligible for rediscount at Central Banks. However, it should be highlighted that the overall effect was practically neutral on total liabilities, due to: i) the 11.7% decrease of deposits of Central Banks and other credit institutions to stand at a total of 17,723 million euros as at 31 December 2011 (20,077 million euros at the end of 2010), reflecting the lower use of funding from the ECB; and ii) the 4.2% increase of customer deposits, which reached 47,516 million euros (45,609 million euros at the end of 2010), as a result of the strategic focus of Millennium bcp on the reduction of the commercial gap and on the growth and attraction of customer balance-sheet funds.

Equity evolved from 5,612 million euros at the end of 2010 to 4,374 million euros as at 31 December 2011 (-1,238 million euros), including the effect of the increased share capital through incorporation of reserves and share premiums, through conversion of subordinated perpetual securities into ordinary shares and through public subscription offer reserved to shareholders, of the total amount of 1,370 million euros, whose net impact on equity stood at 260 million euros. However, the evolution of equity was influenced, above all, by the unfavourable impacts arising from: i) the recording in 2011 of negative net income of 849 million euros; ii) the exchange of perpetual debt instruments and preferred shares (-388 million euros); iii) the negative variation of the fair value reserves associated to the financial assets available for sale (-247 million euros), related, namely, to the portfolio of securities held by Millenniumbcp Ageas, in the proportion of the 49.0% stake held by the Group in this company, and to the portfolio of public debt securities and bonds of other national public issuers; and iv) the payment of the remuneration of preferred shares, in the amount of 57 million euros.

As referred to above, prior to the transfer to the General Social Security Scheme of the liabilities related to pensions for retired workers and pensioners, the Group decided to alter the accounting policy associated to the recognition of actuarial deviations. Pursuant to the IAS, this alteration was carried out with retroactive effect on 1 January 2010, whereby the entirety of the deferred actuarial deviations was recognised in the equity. Under the applicable rules, the Group restated the financial statements with reference to 1 January 2010 and 31 December 2010, for comparative purposes.

Balance Sheet at 31 december

million euros

	2011	2010	2009	Chan. % 11/10
Assets				
Cash and deposits at central banks and loans and advances to credit institutions	6,606	5,087	5,110	29.9%
Loans and advances to customers	68,046	73,905	75,191	-7.9%
Financial assets held for trading	2,145	5,136	3,357	-58.2%
Financial assets available for sale	4,774	2,573	2,699	85.5%
Financial assets held to maturity	5,160	6,745	2,027	-23.5%
Investments in associated companies	305	396	439	-22.9%
Non current assets held for sale	1,105	997	1,343	10.8%
Other tangible assets, goodwill and intangible assets	876	1,018	1,181	-14.0%
Current and deferred tax assets	1,617	1,010	609	60.2%
Other (1)	2,848	1,680	3,594	69.5%
Total Assets	**93,482**	**98,547**	**95,550**	**-5.1%**
Liabilities				
Deposits from Central Banks and from other credit institutions	17,723	20,077	10,306	-11.7%
Deposits from customers	47,516	45,609	46,307	4.2%
Debt securities issued	16,236	18,137	19,953	-10.5%
Financial liabilities held for trading	1,479	1,176	1,072	25.7%
Other financial liabilities at fair value through profit or loss	2,579	4,038	6,346	-36.1%
Non current liabilities held for sale	-	-	436	
Subordinated debt	1,147	2,039	2,232	-43.8%
Other (2)	2,428	1,859	1,678	30.6%
Total Liabilities	**89,108**	**92,935**	**88,330**	**-4.1%**
Equity				
Share capital	6,065	4,695	4,695	29.2%
Treasury stock	-11	-82	-86	-86.1%
Share premium	72	192	192	-62.7%
Preference shares	171	1,000	1,000	-82.9%
Other capital instruments	10	1,000	1,000	-99.0%
Fair value reserves	-390	-166	94	134.1%
Reserves and retained earnings	-1,242	-1,869	-244	-33.6%
Profit for the year attributable to shareholders	-849	344	225	-346.4%
Total equity attributable to Shareholders of the bank	**3,826**	**5,114**	**6,876**	**-25.2%**
Non-controlling interests	548	498	344	10.1%
Total Equity	**4,374**	**5,612**	**7,220**	**-22.0%**
Total Liabilities and Equity	**93,482**	**98,547**	**95,550**	**-5.1%**

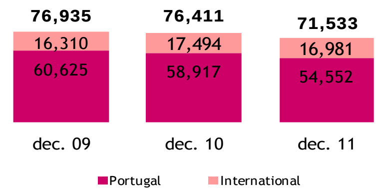
(1) Includes Assets with repurchase agreement, Hedging derivatives, Investment property and Other assets.
(2) Includes Hedging derivatives, Provisions for liabilities and charges, Current and deferred income tax liabilities and Other liabilities.

Loans and Advances to Customers

The unfavourable circumstances and strengthening of the regulatory requirements have led to greater selectivity in credit concession to customers, aimed at pursuing the objectives of reduction of the commercial gap and progressive deleveraging over the next few years. Millennium bcp has sought to adjust its value proposition to meeting the funding needs of customers in this new context, especially of companies, namely through the offer of innovative solutions for treasury management and export support, assistance regarding access to the available institutional credit lines, as well as added value services, in particular in the specialised credit area, supporting the business development of company customers.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros



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

Loans to customers fell by 6.4%, standing at 71,533 million euros as at 31 December 2011, relative to the 76,411 million euros recorded as at 31 December 2010. This evolution was determined fundamentally by the retraction in the activity in Portugal (7.4%), simultaneously with the decrease recorded in the international activity from the end of 2010, in spite of the sustained increases in the loan portfolios of Millennium bim and Banco Millennium Angola, albeit still showing relatively modest volumes, but indicating the receptivity of the innovative value propositions offered by the Group in these markets which promise high potential growth.

The behaviour of loans to customers indicates the contraction both in terms of loans granted to companies (-9.4%), which stood at 36,728 million euros as at 31 December 2011, and to individuals (-3.0%), reflecting, on the one hand, the impact of the gradual deleveraging efforts in progress through, namely, the sale of specific loans, and, on the other hand, the deterioration of the confidence of companies and families expressed in the contraction of investment in durable goods and consequent decreased demand for funding.

Indeed, the slowdown in credit concession to individuals in 2011 resulted both from the lower demand for consumer credit and mortgage loans, due to the negative appraisal of the future evolution of disposable family income, and from the higher selectivity and requirements tied to the loans upon concession, namely the lower values of loans relative to the real value of the housing (guarantee), while the retraction in loans to companies continued to take place, essentially, in the activity sectors that are traditionally more dependent on the evolution of internal demand, such as services, commerce and construction.

Loans and advances to customers (*)

million euros

	2011	2010	2009	Chan. % 11/10
Individuals				
Mortgage loans	30,308	31,036	28,964	-2.3%
Consumer credit	4,497	4,846	5,083	-7.2%
	34,805	**35,882**	**34,047**	**-3.0%**
Companies				
Services	14,802	16,041	16,405	-7.7%
Commerce	4,254	4,603	5,205	-7.6%
Construction	4,991	5,091	5,453	-2.0%
Other	12,681	14,794	15,825	-14.3%
	36,728	**40,529**	**42,888**	**-9.4%**
Loans and Advances to Customers	**71,533**	**76,411**	**76,935**	**-6.4%**
Loans associated with assets partially sold (1)	-	-	413	
Total	**71,533**	**76,411**	**77,348**	

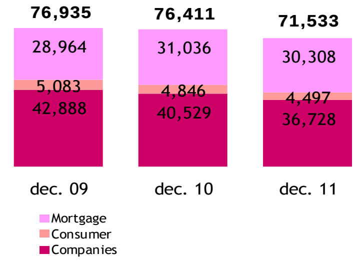
(*) Before loans impairment.

(1) Millennium bank Turkey and Millennium bcpbank USA.

Between 31 December 2010 and 31 December 2011, the structure of the loan portfolio maintained identical patterns of diversification, with loans to companies representing 51.3% of total loans granted, while loans to individuals represented 48.7% of the portfolio of loans to customers.

Loans to individuals stood at 34,805 million euros as at 31 December 2011, having decreased by 3.0% relative to the 35,882 million euros recorded at the end of 2010, determined by the reduction of both consumer credit and mortgage loans, although with a preponderance in volume of mortgage loans, which represented 87.1% of loans to individuals, reaching a total of 30,308 million euros as at 31 December 2011.

LOANS AND ADVANCES TO CUSTOMERS (*)
Million euros



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

The evolution of mortgage loans in 2011 was essentially influenced by the performance of the activity in Portugal (-3.4%), constrained by the particularly adverse economic and financial situation, since the international activity recorded a slight increase (0.4%) relative to the end of 2010, determined above all by the subsidiaries in Poland, Romania and Mozambique.

Consumer credit stood at 4,497 million euros as at 31 December 2011, compared with the 4,846 million euros at the end of 2010, preserving, however, its relative weight (6.3%) in the structure of the portfolio of loans granted to customers. Both the activity in Portugal, which fell by 8.0% relative to the end of 2010, and the international activity (-6.0%) contributed to this evolution, influenced by the performance of the operations in Poland and Greece, in spite of the strong buoyancy in consumer credit demonstrated by Millennium bim.

Loans to companies stood at 36,728 million euros as at 31 December 2011, compared with the 40,529 million euros as at the same date of 2010. The trend of slowdown in loan concession to companies was exacerbated during 2011 by the effect of the beginning of the process of deleveraging of the national economy, both through the adjustment of company balance sheets and reduction of banking indebtedness levels in order to achieve more stable funding structures, and through the greater limitation of bank access to funding in financial markets and consequent greater selectivity in loan concession, although Millennium bcp has continued to support company customers with business and investment plans that are sustainable in the long term.

In this context, particular reference should be made to the support offered to exporting companies and companies with internationalisation strategies, as well as the support to enterprising businesses and initiatives and the participation in the credit lines to Small and Medium-sized Enterprises (SME), namely under the protocols signed with IAPMEI and PME Investimentos, especially in the PME Investe/QREN and Export Investe programmes. The performance of the loans to companies was influenced both by the activity in Portugal, which fell by 10.1%, with special incidence on the Corporate and Companies Banking networks, and by the international activity, notwithstanding the higher levels of loans granted to companies by the subsidiaries in Mozambique and Angola.

Loans and advances to customers (*)

million euros

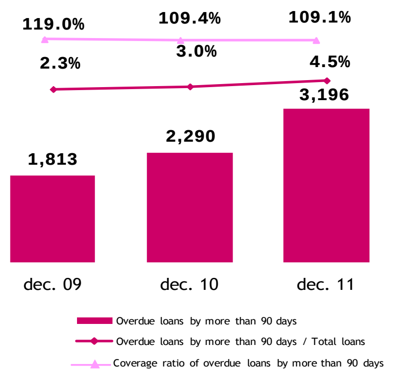
	2011	2010	2009	Chan. % 11/10
Mortgage loans				
Activity in Portugal	21,768	22,533	21,518	-3.4%
International Activity	8,540	8,503	7,446	0.4%
	30,308	**31,036**	**28,964**	**-2.3%**
Consumer credit				
Activity in Portugal	2,689	2,922	3,305	-8.0%
International Activity	1,808	1,924	1,778	-6.0%
	4,497	**4,846**	**5,083**	**-7.2%**
Companies				
Activity in Portugal	30,094	33,461	35,802	-10.1%
International Activity	6,634	7,068	7,086	-6.1%
	36,728	**40,529**	**42,888**	**-9.4%**
Loans and Advances to Customers				
Activity in Portugal	54,552	58,917	60,625	-7.4%
International Activity	16,981	17,494	16,310	-2.9%
	71,533	**76,411**	**76,935**	**-6.4%**
Loans associated with assets partially sold (1)	-	-	413	
Total	**71,533**	**76,411**	**77,348**	

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

The quality of the loan portfolio, assessed by the levels of the default indicators, namely by the proportion of loans overdue by more than 90 days relative to total loans, stood at 4.5% as at 31 December 2011 (3.0% as at 31 December 2010), reflecting the progressive deterioration of the economic and financial situation of families and companies, expressed in the growing materialisation of credit risk throughout 2011, notwithstanding the reinforcement of the risk prevention and control mechanisms and endeavours of integrated action of the commercial areas in strict coordination with the loan recovery areas.

The ratio for loans overdue by more than 90 days covered by impairments stood at 109.1% as at 31 December 2011, compared with 109.4% as at the same date of 2010, showing practically stable coverage levels, relative to the end of 2010, both in the activity in Portugal and international activity.

CREDIT QUALITY
Million euros



Non-performing loans which, pursuant to Instruction number 23/2011 of the Bank of Portugal, includes loans overdue by more than 90 days and doubtful debt reclassified as overdue for the effect of provisioning, accounted for 6.2% of total loans as at 31 December 2011, compared with 4.5% recorded as at the same date of 2010. In turn, credit at risk, calculated under the terms defined in the said instruction of the Bank of Portugal, stood at 10.1% of total loans as at 31 December 2011.

Credit quality

million euros

	2011	2010	2009	Chan. % 11/10
Loans and advances to customers (*) (1)	71,533	76,411	76,935	-6.4%
Overdue loans (>90 days)	3,196	2,290	1,813	39.6%
Overdue loans	3,476	2,500	2,032	39.1%
Impairments (balance sheet) (1)	3,488	2,506	2,146	39.2%
Overdue loans (>90 days) / Loans and advances to customers (*)	4.5%	3.0%	2.3%	
Overdue loans / Loans and advances to customers (*)	4.9%	3.3%	2.6%	
Coverage ratio (Overdue loans > 90 days)	109.1%	109.4%	119.0%	
Coverage ratio (Overdue loans)	100.3%	100.2%	106.1%	
Instruction nr. 23/2011 of the Bank of Portugal				
Total loans	71,723	76,475	77,326	
Overdue loans according to Bank of Portugal	4,414	3,421	2,601	29.0%
Credit at risk	7,211	5,430	4,611	
Impairments	3,488	2,506	2,157	39.2%
Overdue loans (>90 days) + doubtful loans as a % of total loans	6.2%	4.5%	3.4%	
Overdue loans according to Bank of Portugal, net / Total loans, net	1.4%	1.2%	0.6%	
Credit at risk / Total loans	10.1%	7.1%	6.0%	
Credit at risk, net / Total loans, net	5.5%	4.0%	3.3%	

(*) Before loans impairment.

(1) In 2009 excludes loans associated with assets partially sold - Millennium bank Turkey and Millennium bcpbank USA.

Overdue loans by more than 90 days stood at 3,196 million euros as at 31 December 2011, compared with 2,290 million euros at the end of 2010, reflecting, to some extent, the impact of the budgetary adjustment process and contraction of economic activity in Portugal, with consequences on increased unemployment and higher materialisation of credit risk in 2011. The portfolio of overdue loans evolved differently in the Group's operations, having deteriorated particularly in the activity in Portugal and in Millennium Bank in Greece and developed favourably in Bank Millennium in Poland.

Overdue loans granted to companies represented 73.9% of the total overdue loans in the portfolio as at 31 December 2011, with the greatest incidence being in the services, construction and commerce sectors. The ratio of overdue loans granted to companies, measured as a percentage of the total loans granted to companies deteriorated to 7.0% (4.4% as at 31 December 2010), also reflecting the effect of the decreased denominator due to the deleveraging process in progress, but showing a level of coverage by impairments recorded on the balance sheet of 104.3%.

For loans granted to individuals, overdue consumer credit and mortgage loans represented 19.2% and 6.9%, respectively, of the total overdue loans in the portfolio, with a ratio of overdue consumer credit to total consumer credit deteriorating to 14.8%, compared with 10.2% at the end of 2010, while the ratio of overdue mortgage loans remained practically stable in relation to the end of the previous year, standing at 0.8% as at 31 December 2011.

Overdue loans and impairments as at 31 December 2011

million euros

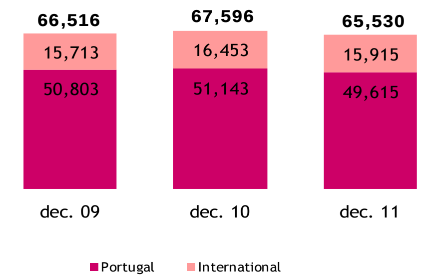
	Overdue loans	Impairment for loan losses	Overdue loans/Total loans	Coverage ratio
Individuals				
Mortgage loans	239	257	0.8%	107.6%
Consumer credit	667	550	14.8%	82.5%
	906	807	2.6%	89.1%
Companies				
Services	796	964	5.4%	121.2%
Commerce	413	339	9.7%	82.1%
Construction	708	389	14.2%	54.9%
Other international activities	55	472	1.9%	861.0%
Other	598	517	6.2%	86.2%
	2,570	2,681	7.0%	104.3%
Total	**3,476**	**3,488**	**4.9%**	**100.3%**

Customer Funds

The focus on growth and the retention of balance sheet customer funds became especially important during 2011, contributing not only to the materialisation of the imperatives of reduction of the commercial gap and deleveraging regarding customer funds, but also to the strengthening of the Group's sources of stable funding, in view of the persistent limitation of access to medium and long term transactions in wholesale funding markets. In this context, Millennium bcp strengthened the offer of solutions concerning programmed small savings and low risk investment with attractive yields, especially targeting individual customers but also adjusted to companies, so as to ensure both the expansion of its customer base and internalisation in the balance sheet of the portfolio of off-balance-sheet funds at the time of their maturity and redemption, through the offer of attractive financial investments, preferably term deposits and structured products, in a context of heavy competitive intensification.

TOTAL CUSTOMER FUNDS

Million euros



Total customer funds

million euros

	2011	2010	2009	Chan. % 11/10
Balance sheet customer funds				
Deposits	47,516	45,609	45,822	4.2%
Debt securities	5,544	5,733	4,685	-3.3%
	53,060	**51,342**	**50,507**	**3.3%**
Off balance sheet customer funds				
Assets under management	3,739	4,459	4,887	-16.2%
Capitalisation products (1)	8,731	11,795	11,122	-26.0%
	12,470	**16,254**	**16,009**	**-23.3%**
Total customer funds	**65,530**	**67,596**	**66,516**	**-3.1%**
Customer funds associated with assets partially sold (2)	-	-	486	
Total	**65,530**	**67,596**	**67,002**	

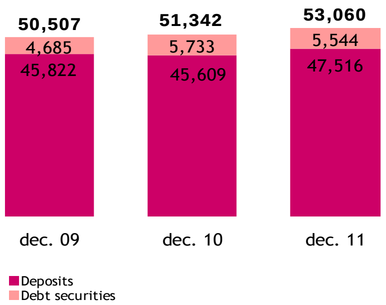
(1) Includes Unit linked and Retirement savings deposits.
(2) Millennium bank Turkey and Millennium bcpbank USA.

Total customer funds reached 65,530 million euros as at 31 December 2011, relative to the 67,596 million euros recorded as at the same date of 2010. This evolution was determined by the behaviour of the assets under management and capitalisation products, in spite of the 3.3% increase in balance sheet customer funds.

In the activity in Portugal, total customer funds stood at 49,615 million euros at 31 December 2011, compared with the 51,143 million euros as at 31 December 2010, although it should be noted in particular that total customer funds increased in the Corporate network. In the international activity, total customer funds fell by 3.3%, to stand at 15,915 million euros at the end of 2011, determined fundamentally by the performance of Bank Millennium in Poland, both in terms of balance sheet funds and off-balance sheet funds, and also influenced by the currency conversion effect of the devaluation of the zloty against the euro and by Millennium Bank in Greece, in spite of the growth achieved by Millennium bim in Mozambique (+35.0%) and Banco Millennium Angola (46.9%), embodying the continued focus on the attraction of customer deposits in these markets.

BALANCE SHEET CUSTOMER FUNDS

Million euros



Balance sheet customer funds increased by 3.3%, reaching a total of 53,060 million euros as at 31 December 2011, relative to the 51,342 million euros at the end of 2010, especially reflecting the growth of customer deposits (+4.2%), materialising the focus on the attraction and retention of balance sheet funds, aimed at reducing the commercial gap and, at the same time, increasing the funding of loans to customers using deposits, by boosting the marketing of long term deposits offering attractive yields and adapted to customer needs, notwithstanding the placement of other savings products which might strengthen customer funds of a stable character. Customer deposits grew by 4.2%, reaching 47,516 million euros as at 31 December 2011, relative to the

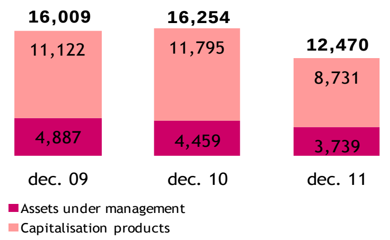
45,609 million euros as at the same date of 2010, driven by the activity in Portugal which increased by 7.2% and, regarding the international activity, by the performance of Millennium bim in Mozambique and Banco Millennium Angola.

Debt securities owed to customers amounted to 5,544 million euros at the end of 2011, compared with 5,773 million euros as at 31 December 2010, reflecting a relative contraction in the placement of structured products, albeit indicating a preference for longer term investments, under the commercial effort directed towards the attraction of stable customer funds.

Off-balance sheet customer funds stood at 12,470 million euros as at 31 December 2011, compared with the 16,254 million euros recorded as at the same date of 2010. This evolution was determined by the unfavourable performance of both the assets under management and capitalisation products during 2011, indicating, on the one hand, the uncertainty and volatility of the capital markets with impact on the depreciation of the asset portfolios as well as on the redirecting of savings to assets not subject to market fluctuations and of lower risk, and, on the other hand, the focus referred to above on the attraction of balance sheet customer funds.

OFF BALANCE SHEET CUSTOMER FUNDS

Million euros



The assets under management stood at 3,739 million euros as at 31 December 2011 (4,459 million euros at the end of 2010), reflecting the persistent instability and volatility of the capital markets, with strong impact on the asset management industry. This evolution was driven by the performance of both the activity in Portugal, in spite of the commercial involvement of the Bank's networks in the placement of investment funds and fostering of options targeting the investment of small savings, of low risk and aimed at customers with a conservative profile, such as the Special Investment Fund (FEI) and Millennium Extra Treasury III, and the international activity, concerning Millennium bank in Greece and Bank Millennium in Poland.

The capitalisation products stood at 8,731 million euros as at 31 December 2011 (11,795 million euros at the end of 2010), evidencing the divestment of unit linked capitalisation products and the lower attractiveness and demand for products which traditionally received tax benefits, in particular the retirement saving plans.

Total customer funds

million euros

	2011	2010	2009	Chan. % 11/10
Balance sheet customer funds				
Activity in Portugal	37,948	35,945	35,999	5.6%
International Activity	15,112	15,397	14,508	-1.9%
	53,060	**51,342**	**50,507**	**3.3%**
Off balance sheet customer funds				
Activity in Portugal	11,668	15,198	14,804	-23.2%
International Activity	802	1,056	1,205	-24.0%
	12,470	**16,254**	**16,009**	**-23.3%**
Total customer funds				
Activity in Portugal	49,615	51,143	50,803	-3.0%
International Activity	15,915	16,453	15,713	-3.3%
	65,530	**67,596**	**66,516**	**-3.1%**
Customer funds associated with assets partially sold (1)	-	-	486	
Total	**65,530**	**67,596**	**67,002**	

(1) Millennium bank Turkey and Millennium bcpbank USA.

Amounts Owed To and By Credit Institutions

Amounts owed to credit institutions and Central Banks minus amounts owed by credit institutions stood at 13,233 million euros as at 31 December 2011, compared with the 16,474 million euros recorded as at the same date of 2010. This evolution essentially reflects the lower net exposure of the Group to the European Central Bank, relative to the end of the previous year, as a result of the strategic focus of Millennium bcp on growth and attraction of balance sheet customer funds and on the reduction of the commercial gap, where the goal is not only to reduce funding needs but also to strengthen stable funding, in a context of limitation of access to interbanking and wholesale funding markets, characteristic of the last few years.

The "Funding and Liquidity" chapter presents an analysis of the main lines of action of Millennium bcp concerning liquidity management, with a view to compliance with the targets of the liquidity plan for 2011 and covering its occasional revaluation in response to alterations in national and international economic and financial circumstances, so as to ensure the timely and full coverage of the activity's funding requirements in the medium term.

Financial Assets Held for Trading and Financial Assets Available for Sale

The financial assets held for trading and available for sale stood at 6,919 million euros as at 31 December 2011, compared with the 7,709 million euros as at the same date of 2010. This development was driven fundamentally by the progressive reduction of exposure to Portuguese sovereign debt, especially during the second half of the year, incident on Treasury Bills and other public debt securities, while the portfolio of Treasury Bonds and bonds of other public issuers was strengthened in 2011, as well as the lower exposure to Polish public debt.

The portfolio of fixed income securities, composed mainly of Treasury Bills and other public debt securities and bonds of public issuers, which represent 80% of the fixed yield portfolio and 62% of the total portfolio, stood at 5,322 million euros as at 31 December 2011, having decreased by 17.2% in relation to the 6,430 million euros recorded as at the same date of 2010, explained by the abovementioned reduction of exposure to Portuguese and Polish sovereign debt, albeit also incorporating the strengthening of Angolan and Mozambican public debt securities.

Variable income securities stood at 282 million euros as at 31 December 2011, compared with the 208 million euros recorded at the end of 2010, indicating above all the strengthening of investment fund units in the portfolio.

Trading derivatives stood at 1,320 million euros as at 31 December 2011, having increased by 22.7% in relation to the 1,076 million euros recorded at the end of 2010, essentially indicating the higher volume of trading of loan derivatives and interest rate swaps in 2011.

Assets held for trading and available for sale as at 31 december

million euros

	2011		2010		2009		Chan. %
	Amount	% in total	Amount	% in total	Amount	% in total	11/10
Fixed income securities							
Treasury Bills and other Government bonds	2,612	37.8%	3,231	41.9%	1,191	19.7%	-19.2%
Bonds issued by Government and public entities (Portuguese)	1,017	14.7%	932	12.1%	149	2.5%	9.1%
Bonds issued by Government and public entities (foreign issuers	654	9.5%	1,156	15.0%	1,084	17.9%	-43.4%
Bonds issued by other Portuguese entities	385	5.6%	225	2.9%	1,177	19.4%	71.1%
Bonds issued by other foreign entities	654	9.5%	886	11.5%	576	9.5%	-26.2%
	5,322	**76.9%**	**6,430**	**83.4%**	**4,177**	**69.0%**	**-17.2%**
Variable income securities							
Shares in Portugueses companies	72	1.0%	56	0.7%	124	2.0%	28.6%
Shares in foreign companies	66	1.0%	71	0.9%	271	4.5%	-7.0%
Investment fund units	144	2.1%	81	1.1%	340	5.6%	77.8%
Other variable income securities	-		-		2		
	282	**4.0%**	**208**	**2.6%**	**737**	**12.1%**	**35.6%**
Impairment for overdue securities	**(5)**		**(5)**		**(5)**		**-**
Trading derivatives	**1,320**	**19.1%**	**1,076**	**14.0%**	**1,147**	**18.9%**	**22.7%**
	6,919	**100.0%**	**7,709**	**100.0%**	**6,056**	**100.0%**	**-10.2%**

Other On-Balance Sheet Items

Other on-balance-sheet items, which include assets with repurchase agreement, hedging derivatives, investments in associates, investment properties, non-current assets held for sale, other tangible assets, goodwill and intangible assets, current and deferred tax assets, and other assets, represented 7.2% of total consolidated assets, amounting to 6,751 million euros as at 31 December 2011, compared with the 5,100 million euros as at 31 December 2010. This evolution is explained essentially by: i) the recognition, in 2011, of impairment relative to the goodwill of Millennium bank in Greece, recorded under the item of goodwill and intangible assets; ii) the deferred tax assets recorded in 2011 related to temporary differences, arising, fundamentally, from impairment losses, costs related to retirement pensions and reported tax losses; and iii) by the increased balance of other assets as at 31 December 2011, explained mainly by the financial liquidation to take place in the beginning of 2012 related to operations with securities and loan sales.

Further information and details on the composition and evolution of the abovementioned items are described in Notes 24 to 32 to the Consolidated Financial Statements, in Volume II of the Annual Report for 2011.

PENSION FUND

The Group has undertaken the responsibility to pay its employees pensions upon retirement or due to disability and other obligations, complying with the terms established in the Collective Labour Agreement of the Banking Sector (ACT). The Group's liabilities are essentially covered by the Pension Fund of Banco Comercial Português managed by PensõesGere - Sociedade Gestora de Fundo de Pensões, S.A..

During 2011, a Tripartite Agreement was established between the Government, the Portuguese Association of Banks and the Unions of the banking workers on the transfer to Social Security of the liabilities related to pensions paid to current retired workers and pensioners.

This agreement established that the liabilities to be transferred correspond to the pensions being paid as at 31 December 2011, at constant values (0% updating rate) of the component laid forth in the Collective Labour Regulation Instrument (IRCT) of retired workers and pensioners. The liabilities relative to the updating of pensions, to supplementary benefits to pensions to be undertaken by Social Security, to the contributions to the SAMS (Social Health Assistance Service) for retirement and survivors' pensions, to death grants and to deferred survivors' pensions continue to be the responsibility of the Institutions with the funding being ensured through their respective Pension Funds.

The transferred liabilities were determined based on actuarial assumptions that are different from those used by the Group, namely with respect to the discount rate (4%) and mortality table (TV 88/90 for women and TV 73/77 aggravated by 1 year for men). These assumptions were determined in a perspective of liquidation of liabilities ("exit value") since this involves a definitive and irreversible transfer of these liabilities implying differences in view of the assumptions used in the determination of the liabilities reflected in the financial assumptions prepared in accordance with the requirements of IAS 19 - Employee Benefits. The total value of the transferred liabilities reached 2,747 million euros. The financial liquidation of 55% of the operation, of the value of 1,510 million euros, took place before 31 December 2011, and the remaining value will be transferred in the first semester of 2012.

The liabilities related to retirement pensions had been totally funded and at levels above the minimum limits defined by the Bank of Portugal, presenting a coverage level of 111%. As at 31 December 2011, the liabilities related to the Pension Fund reached 2,452 million euros, compared with 5,322 million euros recorded as at 31 December 2010, reflecting a significant reduction due to the transfer of part of the liabilities to Social Security.

In 2011, the Pension Fund recorded a negative rate of return of 0.7% following the adverse behaviour of the markets and, in particular, of the performance of the capital market in Portugal. Since the liquidation of the transferred liabilities is carried out in cash or public debt valued at market prices, the remaining assets in the Pension Fund corresponding to the non-transferred liabilities present a composition which is substantially different from that recorded as at 31 December 2010.

IAS 19 permits two alternatives for the accounting treatment of actuarial deviations. Up to June 2011, the Group had adopted the corridor method, where unrecognised actuarial gains and losses exceeding 10% of the greater value between the present value of the defined liabilities and the fair value of the Fund's assets were recognised against profit or loss according to the estimated remaining working life of the active employees.

At the same time, IAS 19 Employee Benefits also establishes the use of the method of the direct recognition in equity of actuarial deviations. At the end of 2011 the Group decided to alter its accounting policy, and now recognises the actuarial deviations for the year against reserves. According to IAS 8, this alteration of the accounting policy is presented as of 1 January 2010, whereby the entirety of the deferred actuarial deviations is recognised in equity on that date. Hence, as of 31 December 2011, inclusively, the Group no longer records actuarial deviations in the Balance Sheet.

For prudential effects, the Bank of Portugal authorised the maintenance of the corridor for the liabilities not transferred to Social Security as well as the amortisation method defined for deferred adjustments related to the pension fund ("Extended corridor"), with the exception of those arising from the actuarial deviations recorded in 2008, of the value corresponding to the liabilities transferred to Social Security. As at 31 December 2011, the value of the corridor relevant only for prudential effects reached 245 million euros.

CAPITAL

Following Millennium bcp's request, Bank of Portugal formally authorized the adoption of the methodologies based on internal notation approach (IRB) 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. In the scope of the roll-out plan for the calculation of capital requirements for credit and counterparty risk under IRB approaches and following the request submitted by the Bank, the Bank of Portugal formally authorised the extension of this methodology to the subclasses of risk "Renewable Retail Positions" and "Other Retail Positions" in Portugal with effect as from 31 December 2011.

Capital requirements: calculation methods and scope of application (1)

	31-12-2011	31-12-2010
Credit risk and counterparty credit risk		
Retail		
- Loans secured by residential or commercial real estate	IRB Advanced	IRB Advanced
- Small companies	IRB Advanced	IRB Advanced
- Renewable Retail Positions	IRB Advanced	Standardised
- Other Retail Positions	IRB Advanced	Standardised
Companies	IRB Foundation (2)	IRB Foundation (2)
Other loans and advances	Standardised	Standardised
Market risk		
Debt instruments	Internal Models	Internal Models
Equity securities	Internal Models	Internal Models
Foreign exchange risk	Internal Models	Internal Models
Commodities risk	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 Companies risk category, are weighted by the Standardised approach.

Core Tier I came to 9.3% as at 31 December 2011, above the minimum threshold defined by the Bank of Portugal (9%), having increased 260 basis points compared to 6.7% as reported at the end of 2010.

The success of the operations to reinforce Core Tier I undertaken in 2011 and the reduction of risk-weighted assets, supported by deleveraging and the optimisation and reinforcement of the collateral, contributed positively to the evolution of Core Tier I ratio.

At the end of 2011, relative to the value determined at the end of 2010, Core Tier I increased by 1,169 million euros, with emphasis on:

- The increase in the share capital of the Bank by 990 million euros, concluded in June 2011 within the scope of the general public tender offer for perpetual subordinated debt securities with conditional coupons.
- The increase in the share capital by cash entries in June 2011, with preferential shareholder rights, in the amount of 260 million euros.
- The exchange offer for holders of subordinated debt and preference shares, which took place in September and October 2011 and enabled Core Tier 1 to increase by 539 million euros, of which 98 million euros through profit and loss and the remainder in reserves.
- The positive effects as a result of, on the one hand, the decrease in prudential deduction associated to own credit risk of 117 million euros, reflecting the acquisition of own debt recorded at fair value and, on the other hand, the increase in minority interests of 49 million euros, supported by the higher level of results posted in the subsidiaries in Poland, Mozambique and Angola.

- Net income for the year which, in spite of having been negative by 849 million euros, had a negative impact of only 314 million euros on Core Tier 1 of 31 December 2011, since it includes a total of 535 million euros which were not reflected in capital, in compliance with the rules laid down by the Bank of Portugal.
- The costs which were not reflected in core tier 1 of 31 December include: i) 147 million euros related to the depreciation of goodwill of the subsidiary in Greece, which had no impact on capital since goodwill had already been deducted; and ii) 388 million euros, net of taxes, relative to the partial transfer of pensions to the General Social Security Regime (117 million euros) and the Special Inspections Programme (271 million euros), which were subject to prudential neutralisation in December 2011 in compliance with Bank of Portugal Notice no. 1/2012.
- The component of the net income of 2011 which had a negative impact on Core Tier I (314 million euros) was determined by the gain of 98 million euros recognised with the scope of the exchange offer previously mentioned and by the cost of 409 million euros, after taxes, as a result of the recording of impairment losses corresponding to an average of 77.3% of exposure to Greek public debt.
- The negative impact of 289 million euros related with the Pension Fund, calculated after the neutralisation of the effects of the partial transfer of pensions to the General Social Security Regime and of the corridor due to the non-transferred liabilities, of which -64 million euros resulted from the actuarial differences calculated in 2011, including the effects of the change in assumptions and the variation of the Pension Fund corridor, and -225 million euros were due to the regulatory amortisation of the deferred adjustments related to the transition to IAS/IFRS, the change undertaken to the mortality table in 2005 and the actuarial losses recorded in 2008.
- The negative impacts associated to other prudential filters, namely the impairment shortfall relative to the regulatory provisions of exposures treated by the standardised approach (-57 million euros), the deduction of 21% of the nominal value of Greek public debt not covered by impairment (-16 million euros) and the deposits with high interest rates, pursuant to Bank of Portugal Instruction no. 28/2011 (-10 million euros).
- The effects on consolidated reserves as a result of the variation in fair value reserves of Millenniumbcp Ageas, the change in the accounting policy of the Pension Fund, the payment of remunerations of hybrid products, exchange rate differences and other which, in aggregate terms, contributed to a decrease of 2 million euros.

Risk-weighted assets registered, between the end of 2010 and December 2011, a decrease of 4,109 million euros, essentially reflecting the following impacts:

- The reduction of 4,649 million euros of credit risk-weighted assets and counterparty risk-weighted assets associated with the business, supported by deleveraging, reflected in the decrease of the value of consolidated assets by 6,513 million euros, and in the optimisation and reinforcement of the collateral undertaken during 2011.
- The decrease of 750 million euros resulting from the extension of the application of internal rating models (IRB) to “Retail Revolving Exposures” and “Other Retail Exposures” risk sub-classes in Portugal, formally authorised by the Bank of Portugal with effect from 31 December 2011 within the framework of the gradual adoption of IRB methodologies to calculate capital requirements for credit and counterparty risk.
- The regulatory changes imposed by the Bank of Portugal in 2011, influenced in particular by the reduction of the average weights of the regional and local governments and of the sovereign risks of Angola and Mozambique, whose total value resulted in a reduction of 378 million euros.
- The reductions of market risk-weighted assets by 41 million euros and of risk-weighted assets for operational risk coverage by 294 million euros.
- The changes arising from the Special Inspections Programme, which led to an increase of 664 million euros.
- The downgrades of the rating of the Portuguese Republic, which worsened the value of risk-weighted assets by 1,340 million euros.

	2011 IRB	2010 IRB	2009 Standardised
			Million euros
Risk weighted assets			
Credit risk	50,908	54,681	61,059
Risk of the trading portfolio	566	608	350
Operational risk	3,981	4,275	4,360
Total	55,455	59,564	65,769
Own funds			
Core Tier I	5,135	3,966	4,187
Preference shares and Perpetual Subordinated Debt Securities with Conditioned Coupons	173	1,935	1,934
Other deductions (1)	(520)	(446)	(19)
Tier I Capital	4,788	5,455	6,102
Tier II Capital	613	774	1,566
Deductions to Total Regulatory Capital	(138)	(113)	(127)
Total Regulatory Capital	5,263	6,116	7,541
Solvency ratios			
Core Tier I	9.3%	6.7%	6.4%
Tier I	8.6%	9.2%	9.3%
Tier II	0.9%	1.1%	2.2%
Total	**9.5%**	**10.3%**	**11.5%**

(1) Includes deductions related to the shortfall of the stock of impairment to expected losses and significant shareholdings in unconsolidated financial institutions, in particular to the shareholdings held in Millenniumbcp Ageas and Banque BCP (France and Luxembourg).

Note: The Bank received authorisation from the Bank of Portugal to adopt 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. Estimates of the probability of default and the loss given default (IRB Advanced) were used for retail exposures to small companies and exposures collateralised by commercial and residential real state, and estimates of the probability of default (IRB Foundation) were used for corporate exposures, excluding property development loans and entities from the simplified rating system. In the scope of the Roll-Out Plan for the calculation of capital requirements for credit and counterparty risk under IRB approaches and following the request submitted by the Bank, the Bank of Portugal formally authorised the extension of this methodology to the subclasses of risk "Renewable Retail Positions" and "Other Retail Positions" in Portugal with effect as from 31 December 2011.

FUNDING AND CAPITAL PLAN

In April 2011, following the increased funding difficulties of the Portuguese State on the international market and the domestic political uncertainty, the Government issued a formal request to the European Authorities and International Monetary Fund (IMF) for the preparation and implementation of an economic and financial assistance plan. In May 2011, the Government, with the support of the main Portuguese political parties, agreed to an Economic Adjustment Programme (Programme) jointly supported by the IMF and European Union (EU).

The Programme's component dedicated to the financial sector seeks to promote the stability of the financial system through supporting measures and mechanisms concerning capital strengthening and access to funding. The main implications of the Programme result in the need to: i) implement a continuous deleveraging process via reduction of the loan portfolio; ii) reduce funding from the Eurosystem during the period of the programme; iii) achieve a loans-to-deposits ratio of 120% by the end of 2014; and iv) comply with the new solvency requirements, namely the Core Tier 1 ratio of 9% by December 2011 and 10% by December 2012. Additionally, and in terms of EBA's analysis, it was established additional solvency requirements, namely Core Tier I ratio of 9% by June 2012 (including the valuation of public debt at market prices and additional deductions to Core own funds, related to financial holdings in financial institutions) and 10% by the end of 2012. Lastly, worth should be noted to the scheduled transition to Basel III, as of 1 January 2014. The banks submitted capital reinforcement plans to the Bank of Portugal, including the possible need to use public capital, in January 2012. This Programme thus seeks to provide mechanisms to support capital and liquidity, helping and ensuring a controlled deleveraging of the economy and the continued stability of the Portuguese financial system.

Clear deleveraging targets were agreed under the Programme, with the eight largest banks of the national banking system (a group in which the BCP is included) having been requested to prepare a Funding and Capital Plan which, based on market conditions, should identify their plans for funding and capital strengthening in the short and medium term, including any possible redefinition of the organisation's structure, in order to achieve a stable financial position in the future. It should be emphasised that other banks not included in the abovementioned group with considerable funding imbalances and high dependence on funding from the Eurosystem may also receive instructions to reduce their exposure to the Eurosystem during the time horizon of the programme.

The Funding and Capital Plans to be submitted to the Bank of Portugal will be on a quarterly frequency, aimed at ensuring the regular monitoring of the deleveraging and solvency process. These updates will be based on macroeconomic scenarios defined by the Bank of Portugal, and on the more recent information of the banks on a consolidated basis. This updating process will be enforced over the entire period of the Programme.

Up to date, the following documents were drawn up and submitted to the Bank of Portugal, based not only on the prospects of evolution of the Bank's activity, but also on assumptions and criteria defined by the Bank of Portugal:

- First version of the Funding and Capital Plan with information as at 30 June 2011 (Initial Version);
- Quarterly update of the Initial Version of the Funding and Capital Plan with information as at 30 September 2011 (1st Update);
- Stress test defined by the Bank of Portugal, based on the 1st Update (1st Stress Test);
- Quarterly update of the 1st Update of the Funding and Capital Plan with information as at 31 December 2011 (2nd Update).

For compliance with this requirement, Millennium bcp constituted an internal team, with steering at the Executive Board of Directors. This team, led by the Chief Financial Officer (CFO) of Millennium bcp, includes staff from various areas of the Bank, namely from the Planning and Budget Control Department, Risk Office, Treasury and Markets Department, Research Office and Management Information Department.

CAPITALISATION STRATEGIC PLAN

On 3 February 2012, the Chairman of the Supervisory Board of Banco Comercial Português, having the concurrence of the main shareholders, confirmed that, meeting the criteria of Basel 2.5, translated in the EBA's requirements for the Core Tier 1 ratio on 30 June 2012, and the prudential demands made by Bank of Portugal for the end of 2012, Banco Comercial Português submitted to Bank of Portugal a Capital Plan on 20 January 2012, as per the EBA's recommendation of 8 December.

The capital plan delivered involved two components:

- Increasing the share capital, with preference right, to be subscribed by private shareholders, so as to assure permanent own funds. Besides the concurrence of current shareholders, Banco Comercial Português has received several assurances that allow it to count on the participation of reference investors in a future share capital increase;
- Admission for the use of the temporary State recapitalization line regulated by Law 63-A/2008.

The completion of the capital plan to be agreed with the competent authorities and submitted to the analysis and approval of a General Meeting specifically convened for that purpose, will be carried out within the deadlines and under the terms and conditions defined.

The execution of the capital plan presented will strengthen the financial standing of Banco Comercial Português, as a foundation for a strategic project involving the Bank, its shareholders and other stakeholders, which will reinforce Banco Comercial Português' place as a reference financial institution both in Portugal and abroad.

FUNDING AND LIQUIDITY

During the 1st quarter of 2011, the scenario of relative macroeconomic stability observed until the emergence of the national political turbulence and sovereign debt crisis, which occurred almost at its end, enabled partial compliance with the Liquidity Plan. Thus, from the point of view of funding structure, during this period the objective of diversification of funding sources was achieved, with the balance of short term repo operations, null as at 31 December 2010, reaching the objective of 1.5 billion euros. The Bank has continued active in the interbank money market, attracting funds in line with its expectations. However, the persistent closure of the commercial paper and capital markets led to the unfeasibility of pursuing its defined budgetary objectives regarding issuance, which, combined with the complexity of setting up equity swap operations, resulted in an exposure to the ECB, lower than that of December 2010 (14.7 billion euros versus 14.9 billion euros).

The appropriate strengthening and management of the pool of eligible collateral continued to be a fundamental axis of policy on liquidity management which, under the terms of the initial Plan, targeted a balance of 25 billion euros of eligible assets by the end of 2011. This enabled overcoming the loss of collateral associated to the enforcement, on 1 January of the new rules on collateral of the ECB (reduction of 700 million euros, 500 million through increased haircuts and 200 million through loss of asset eligibility), in particular through the strengthening of the portfolio with BII - Banco de Investimento Imobiliário mortgage bonds (900 million euros). By the end of the 1st quarter, 2.5 billion euros of eligible assets had been allocated to the collateralization of repos (one billion of which to begin in April).

The emergence of the political crisis which culminated in the resignation of the Government and calling of early elections, triggered a movement of downgrade of the rating of the Portuguese Republic and, consequently of the ratings of the banks, with immediate impact on the aggravation of haircuts and loss of eligibility (100 million euros straightaway at the end of the March). The further deepening of these consequences, in particular the devaluation of assets, will begin in April.

The deterioration of the circumstances inspired rapid response by the Bank, evident in the Review of the Liquidity Plan, which attributed particular focus to the acceleration of the deleveraging targets and strengthening of the portfolio of eligible assets.

The impact of the Reviewed Plan was felt immediately in the 2nd quarter, especially regarding the acceleration of the deleveraging effort (through the selective sale of assets and internalisation of off-balance sheet funds) and strengthening of eligible collateral at the ECB, including the incorporation of IRB loans in the pool of discountable assets. These measures implied that, in spite of the refinancing of 1.4 billion euros of medium-long term debt in the 2nd quarter, the exposure to the ECB (of 15.0 billion euros) continued in line with that of the two previous quarters, now reflecting the impact of the contingency measures implemented in the meantime.

During the 3rd quarter of 2011, the downgrade of the rating of Portuguese sovereign debt by Moody's, to non-investment grade ("Ba2/BB", on 5 July), caused the revival of the trends initiated in the 1st half of the year. This fact, while not having placed in question the eligibility of private debt, was, however, sufficient to rekindle the acceleration of the process of devaluation of eligible assets, including mortgage bonds and securitisations. In this context, simultaneously with the pursuit of the deleveraging measures, to a large extent transposed from the existing Liquidity Plan to the Capital and Liquidity Plan (presented to the troika), the Bank concentrated on the strengthening and preservation of the portfolio of eligible collateral. This orientation was reflected in the inclusion of two new issues in the pool: a first one guaranteed by the Portuguese Republic, of 1.75 billion euros, and a second of private debt, of 500 million euros, carried out beyond the objectives initially defined in the contingency plan. The preservation of eligible assets involved action aimed at maintaining the eligibility of the securitisations. In this high unfavourable context, the Bank maintained a net exposure to the ECB close to that shown at the end of the previous quarters (15.3 billion euros).

In the 4th quarter of 2011, the Bank was not faced with any significant need to refinance medium and long term debt. In a context of profound scarcity of supply in the interbank money market, the Bank successfully pursued its deleveraging strategy, based on the reduction of the commercial gap and, since June 2011, on the progressive decrease of exposure to Portuguese public debt. In spite of during the year the Bank had refinanced its medium-long term debt in the total amount of 2.9 billion euros, the strict implementation of the policy of reduction of funding needs enabled a year-on-year decrease of exposure to the ECB of 2.2 billion euros, to stand at 12.7 billion euros. The portfolio of eligible collateral was strengthened in December 2011 through the incorporation of a State-guaranteed issue of 1.35 billion euros, and a second issue of the same nature of 1.4 billion euros, whose eligibility was obtained only in January 2012. The strengthening of the portfolio of eligible collateral, thus achieved, partially mitigated the effects of the increased haircuts, loss of eligibility and devaluation observed since March 2011, which reached a total of approximately 5.0 billion euros.

On the other hand, the Bank extended the maturity of its funds from the ECB, through the first of the auctions at 3 years instituted by the ECB aimed at injecting liquidity into the banking system of the Eurozone.

The Liquidity Plan approved for 2012 foresees the continuation of the deleveraging policy, which will result in a progressive reduction of funding needs over the year. At the same time, the indebtedness at the ECB should fall significantly in relation to the current values, along a path that should accelerate as of the 1st quarter of the year, after the refinancing of 3.1 billion euros of medium and long term issues, from a total of 4.0 billion euros to be amortised in 2012.

RATINGS ATTRIBUTED TO BCP

Governments may affect the bank loan quality in various ways. Over the last four years, since the beginning of the international financial crisis in 2007, and in particular in Europe, the banks have been supported by governments with capital, liquidity, insurance of assets and/or guarantees. In turn, the banks may influence sovereign credit risk, where the case of Ireland is the most visible example. Various policy initiatives are in place, such as, for example Basel III, aimed at strengthening bank solidity, in order to reduce the risk of the future necessity of rescue packages sponsored by governments. Sovereign risks are also important in the assessment of the solvency of a bank, through the capability and higher or lower likelihood of the government to support the bank, should this be necessary. Pressures on sovereign credit risk have led to the downgrading of the sovereign rating and, as a consequence, the rating of banks. This has been the scenario in Europe, in particular in the countries most affected by the sovereign debt crisis, in which Portugal is included.

2011 was marked by the growing deterioration of the "fundamentals" associated to the credit risk of the Portuguese Republic, with the sovereign rating having been subject to a series of downgrades throughout the year by the main rating agencies. On 7 April 2011, following the increased funding difficulties of the Portuguese State on the international market and the domestic political uncertainty, combined with the sharp downgrade of ratings of the Portuguese Republic and other Portuguese issuing entities, the Government issued a formal request to the European Authorities and International Monetary Fund for the preparation and implementation of an economic and financial adjustment programme.

The ratings of the main national banks continued to be highly constrained by the evolution of the rating of the Republic, although other specific factors of concern were indicated, concerning the banking system and each institution in particular, by the rating agencies. The evolution of the ratings of BCP, over the last few years, has closely followed the trend of evolution of the rating of the Portuguese Republic. Sovereign credit risk has proved to be a key aspect in the assessment of the credit capacity of financial institutions, since the State has power and funds which affect the operating and financial environment of the entities under its jurisdiction, and may also provide support when necessary.

On 7 October 2011, the rating agency Moody's Investors Service (**Moody's**) revised the ratings of the main Portuguese banks, including the rating of the BCP, by one to two notches, attributing them a negative outlook. This action concluded the process of revision of the national banking system, which had started on 15 July 2011 after the downgrade of the Republic of Portugal from "Baa1" to "Ba2". The long and short term ratings attributed to BCP were downgraded from "Ba1/Not Prime" to "Ba3/Not Prime", with the rating of financial solidity (BFSR) having been downgraded from "D" to "E+".

Moody's considers that the main factors affecting the rating of BCP are: i) the high exposure of the Bank to Portuguese public debt at a time when the sovereign credit risk profile continues to deteriorate; ii) the vulnerability of its funding structure based on high dependence on wholesale funding; iii) the exposure to Greece through its local subsidiary, 100% held by BCP; and iv) the deterioration of the asset quality indicators, combined with modest profitability and efficiency indicators. However, the rating is supported: i) by its important position and market shares in Portugal (largest private bank); and ii) by the international operations which offer business diversification and growth alternatives. The negative outlook essentially reflects the very challenging operating environment currently experienced in Portugal.

DBRS began coverage of BCP on 10 June 2011, with the attribution of an initial long term rating of "BBB (high)" and a short term rating of "R-2", both with negative trend. On 20 October 2011, the rating agency DBRS Inc. (**DBRS**), following the downgrade of the rating of the Portuguese Republic from "BBB (high)" to "BBB", also announced the revision by one notch of the long term rating of BCP, to "BBB", with a negative trend, while the short term rating was reconfirmed at "R-2". .

DBRS noted that the ratings attributed to BCP reflect the Bank's consolidated position in the Portuguese market which, combined with its international presence, enable the Bank to achieve positive results and resist the adverse market conditions. The negative outlook reflects the pressure on the Portuguese Republic, the weakening of the domestic market and uncertainty experienced in the Eurozone and in global financial markets.

On 25 November 2011, the agency Fitch Ratings (**Fitch**), following the downgrade of the rating of the Portuguese Republic from "BBB-" to "BB+", with negative outlook, downgraded the ratings attributed to the main Portuguese banks covered by the agency. The Long term Issuer Default Rating of BCP was reduced from "BBB-" to "BB+", with a negative outlook (identical to the alteration made to the Portuguese Republic).

The above revision reflects Fitch's perception that national banks need to strengthen their capital structure, but that the capacity and options to do so are increasingly more limited in view of the deterioration of the economic climate and expected decline in the profitability and quality of assets. These downgrades also reflect the major difficulties in access to wholesale funding markets, exerting further pressure on funding and liquidity, even taking into account the sector's deleveraging efforts. Fitch also considers that, in the specific case of BCP, the Bank still has a high loans-to-deposit ratio and high dependence on funding from the ECB. In terms of capital, and even taking into account the recent initiatives towards capital strengthening, Fitch believes that additional capital will be required to compensate the negative effect of recording Portuguese public debt at market values.

On 16 December 2011, the rating agency Standard & Poor’s Ratings Services (**S&P**), following the adoption of a new methodology of assessment of the rating of financial institutions, downgraded the ratings attributed to Portuguese banks by one to two notches. At this point, S&P downgraded the stand-alone credit profile (SACP) of BCP from "bb+" to "bb-", the long term counterpart rating from "BBB-" to "BB" and the short term counterpart rating from "A-3" to "B". The long term rating remained under observation (Credit Watch) with negative implications, where it had been placed on 7 December 2011, following similar action regarding the rating of the Republic of Portugal. In turn, the short term rating was removed from Credit Watch.

According to this new methodology, the ratings of BCP reflect the attribution of "bbb-" anchor/support to the Bank's operation, reflecting, essentially, its exposure to the risk of the Republic of Portugal. S&P also identified a specific series of constraints relative to the Bank's rating. The rating agency considers that the Bank's position in the Portuguese market is "adequate", reflecting the fact that it is the largest private banking institution operating in Portugal, with market shares in loans and funds close to 20%. The Bank's exposure to Greece through the Greek operation, 100% held by BCP, is mentioned as a risk factor for its activity. Regarding capital and results, S&P considers that the Bank's position is "moderate", based on the initiatives implemented recently in terms of the strengthening of its capital position, the deleveraging process in progress and the existence, as a cushion, of the support line to banks offered by the Portuguese State of 12 billion euros for capital reinforcement. In terms of results, S&P considers that its evolution will be constrained, by the developments of the Portuguese economy. S&P considers that the Bank's positioning, in terms of risk compared with its peers, is "moderate", reflecting the deterioration of the quality of its loan portfolio, essentially due to its exposure to the SME sector in Portugal and to its risks (BCP is the bank with the largest market share in this segment). Finally, in its last research, S&P consider that the Bank's position is "below average" in terms of funding and "moderate" in terms of capital due to its high dependence on wholesale funding and funding from the ECB, as well as due to its need to reduce the net loans-to-deposits ratio in order to achieve a ratio of 120% by 2014. The ratings also reflect the possibility of State support to the national banking sector.

CHANGES OF RATINGS AFTER THE END OF 2011

On January 31, 2012, following the downgrade of the rating of the Republic of Portugal from “BBB”, to “BBB (low)” DBRS announced the revision of the ratings of Banco Comercial Português, S.A. long-term rating from “BBB” to “BBB (low)”, with "Negative Trend" (identical to the Republic of Portugal rating), and the short-term rating from “R-2 (High)” to “R-2 (mid)” with "Negative Trend".

On January 31, 2012, following the S&P’s downgrade of the sovereign credit ratings on the Republic of Portugal to 'BB/B' from 'BBB-/A-3”, S&P placed on CreditWatch with negative implications the long-term ratings of several Portuguese banks, namely that of BCP.

On February 14, 2012, following the downgrade of the Portuguese Republic’s rating, the revision of the Banking Industry Country Risk Assessment for Portugal, and in the context of a review of the ratings of Portuguese banks, S&P reduced the long-term rating of Banco Comercial Português, S.A. from “BB” to “B+”, with Negative Outlook, while the short-term rating was confirmed at “B”.

On February 16, 2012, Moody’s announced the revision of the ratings of 114 financial institutions in 16 European countries. In this context, Moody’s placed the long term-rating of Banco Comercial Português, S.A. of “Ba3” in observation for a possible downwards revision and has confirmed the short-term rating at “NP”.

On March 28, 2012, Moody's, following also the downgrade of the Republic of Portugal long-term rating to “Ba3” from “Ba2” on 13 February, took rating actions on seven Portuguese banks and banking groups. The standalone BFSR (BCA) of Banco Comercial Português, S.A. was downgraded to E+(B2) from E+(B1) and the debt and deposit ratings were affirmed at “Ba3/Not Prime”, with negative outlook.

Standard & Poor's

	16 December 2011
Stand-alone credit profile (SACP)	bb-
Counterparty Credit Rating	BB / B
Outlook	RWN
Deposit Certificates	BB / B
Commercial Paper in Local Currency	B
Commercial Paper	B
BCP Finance Bank Ltd.	
Unsecured Senior Debt	BB
Subordinated	B
Commercial Paper	B
BCP Finance Co.	
Preferred shares	B-

Moody's

	7 October 2011
Financial Strenght	E+
Baseline Credit Assessment	B1
Outlook	Negative
Long-term	Ba3
Subordinated Debt	B1
Preferred shares	Caa1
Short-term	NP
Secured Debt by the Portuguese Estate	Ba2
Bank Millennium S.A.	**12-abr-11**
Long-term/Short-term	Baa3/P-3
Outlook	Negative
Financial Strenght	D

Fitch

	25 November 2011
Long-term/Short-term	BB+/B
Outlook	Negative
Individual	D/E
Viability Rating	b
Support	3
Support Rating	BB+
Senior Debt Secured by the State	BB+
Senior Debt Non-Secured by the State	BB+
LT2 Subordinated Debt	BB
Preferred shares	CC
Commercial Paper Programme	B
Bank Millennium S.A.	**21-dec-11**
Long-term/Short-term	BBB-/F3
Outlook	Stable
Individual	C/D
Support	3

DBRS

	20 October 2011
Senior Debt & Long-term Deposits	BBB
Outlook	Negative
Debt & Short-term Deposits	R-2
Intrinsic Assessment (IA)	BBB

Note: Rating notations as at December 31, 2011.

SEGMENTAL REPORTING

Group BCP offers a wide range of banking activities and financial services in Portugal and abroad, focusing on Retail Banking, Companies Banking and Asset Management & Private Banking.

Segment description

The Retail Banking activity includes the Retail activity of Millennium bcp in Portugal, operating as a distribution channel for products and services from other companies of the Group, and the Foreign business segment, operating through several banking operations in markets with affinity to Portugal and in countries with higher growth potential.

The Retail segment in Portugal includes: i) the Retail network in Portugal, where the strategic approach is to target “Mass Market” customers, 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 simplicity, offering modern products and services.

The Companies Banking business includes the Companies network in Portugal, which operates as a distribution channel of products and services from other companies of the Group, and the Corporate & Investment Banking segment.

The Companies network, in Portugal, covers the financial needs of companies with an annual turnover between Euro 7.5 million and Euro 100 million, and focuses on innovation, offering a wide range of traditional banking products complemented by specialised financing.

The Corporate & Investment Banking segment includes: i) the Corporate network in Portugal, targeting corporate and institutional customers with an annual turnover in excess of Euro 100 million, providing a complete range of value-added products and services; ii) the Investment Banking unit, 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 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.

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 and Millennium bcp Bank & Trust in the Cayman Islands. For part of 2010, this segment also included Millennium bank Turkey (partially sold on 27 December 2010) and Millennium bcpbank in the United States of America (partially sold on 15 October 2010).

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 focused on retail and based on offering innovative products and high service levels; 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).

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 the 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.

Considering that the capital allocation process complies with regulatory solvency criteria currently in place, the weighted risk, as well as the capital allocated to segments, are based on Basel II methodology, with the application in Portugal in 2010 and 2011 of the IRB Advanced method for the Retail portfolio in credit risk and the IRB Foundation method for loans to companies, excluding real estate promoters and entities of the simplified rating system. The capital allocation for each segment, in 2011 and 2010, resulted from the application of 10% to the risks managed by each segment.

Information related to 2010 is presented on a comparable basis with the information reported in 2011, except as regards the abovementioned component related to Millennium bank in Turkey and Millennium bcpbank in United States of America, reflecting the current organisational structure of the Group's business areas referred to in the characterization of the segments previously described.

The net contribution of each segment is not deducted, when applicable, from the non-controlling 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 2011.

BUSINESS IN PORTUGAL

RETAIL

The Retail segment in Portugal posted a net loss of Euro 16.0 million in 2011, compared to a positive net contribution of Euro 112.7 million in 2010, reflecting mostly the increase in impairment charges for loan losses.

The performance of net interest income in 2011 reflects the rise in the cost of customer deposits and the increase in loans interest rate, together with the smaller income associated with the loans volume. The contraction of the volume of the loans portfolio is a result of the increasing selectivity in loans granted and the decline of demand for credit, affecting loans to individuals and small businesses.

The evolution in other net income in 2011, despite the effort to increase customer funds and the maintenance of high levels of cross-selling, was conditioned by the decrease in commissions, in particular those related to loans operations, saving insurance and unit-linked products, partly offset by commissions related to deposit accounts, structured products and risk insurance.

Impairment charges for loan losses showed an increase in 2011, due to the increase in impairment indicators in the loan portfolio as a result of the deterioration in economic and financial conditions for individuals and companies.

The increase in operating costs was mainly due to upper other administrative costs associated with the loan recovery process, induced by a higher number of processes that are being monitored with the aim to their regularisation.

Total customer deposits increased 8.1% compared with 31 December 2010, supported by the launch of various solutions, including extending the offer of structured products as well as the provision of scheduled savings solutions for medium- and long-term deposits. However, customer funds showed a decrease of 3.2% totalling Euro 34,992 million as at 31 December 2011, compared to Euro 36,133 million on the same date in 2010, determined by the reduction of insurance and debt securities.

Loans to customers decreased 6.4%, totalling Euro 31,384 million as at 31 December 2011, compared to Euro 33,547 million posted on the same date in 2010, following the ongoing strategy of balance sheet deleveraging and focusing on the reduction in mortgage loans, consumer loans and loans to small businesses.

Euro million

	31 dec. 11	31 dec. 10	Change % 11/10
Profit and loss account			
Net interest income	485.2	522.3	-7.1%
Other net income	443.0	452.6	-2.1%
	928.2	974.9	-4.8%
Operating costs	685.9	670.3	2.3%
Impairment	264.5	151.2	74.9%
Contribution before income taxes	(22.3)	153.3	-
Income taxes	(6.2)	40.7	-
Net contribution	(16.0)	112.7	-
Summary of indicators			
Allocated capital	1,324	1,608	-17.6%
Return on allocated capital	-1.2%	7.0%	
Risk weighted assets	13,243	16,076	-17.6%
Cost to income ratio	73.9%	68.8%	
Loans to customers (1)	31,384	33,547	-6.4%
Total customers funds	34,992	36,133	-3.2%
Customers deposits	21,471	19,856	8.1%

(1) Includes commercial paper.

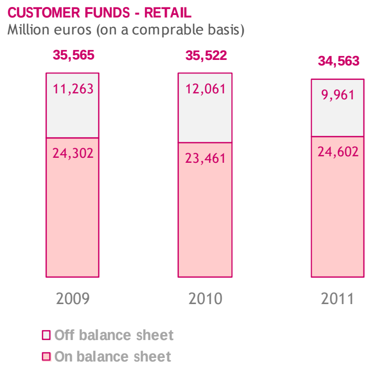
Note: Loans and Customers funds on monthly average balances.

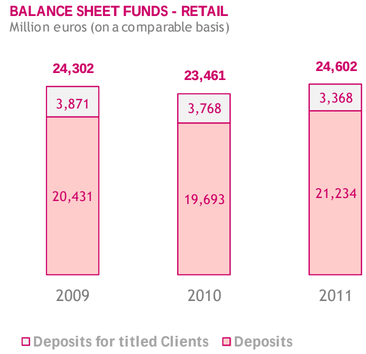
RETAIL NETWORK IN PORTUGAL

In 2011, the strategic guidelines for the Retail business in Portugal essentially involved the growth and retention of Funds, the Repricing of the loan portfolio and the Deleveraging of balance sheet and the focus on the Recovery of overdue loans. Other guidelines were also present in the Bank's action during last year, namely the alignment of the retail network, the support to commercial activity and the improvement of operating processes, the communication with Customers in a single voice, the greater effectiveness of the campaigns launched through the different channels of Millennium bcp and the integration of new channels in the process of commercial action.

Growth and retention of funds

During the 1st semester of 2011, the strategy of growth of funds was based on initiatives to promote, on the one hand, the stabilisation of the portfolio of savings products, with the launch of medium and long term products, favouring financial investments which contribute to increasing balance sheet funds and, on the other hand, the expansion of the Customer base through the active marketing of products attracting programmed small savings.





Hence, various campaigns were launched whose main objective was the retention of the Customer base and the creation of regular saving habits. Complementing the above, term deposits and structured products were also launched which, by offering longer maturity periods, created a stabilising effect on the portfolio of customer funds. In this context, the offer of integrated solutions by business segment was also redesigned, with the introduction of savings products in accordance with the Customers' profile. Millennium bcp offers new Customers the "Welcome" deposit, encouraging savings from the very beginning of the banking relationship. For Customers with domiciliation of their salary, the Bank encourages the practice of channelling part of their monthly income into specific savings and for younger Customers, strongly focusing on the attraction and creation of loyalty amongst this segment, the "Millennium GO!" solution was created, which also encouraged the savings component through the offer of an exclusive product, with bonuses for capital permanency.

Focus was also given to promoting the attraction of remittances of Customers Resident abroad, which exceeded 825 million euros, a value in line with that recorded in 2010. For Customers with greater involvement with the Bank and higher profitability levels, Millennium bcp concentrated its strategy on the attraction of new funds, through enhanced communication action, placed within the current economic context, with the offer of 100% Portuguese Products to Customers strengthening their assets.

During the 2nd semester of 2011, with the aggravation of the European sovereign debt crisis and the introduction of bank deleveraging objectives by the Bank of Portugal, the strategic focus returned to favouring initiatives of optimisation of retention and growth of funds, in particular deposits, without, however, neglecting actions leading to the growth of savings products. In order to achieve these objectives, special effort was dedicated to the stimulation of the marketing of medium term deposits, based on an aggressive pricing and communication strategy. These products were publicised through the dynamic use of different communication channels, with proposals directed and adapted to the needs of each Customer. This commercial effort was compensated and recognised with a very positive response by Customers, where some reactivated their relationship with the Bank.

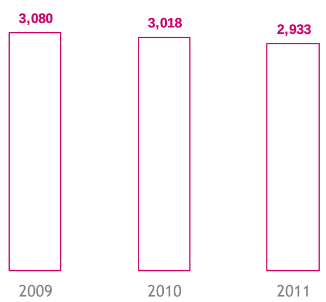
Also during the second half of the year, focus was given to the development and creation of more robust procedures for the control and optimisation of the earnings and renewal of funds, in order to offer Customers competitive alternatives and focused on products that contribute to the On Balance Sheet Customer Funds, preferably with more extended maturity periods. At the same time, the pricing policy was made more flexible, with greater decentralisation of decision-making in the Commercial Departments and Dealing Room, thus responding with greater agility to the strong aggressiveness of the market and to the opportunities of retention and attraction new funds.

At a transactional level, Millennium bcp continued to stimulate the Western Union money transfer service, promoting the distinctive easiness, compared with its main competition, with which Customers may carry out their transfers with full convenience, safety and at no extra cost through telephone or Internet channels.

Also aimed at the attraction of funds, concerning Business Customers and the centralisation of their treasury, various initiatives were developed, offering solutions to serve Customers, both in terms of their payments and receipts. The "Frequent Business Customer", launched in 2010 and continued in 2011, proved to be a value proposition suited to the main transaction needs of Individual Entrepreneurs, where there are currently approximately 39 thousand registered customers. In the context of this innovative offer and which enables the attraction of company treasury, a new solution aimed at small trade was launched in the 1st semester of 2011: a "Frequent Business Customer" who associates an automatic Point-of-Sale (POS) to the solution already being marketed, through the payment of a monthly fixed amount. The "Welcome" offer was also systematised through the provision and offer of a series of products to Customers, making daily business management easier, with special conditions during the first year of the relationship. At the same time, continuation was given to the actions stimulating domiciliation of payments and collection of Customers, favouring the automatic channels.

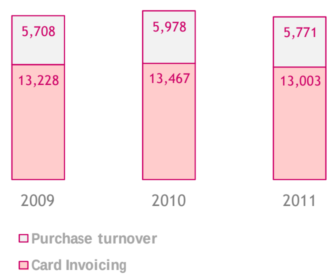
TOTAL NUMBER OF CARDS

Thousands



EVOLUTION OF CARDS INVOICING AND TURNOVER OF PURCHASES

Million euros



In 2011, the use of payment cards for purchases was promoted against the alternative of cash in Automatic Teller Machines (ATMs), in on-going actions of renewal of the portfolio and in the promotion of the most profitable products for the Bank and of greatest value for Customers, focusing on cards conferring advantages of customer loyalty (cash-back, points, miles and others). The offer of pre-paid cards was also reviewed and, in November, the new "Free" card was launched in four different versions – for Individuals, "Junior" and "Web"; for Companies, the "Advance" and "Salary" versions". All the versions are equipped with a digital statement, having a more profitable model, with annuities that vary according to the segment at which they are aimed.

The total turnover of payment cards recorded a negative variation (3.4%) in 2011 compared with the previous year, having decreased from 13.5 billion euros to 13.0 billion euros. The largest reduction occurred in the volume of cash withdrawals, which fell by 5.2%, from 5.4 billion euros to 5.1 billion euros, while the turnover of purchases remained stable at 5.8 billion euros, albeit with a reduction of 3.5%.

In the American Express Business area, all the acquiring activity was strengthened, where the Bank has exclusive rights in Portugal, with the Acceptance Network having increased to 49 thousand retailers (20% over 2010) with the Network consistently being supported by directed and segmented marketing actions.

Regarding incentives to the reward programmes, from May to September, a campaign of "TAP" cards was conducted, with great visibility of means and an exceptional offer of miles, which attracted a further 4,000 new Customers and strengthened the partnership with the national air carrier. Along the same lines of enhanced Customer loyalty, the "The Blue takes you to Rock in Rio" campaign, an action of acquisition and use of the American Express "Blue" card, took dozens of new and current Customers to Rio de Janeiro to attend Rock in Rio in Brazil.

Maintaining the strategic positioning of proximity and convenience, remote ATMs continued to be placed in new shopping areas, transport stations and localities, namely in places which are lacking in bank services, and favouring areas of movement and shopping of the population. In the area of self-banking, Millennium bcp continues to promote the placement of equipment with facilities for the blind, such as headphones and keyboards programmed for the issue of vocal instructions, and takes great care to rigorously comply with the rules defined for the installation of equipment in order to allow its use by persons of reduced mobility.

Millennium bcp was pioneer in the Portuguese market in the implementation of the security system for ATM, the Ink-Staining System, as a measure to dissuade theft, and continues to invest in this functionality, distinguishing itself from other financial institutions in this aspect, and with positive results in the reduction of occurrences, in particular in the market and before the authorities.

In 2012, the guidelines will continue to be based on the defence of the portfolio of customer funds and growth focused especially of balance sheet funds, deposits in particular. A complementary objective will be the internalisation of the off-balance sheet portfolio of funds, based on an assertive policy of retention and investment in balance sheet funds of the earnings and redemption of these products, as well as the stabilisation of the Customer funds base, through the promotion of medium/long term products. In this context, Millennium bcp will adapt and direct its strategy, positioning itself as a financial partner of its Customers, developing actions to encourage savings and continuing to focus on the creation and offer of solutions aimed at meeting the needs of the different segments of Individual and Business Customers.

The Bank's communication channels will play a dominant role. As occurred in 2011, the remote channels will continue to offer fund products exclusively through the Internet channel, in "Netflexible" and "Term deposit auctions", and will also pursue the development of a unique front-end commercial application, which will enable fully concerted action between the channels and the Customer, in this way allowing for greater simplicity in the promotion and offer of products and services adjusted to Customer profiles and needs.

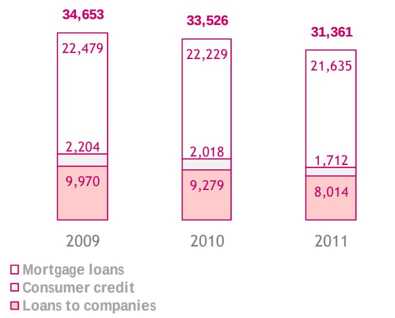
Regarding transactions, in 2012 the consolidation of the Single Euro Payments Area (SEPA) will be a reality, namely with respect to SEPA direct debits and the development of Online Payment solutions which Millennium bcp will follow and implement for its Individual and Business Customers. In the current context of contraction of the economy and reduction of private consumption, it is unreasonable to expect growth of the payment card business, with the exception of the low value segment, therefore the challenge of growth will involve, above all, gaining market share. It is expected that Customers will continue to show preference for the use of debit cards compared with credit cards, a trend, in fact, that is found all over Europe. It is necessary to boost Customer preferences for pay-and-save-now solutions, with a view to the sustainability of the business and gain of market shares. In this context, the guidelines for 2012 consist of the defence of the credit card portfolio and capitalisation of debit cards as an instrument for enhancing Customer loyalty and retention and guarantee of its profitability. At the same time, the Bank will continue to give permanent attention to innovation and new opportunities, both concerning technological aspects and Customer preferences relative to forms of payment, preparing the near future for "contact less" and "mobile payments".

In 2012, the main risks will be linked to the economic recession and its impact in terms of reduction of disposable income, reducing the Customers' capacity to carry out savings and contributing to increased levels of default. Furthermore, there will be increased pressure from the regulatory framework and the existence of stricter compliance rules. For credit cards, there are also specific risks, such as the reservations of Customers concerning their acquisition and use, in a context of over-indebtedness and consequent reduction of revolving loans, with a negative impact on net interest income and on increased cash payment, due to the Customers' perception of greater control, as well as the pressure exerted by shopkeepers. Regarding the acquiring business, the main risks arise from the reduction of the volumes of fees, resulting from the combination of less turnover and lower fees, the pressure exerted by shopkeepers for cash payments, in order to reduce rates and taxes, the expansion of the informal economy, the acceptance of "Multibanco-only", with loss of business currently attributed to international brands, the increased number of closed business and bankrupt establishments, and the reduction of international consumption in Portugal, leading to decreased turnover from foreign cards (inbound).

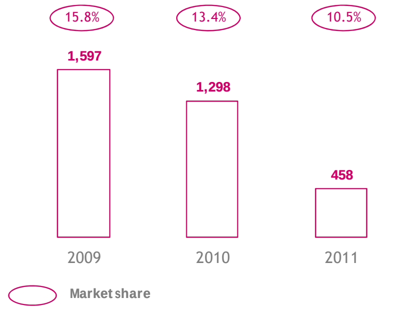
Recovery, repricing and deleverage

The effects of the sharp deterioration of the sovereign debt crisis were inevitably experienced by the Customers and other business partners, with lending becoming more restrictive and selective, and leading to the progressive repricing of loan operations. The bleak circumstances and increased strictness of the regulatory and supervisory requirements also led to the adoption of a more rigorous lending policy. However, and in spite of this unfavourable economic scenario, Millennium bcp continued to support the funding needs of its Customers. In view of the alteration of market conditions, adjustments were made to the pricing of spreads and fees, with a view to better adjustment of prices to the risk of Customers and operations, which included various actions of renegotiation of conditions with the Customers and other business partners.

LOANS TO CUSTOMERS - RETAIL
Million euros



MORTGAGE LOANS NEW PRODUCTION
Million euros



Since default is, currently, one of the most important topics in banking activity, and for the purpose of reducing overdue loans, a campaign was launched for the collection and restructuring of overdue loans in the entire Retail Network, which aims to mitigate the growth of default levels. In this context, the "Financial Monitoring Service" was promoted, offered to Customers with financial difficulties. In the present adverse context, the Bank has been especially attentive to the needs of its Customers and has sought to support them through short term loan products, in particular, focusing on treasury support products and export activity in the Business Customer segment. The Bank's objective is to find, together with the Customers, the solution most suited to their disposable budget, so as to enable them to meet their liabilities. During 2011, an analysis was made of the situation of approximately 59 thousand Customers, which resulted in 10,506 actions of potential support or debt restructuring.

Millennium bcp continued to recognise, distinguish and award Portuguese entrepreneurs through the "2011 Customer Applause Programme", where, out of the Bank's total Business Customers, a selection was made of approximately 13 thousand who stood out in particular due to their economic performance, financial solidity and involvement with the Bank. This initiative has been a great success amongst Portuguese SMEs and will continue to be given visibility in 2012 in a manner which strengthens the commercial relationship between the Bank and these Customers.

In terms of international business, Millennium bcp has continued to support exporting companies which are one the main engines of growth of the Portuguese economy. For Millennium bcp, it is decisive to strengthen the market share in trade finance operations, whose contribution to profitability is very significant. For these reasons, during the 1st semester of 2011, the Bank actively supported companies with respect to their export and internationalisation effort, with an increase in the number of trade finance operations.

In the Card business, 2011 was also marked by the focus on the process of loan risk, for which automatic routines for the prevention of default and detection of the respective warnings signs were systematised and applied. On matters of pricing policy, the interest rates of the main credit cards were reviewed, reflecting the increased funding cost observed and ensuring defence of net interest income. Various headings of fees were also reviewed, seeking to reduce the imbalance between the service level provided and the costs incurred. Regarding new products, particular note should be made of the new "Millennium bcp GO!", a credit card aimed at Young People between the ages of 18 and 25. Benefiting from a bold design and a credit ceiling adjusted to the segment, during the first six months of its marketing, this card gained a portfolio of over 4,500 cards.

In spite of more restrictive lending, during 2011 support was maintained to students who intend to pursue academic path, through "University Loan" lines with interest rates below those of Personal Loans, where the number of operations carried out and amounts financed were in line with previous years: i) "University Loan with Mutual Guarantee": contracting of 241 loans to the value of 2.6 million euros; and ii) "University Loan": contracting of 227 loans to the total value of 1.9 million euros. A contribution was also made to the fight against unemployment through subsidised credit lines, under protocols with the Employment and Vocational Training Institute (IEFP) and Mutual Guarantee Companies - Microinvest Line and Invest More Line – complementing the activity of the Micro-credit Autonomous Network, where 14 operations were carried out to a total value of 434 thousand euros, in 2011. In this context, Millennium bcp currently has a portfolio of 124 operations of the value of 5.6 million euros.

In 2012, the budgetary correction measures will lead to even greater restrictions to private consumption and greater aversion to risk and investment by Companies and Investors. On the other hand, the deleveraging effort should be reflected in decreased lending and increased strictness and selectivity in lending, which might involve the adoption of measures promoting the early repayment of loans. 2012 will certainly be a year of great focus on the proximity to and ongoing monitoring of Customer business, seeking to anticipate and adjust the offers to their effective needs, based on simplicity and on their materialisation.

Default is one of the most important topics in banking activity, with strong impact on the Bank's profit and loss account, implying increasingly greater need to focus the action on the recovery of overdue loans. The Bank will continue its policy of identification of warning signs which forecast financial difficulties that might lead to default and actions of analysis of the loan portfolio, with a view to supporting the continuity of Customer business and the defence of net interest income. Millennium bcp will continue willing interested in establishing partnerships of mutual benefit with its Customers, especially regarding support to the export of goods and services and to invoice collection services.

Alignment of the Retail Network

During 2011, the Retail Network activity Incentives system was reviewed with a view to aligning the commercial efforts towards the growth of funds, reduction of the commercial gap and reduction of overdue loans, increasing the weight of these key variables in the calculation of the management indicator and, consequently, the focus of action of the Network.

Support to Retail commercial activity and operative procedures

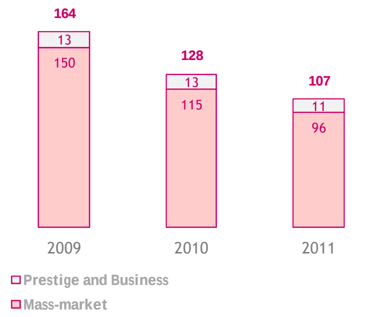
In 2011, Millennium bcp continued to invest in the improvement of the Support to the Contact and Management of Commercial Activity tool, in order to, through the contacts plan, provide leads to the sales network for the offer of products and improved monitoring of the Customer portfolio, aimed at promoting more sales, reducing risks and strengthening Customer relations. The size of the lists of Customers to be contacted in the contacts plan was optimised in order to promote greater use of the tool by the sales network, leading to an increase in the number of sales, as well as greater Customer loyalty. Regarding the lists of operative tasks, also available in this tool, improvements were implemented to facilitate the treatment of the repricing and overdue loan recovery processes by the sales network, namely through direct connection to applications and immediate issue of documents, enabling increased effectiveness and greater control in the implementation of procedures.

Communicating with Customers in a single voice

Having a single vision of the Millennium bcp Customer in the different channels which interact with Customers and carrying out the management of the different online contacts is essential for "communicating with Customers in a single voice" and for offering them an excellent service. With this in mind, one of the Bank's objectives for 2011 involved investment in the design and development of a new multichannel attendance platform, to be used by the branches and contact centre and integrated in the Support to the Contact and Management of Commercial Activity tool. This new platform will be provided first to the contact centre and, over 2012, its use will be extended to the branches.

NEW RETAIL CUSTOMERS

Thousands



Greater effectiveness of the campaigns launched through the different channels

With a view to the ensuring the best rates of success of the sales campaigns launched through the different channels, Millennium bcp has continued to use propensity scores in campaigns, promoted greater personalisation of the offer of Products and Solutions to the specific characteristics of each Customer segment, as well as the use of the new campaign launch software which, during the entire campaign period, ensures that the Customers to be contacted meet the defined selection criteria.

Integration of new channels in the process of commercial action

In 2012, one of the priorities will be the continued integration of new channels in the process of commercial action and the strengthening of the multichannel logic, whose objective is to transform the contacts in the different channels into commercial opportunities to increase sales and offer a better service to Customers.

ACTIVOBANK

For ActivoBank, 2011 represented the strengthening of the strategy begun in March 2010. At that time, ActivoBank launched a new value proposition based on financial services of a more current nature, aimed especially at Customers' transaction needs. The focus on modernisation and renewal has complemented and added value to the pillar of specialised services focusing on investment solutions that have long characterised the bank.

Over the last year, ActivoBank maintained its focus on the growth of its Customer base and their involvement with the bank, in spite of the adverse climate for turnover, loan quality and cost of funds of the Portuguese banking sector. For this purpose a series of initiatives were launched with impact on communication, products, sales and servicing channels, and operative procedures. As a result of these measures, ActivoBank maintained its capacity to attract Customers, reflected in the fact that, by August 2011, it had attracted as many Customers as during the entire year of 2010 and, by December, it had doubled its monthly average attraction recorded up to this date. At the end of 2011, its active Customer base had increased by over 30% in relation to the previous year.

The series of actions that were carried out, combined with the continuous focus on innovation, also contributed to the recognition of ActivoBank by the international financial community, expressed in the attribution of awards such as "Most innovative Bank in Portugal" by the magazine World Finance (Banking awards 2011), "Best Consumer Internet Bank in Europe" and "Best in Mobile Banking" attributed by the magazine Global Finance, amongst others, and in its nomination as one of the five finalists, from some 200 candidates, of the Global Banking Innovation Awards in the category "Disruptive Innovation" promoted by the BAI.

During 2011, ActivoBank also concentrated on further development of the investment area, in actions aimed at growth of funds, on focus on excellent Customer service and on strengthening an offer of differentiated value so as to meet the fundamental needs of Customers, where the "Protection" solution (insurance offer) is an example of this.

In order to achieve the defined objectives and materialise the focus on growth of the Customer base and Customer involvement, a series of initiatives were developed during 2011, in particular:

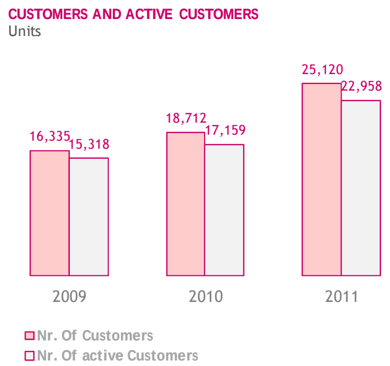
- **Growth and consolidation of the sales network**, including i) the expansion of the Bank at a national level with the opening of eight Active Points in Aveiro, Braga, Cascais, Coimbra, Leiria, Lisbon and two in Gaia, adding to the four already in existence, of which three are in Lisbon and one in Porto; ii) the expansion of the strength of non-banking recommendation ("Members") and strengthening of the approach of employees of companies identified with the Bank's segment; iii) the consolidation of the focus on the mobile channel, through the launch of a new application for investments and a new application for Blackberry for daily operations; iv) the launch of a "VIP portfolio" with the objective of increasing the retention and involvement of Customer's with greater funds; v) the partnership with the Association of Economics and Management Students (AIESEC), with a view to the presentation of ActivoBank to this target and respective attraction of Customers; and v) the reorganisation of the personalised management area with the allocation of a team of two managers to each Customer. This service allows Customers to benefit from on-going monitoring and a greater availability of support.

- **Launch of new products and services**, including i) the "iPad Loan", aimed above all at the university market; ii) the "Build your Future" voucher, encouraging saving amongst younger people; and iii) the renewal of the entire area of investments on the website "activobank.pt", implying the discontinuation of the site "activobank7.pt";

- **Offer of a further five investment funds**, which incorporate social responsibility and environmental criteria, where, during 2011, the portfolio of funds included 9 ethical funds and 15 environmental funds. Of these 24 funds, in December 2011, 14 had subscriptions. The total investment in these funds, in December 2011, was approximately one million euros, representing about 1% of the total portfolio of funds;

- **Continued focus on social networks**, consolidating the positioning of the Bank in this channel. The different actions resulted in an increase of followers on Facebook by approximately 160% relative to 2010;

- **Enhanced reputation of the brand**, strengthening the sales component, through: i) the launch of three media campaigns to attract Customers via radio, television (cable channels), Internet, press and cinema; ii) local events in the Active Point areas, in order to increase their visibility and influx of people, contributing to attract Customers; and iii) intensification of the permanent advertising presence on the Internet.



In 2012, ActivoBank will continue focused on the strategic objectives of growth of the Customer base, the increased involvement of Customers with the Bank, development of the investments pillar and strengthening of the basic offer. In order to achieve these objectives, a series of initiatives will be developed, in particular the growth and consolidation of the sales network through the continuation of the plan of expansion of ActivoBank in the main Portuguese cities, namely through: i) the opening of three branches in the 1st quarter of 2012; ii) the strengthening of this expansion through non-banking recommendation ("Members") and approach of employees of companies identified with the Bank's target; iii) the implementation of a model to strengthen Customer loyalty and segmentation; iv) the continued simplification of operative procedures ensuring the excellence of Customer service; v) the continued focus on the mobile channel; vi) the launch of new products for the purpose of meeting a series of needs identified amongst its Customers, in particular a housing and car solution; vii) the strengthening of investment solutions and respective platform of negotiation in the term market; and viii) the establishment of partnerships with various companies, in order to ensure that the experience of ActivoBank Customers is more differentiating.

ActivoBank will continue the process of growth identified above, recognising that the following factors might, to a certain extent, constrain its activity during 2012: i) the evolution of financial markets; ii) the growing aggressiveness of the main competition in terms of pricing; iii) the inertia and aversion to change of bank customers; iv) the excessive regulation of the market, making the offer less differentiated between banks; and v) the appearance of new players from other sectors with less regulation compared with the banking sector, offering competitive financial products (e.g. telecommunications).

COMPANIES

COMPANIES NETWORK

The Companies network recorded a net loss of Euro 86.3 million in 2011, compared to a net loss of Euro 11.0 million on the same period in 2010, mainly determined by the higher level of impairment charges for loan losses, despite the increase in net interest income.

Net interest income increased by 6.5%, reflecting the effect of the increase in demand deposits and loans on customers' interest margin, which more than offset the effect of the decrease in business volumes. The repricing process of loan operations, implemented in 2011 with the goal to appropriate the price of the products to the risk profile of each client, provided a favourable evolution of the loan interest margin. The contraction of business volumes reflects both the difficulty that companies have to generate cash surpluses and the increasing selectivity in granting loans centred on companies focused on the internationalisation and with a dynamic business model.

The reduction in other net income, despite the process to appropriate the commissions to the service provided, was determined by the decrease in commissions from financial services and from the business with non-resident companies, despite the rise in commissions from loans to customers and factoring operations.

The increase in impairment charges for loan losses, which in 2011 includes the reinforcement of impairment charges under the Special Inspection Programme, as well as the effect of the deterioration of financial collaterals and the increase in impairment indicators in the loan portfolio, as a result of the persistent adverse macroeconomic context and deterioration in economic and financial conditions, in particular in companies associated with the construction and tourism sectors of activity. In order to reverse this trend risk mitigation strategies have been adopted, either through a close monitoring of customers, or by the reinforce of collaterals in loans operations.

The reduction in operating costs was sustained by measures to simplify the organisation and optimise processes that have been consistently implemented, as seen in the reduction in other administrative costs.

Loans to customers decreased by 6.4%, amounting to Euro 9,378 million as at 31 December 2011, compared to Euro 10,024 million posted on the same date in 2010, driven by the reduction in loans, real estate loans, leasing and commercial paper.

Total customer funds amounted to Euro 2,609 million as at 31 December 2011, compared to Euro 2,982 million as at 31 December 2010.

Euro million

	31 dec. 11	31 dec. 10	Change % 11/10
Profit and loss account			
Net interest income	188.0	176.6	6.5%
Other net income	81.6	87.6	-6.9%
	269.6	264.2	2.1%
Operating costs	58.1	60.1	-3.3%
Impairment	333.0	189.0	76.2%
Contribution before income taxes	(121.5)	15.0	-
Income taxes	(35.2)	4.0	-
Net contribution	(86.3)	11.0	-
Summary of indicators			
Allocated capital	906	996	-9.0%
Return on allocated capital	-9.5%	1.1%	
Risk weighted assets	9,058	9,958	-9.0%
Cost to income ratio	21.5%	22.8%	
Loans to customers (1)	9,378	10,204	-6.4%
Total customers funds	2,609	2,982	-12.5%
Customers deposits	1,322	1,663	-20.5%

(1) Includes commercial paper.

Note: Loans and Customers funds on monthly average balances.

In view of the structural changes operated in the financial sector, following the Memorandum of Understanding signed in May 2011 between the Portuguese State and the International Institutions (IMF, ECB and European Commission), after the request for external assistance submitted by the Portuguese Government as a consequence of the so-called sovereign debt crisis, there were repercussions on banks mainly in terms of the deleveraging of loans and strengthening of capitalisation levels. Since the corporate structure is very largely composed of small and medium-sized enterprises (SMEs), the activity of the Companies Network, in 2011, was guided by the following strategic vectors: i) reduction of the commercial gap, based on a policy combining both loan deleverage and growth of funds; ii) decrease of capital consumption (reduction of risk weighted assets), through the optimisation of the negotiation of collateral associated to lending operations; iii) constant monitoring of overdue loans, aimed at the reduction of loan impairment; and iv) maximisation of Customer profitability, following a logic of partnership with companies, developing solutions adjusted to their different needs, namely treasury management, financing of current activity and new investments, and other supporting services.

Aimed at the achievement of the defined strategy, a series of initiatives were implemented:

I. Reduction of the commercial gap

- Adjustment of the lines offered to companies according to their effective needs;
- Renegotiation and adjustment of medium and long term loan operations, in order to adjust the payment plans to alterations of project cash flow;
- Promotion and replacement of short term bank loans by factoring;
- Incident in the attraction of funds/treasury, following a logic of compensation with Companies with which the Bank has greater loan involvement, with the increased use of automatic channels for companies with lower levels of use of transactions;
- Support to the internationalisation of Portuguese companies, making the most of the experience and knowledge of the specialised team "Millennium Trade Solutions" and promoting the functionalities created on the institutional portal for documentary loan operations;
- Support to SMEs, through participation in credit lines undersigned with government entities, namely i) the Moratorium of Extension of Maturity of operations of the SME Invest lines, which will allow SMEs an additional maturity period of 12 months with grace period, the repayment in arrears of the financing and immediate release of treasury funds. Under its policy of support to companies, namely SMEs, the Bank has made extensive use of these lines, currently holding a portfolio of 17,884 operations corresponding to financed capital of 1,090 million euros, in particular 16,023 operations of the Micro and Small Company lines of the initial value of 493 million euros; ii) the SME Invest VI Amendment, Export Invest and QREN Invest lines, where, Millennium bcp, during 2011, contracted 645 new operations relative to the different SME Invest lines to a total sum of 55 million euros. Particular note should be made of the support to micro and small companies, with approximately 460 new operations approved to an approximate value of 14 million euros; and iii) the investment support lines agreed with the European Investment Bank (EIB), aimed at supporting investments by independent micro and small companies (up to 25 million euros) in the areas of energy efficiency, environmental protection and the knowledge economy. Under an equipment leasing campaign with the Retail Network, Millennium bcp supported 224 new investment projects, representing an approximate sum of 26.5 million euros;
- Approach to companies following a logic of overall partnership, with specific solutions for their Employees (VIP Plan), Suppliers (Service of Payment to Suppliers, enabling the anticipation of payments) and Customers (commercial protocols under beneficial conditions), enabling synergies between the Bank's different distribution platforms (Retail Networks, Companies, Corporate and Private Banking).

II. Reduction of Capital consumption

- Permanent monitoring of the guarantees associated to loan operations, taking into account the respective risks and evolution of Company activity;
- Analysis, together with the Companies, of the contracted collateral, in relation to all the liabilities held by the company at the Bank, enabling gains in terms of minimisation of capital consumption and improvement in company asset management.

III. Monitoring of Overdue Loans

- Identification of possible warning signs in Company activity, arising from the current economic circumstances, fostering the existing commercial proximity, so as to proactively define solutions to enable overcoming and preventing future default;
- Integrated action of the commercial areas with the loan recovery and specialised credit areas (leasing, factoring and real estate business) for the implementation of overall solutions with the companies;
- Support to the implementation of the corporate restructuring plans, under the readjustment of the corporate strategy, namely in situations of implementation of market or product diversification strategies.

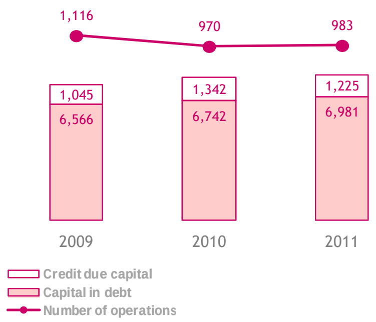
IV. Maximize Customer Profitability

- Maintenance of the operation repricing actions, seeking to ensure their adjustment to the respective risk incurred and to the evolution of financial markets. As a result of this action, net interest income increased by 3.6% in relation to the same period of the previous year.
- Promotion of the use of Internet Banking in the transaction area of company activity (e.g. transfers, payments of tax, salaries or suppliers);
- Reduction of fee pricing exemptions, in order to ensure that collection is adequate and adjusted to the operating costs of operations.

Microcredit

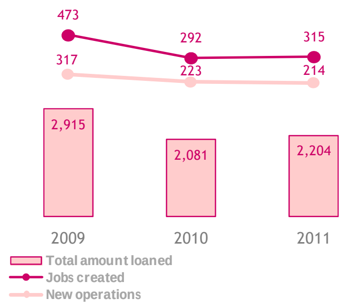
The activity developed by the Microcredit Autonomous Network, in this segment has been distinguished internationally, having been the winner of the “MicroFinance Recognition Awards”, in the category of Commitment to Social and Financial Transparency and having been included in the shortlist of the Global Microfinance Achievement Awards 2011 in the category of “Highest Customer Orientation”, and distinguished as one of the three best Microcredit operations at a worldwide level, in this category.

MICROCREDIT LOAN PORTFOLIO
Thousand euros



As a corporate member, Millennium bcp continued to participate in the working group of the European Microfinance Network (EMN), whose objective is the preparation of an analysis on the growth of microfinance in Europe.

MICROCREDIT ACTIVITY
Thousand euros



In 2011, the candidature criteria were updated, with the maximum value of the operations having been raised to 25 thousand euros per candidate and the maximum period extended to five years for operations as of seven thousand euros. The number of proposals presented to Millennium bcp Microcredit in 2011 continued in line with the number received in 2010. In terms of production, the Microcredit activity, which includes protocols with the National Association of the Right to Credit and Autonomous Region of Azores, carried out a total of 214 new operations, with total loans of 2.20 million euros, which helped to create 315 jobs. The volume of loans granted to the 983 operations in portfolio, as at 31 December 2011, stood at 9.65 million euros, corresponding to a capital debt of 6.98 million euros.

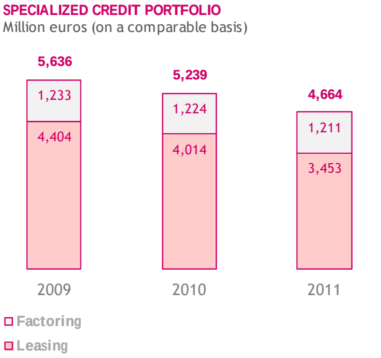
The effort to control overdue loans continues to be a constant concern, where the methodology in practice has proved to be effective in the prevention and settlement of situations of default. In 2011, the loan analysis criteria were consolidated, being strict and comprising a checklist, covering both the Business Plan presented by the micro-entrepreneurs, and the profile of the micro-entrepreneurs and valuators.

The Board of the EIF (European Investment Fund) also approved its candidature to the Guarantee of Microcredit operations. This guarantee instrument was created by the European Union, under the European Progress Microfinance Facility (EPMF) programme, and is managed by the EIF. This mechanism will guarantee up to 309,488 euros of its production of microcredit financing, where no fee of any type will be payable, provided that a loan volume is reached, for the period of 24 months, of 3.15 million euros.

The current economic context experienced in Portugal implies the urgent need of the stimulation of the corporate structure and creation of employment, vital for the Portuguese economy and the self-sustainability of individuals. However, the uncertainty regarding the future continues to contribute to retraction in the creation/development of micro and small companies. In 2011, a great number of actions were implemented for the purpose of bringing the microcredit instrument closer to the most vulnerable population.

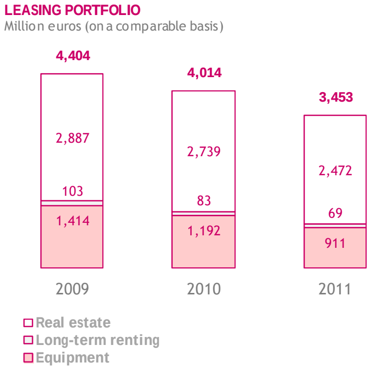
Specialised Credit

The main guidelines of Specialised Credit focus on the restriction and selectivity of new operations, the successive adjustment of pricing in view of the evolution of the cost of funding and strong effort of repricing the operations in portfolio in leasing and factoring products, with priority regarding the latter, due to their potential attraction of company treasury.



The following initiatives were developed, in particular:

- Certification of Specialised Credit Managers in Portugal, aimed at the sustained performance of excellent Customer service and the continuous improvement of this business area in the Bank;
- In the leasing business, preference will be given to small and medium-sized enterprises, with Customers showing best risk and the financing of goods with active secondary markets and for shorter periods. The allocat5,5ion of funds available under a European Investment Bank line, of the value of 30 million euros, has enabled the offer of equipment leasing to Customers of the Retail Network with special price conditions, thus ensuring support to SME investment;
- In car financing, the campaigns targeting Customers of the Retail Network was based on partnerships with car concessionaires, where the offer of the renting product was highlighted most. This is a product that, under the partnership established with the company SGald Automotive, a fleet management company integrated in the Société General Group, does not involve the consumption of capital of the Bank nor funding needs;



- The promotion of factoring products focused on Retail, with a campaign aimed at the expansion of the Customer base. There has also been greater selectivity in the type of offer, seeking to reduce the weight of operations without recourse, thus putting an end to the "Municipal Solution" offer and reconfiguring the products related to the health sector. Consistent with the objection of reduction of operating risk and improvement of control of overdue loans, a new factoring electronic platform is currently at a final stage of development, which is expected to become operational in the beginning of next year.

In 2012, the activity of the Companies Network will continue to be strongly influenced by the evolution of the Portuguese economy, whose performance will be greatly constrained by the implementation of the measures defined in the Memorandum of Understanding, and consequent maintenance of the recessive economic environment. In this context, the Network's strategy of action will involve the maintenance of the guidelines followed in 2011, directing the commercial activity towards:

- Focus on the reduction of the liquidity gap, with a restrictive lending policy, in a new paradigm based on the establishment of an overall partnership with Companies, favouring loan concession to companies with which compensation has been negotiated in terms of treasury and which show greater capacity for success in the medium and long term, namely through their action in international markets of high potential growth;
- Strong commercial proactivity, strengthening relations with Companies, a vital factor for the identification of new business opportunities in line with needs and strategy, also seeking to detect any possible signs of business difficulty, in order to define solutions suited to the respective characteristics and prevent the existence of overdue loans;

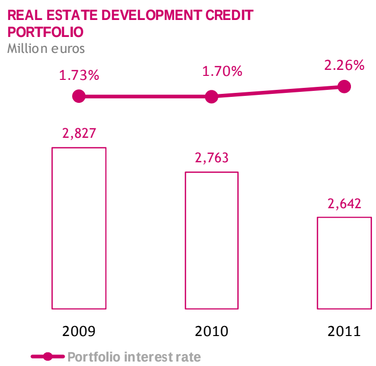
- Implementation of new solutions specifically directed to Company treasury needs, seeking to boost the attraction of new sources of revenue, in terms of payments, receipts or added value services (renting), life insurance and pension funds, hedging instruments, amongst others);
- In leasing, support to SME investment will continue to be favoured, through small and medium-sized business. Factoring will remain priority, following the policy of replacement of short term financial loans and expansion of the Customer base, as well as the reduction of operations without recourse.

At the same time, the redefinition of the criteria of segmentation of the Bank's networks, will permit better identification of the potential profitability of Business Customers, namely concerning SMEs, enabling closer monitoring of Customers, better identification of needs and the design of more suitable solutions.

Real Estate Business

The Real Estate Department includes the Loans for Property Development, Project Management, Property Management and Property Sale units, where the following areas of action have been defined:

- **Property Development**: continuation of the policy of adjustment of the pricing of loan operations to the respective associated risk, favouring liquidity. The balance of the property development portfolio reached the value of 2,642 million euros, recording a reduction of 4.4% compared with 2010. Net interest income increased by 56 p.b. relative to 2010.



- **Project Management**: a specialised structure has been implanted, specialised in monitoring Customers and projects with significant property risk, whose recovery is processed exclusively or mainly through the sale of these property projects. In this context, focus has been given to the prevention and recovery of overdue loans, reduction of impairment and improvement of quality and strengthening of guarantees, as well as optimisation of the associated profitability. For this purpose, the diagnostic models, financial structuring and project risk monitoring have been strengthened.
- **Property Management**: special attention has been given to stock analysis and to the treatment of property which has remained for the longest time in the portfolio. With a view to the optimised management of allocated funds, the property management areas were reorganised, with the creation of smaller teams responsible for the full monitoring of a series of properties under their management. The success of this initiative became evident in the duplication of the number of properties treated and sale conditions.
- **Property Sale**: an activity exclusively focused on the sale of real estate assets, derived mostly from assets given in lieu of payment, dissolution of leasing contracts, judicial enforcement or their decommissioning from operation. During 2011, the sales team dedicated to large properties and retail was reorganised, which enabled the Bank to focus on a new approach of greater proximity to the real estate market. At the same time, new partnerships were established with real estate entities particularly specialised in the sale of these types of assets. For the purpose of accelerating the process of sale of these assets, four real estate campaigns were carried out during 2011, open to all real estate agents, as well as ten auctions through attendance (5 in Lisbon and 5 in Porto) and three online auctions. 2011 was also the year of the launch of the "M Properties" brand for this market, along with innovative sales actions of strong regional impact - "The opportunities month", and in particular i) the "Real Estate Millennium Meetings"; ii) various promotions over the month, namely the acquisition of properties through closed letter; and iii) a regional auction carried out at the Bank's branches, a first-time unique event in the country.

In 2012, the action in this area will be guided by:

- Selectivity in the choice of Companies and projects to be financed, where the capital structure and guarantees of each project will be of special importance;
- Management and monitoring adjusted to the risk and size of each project, and high level of strictness in price management;
- Consolidation of the new commercial approach concerning the sale of properties, where it is expected that there will be an expansion of the offer arising from the launch of the new real estate site and increased initiatives, both regional and national, based on and supported by the Bank's sales networks.

Interfundos

In 2011, the activity of the "industry" of Closed Real Estate Investment Funds showed, as was the case in 2010, a negative evolution strongly marked by the retraction of the entire real estate market in Portugal, generalised in all its business fronts. In this context, the strategic guidelines of Interfundos were based on focus towards higher efficiency in the management of the available funds, with a view to the business continuity of the 48 Funds under its management, either through the continued development or restructuring of the real estate projects of each Fund.

Also in view of the difficulties associated to the current tax framework of Real Estate Investment Funds, Interfundos concentrated its activity in restructuring and urban rehabilitation projects, albeit under the market conditions referred to above, and, for this purpose, received authorisation from the CMVM for the constitution of a group of 2 Real Estate Investment Funds under the management of Interfundos, the Fundo Patrimonial FEIIF and the Grand Urban Investment Fund FEIIF. It was also submitted for approval the authorization for the constitution of two other Real Estate Investment Funds, the MR FEIIF and the M Renda Fund FIIAH, this one aiming at the profit from the opportunities which, the expected stimulation of the rental house market, could offer.

During 2011, Interfundos maintained its position of market leader in FIIFSP management, with a market share of 16.8%, through the management of 48 Real Estate Investment Funds, with a total of 1,129 million euros of net assets under management, corresponding to stabilization year-on-year, which, however, does not reflect the strong retraction observed in this industry in 2011.

The prospects for the real estate sector in Portugal in 2012 remain negative, pointing to the continued restriction of lending, of impact not only on families for acquisition of residential properties, but also on the construction sector for both housing and offices. Thus, in 2012 Interfundos expects to maintain its strategic focus on project restructuring and urban rehabilitation, as well as defending the maintenance of the projects in progress, in the context of the funds under its management and the expansion of its activity to housing rental funds, thus seeking to meet the new needs and opportunities offered by the market.

The existing uncertainty in terms of the future of the Euro and economy of the Eurozone countries comprise the main risks for business activity in 2012. Complementarily, the possible need to adopt new austerity measures in Portugal and in the main European countries is another factor of uncertainty that should not be underestimated. The capitalisation and deleverage requirements should strong constrain the banks' lending capacity, hindering the inversion of the recessive path of the Portuguese economy and necessarily implying the exploration of new markets outside Europe, the base of the main export markets of Portuguese companies.

CORPORATE & INVESTMENT BANKING

The Corporate & Investment Banking segment recorded a net loss of Euro 63.0 million in 2011, compared to a positive net contribution of Euro 82.9 million on the same period in 2010, determined by the increase in impairment charges for loan losses.

Net interest income increased 16,9%, supported by the Corporate network, reflecting the effect of repricing of loan operations, which aimed to adjust the spreads to the risk of operations and strengthened the mitigation associated with these operations, leading to an increase in the loans to customers interest rate margin and offset the reduction in the volume of loans to customers.

The growth in other net income is essentially due to the increase of commissions in the Corporate Network, in particular the commissions associated with loans to customers, demand deposits, risk insurance, financial services and assets under management.

The increase in impairment charges for loan losses, which in 2011 includes the reinforcement of impairment charges under the Special Inspection Programme, as well as the effect of the deterioration of financial collaterals and the increase in impairment indicators in the loan portfolio, as a result of the persistent adverse macroeconomic context and deterioration in economic and financial conditions, in particular in companies associated with the construction and tourism sectors of activity.

In accordance with the strategic priority to reduce the commercial gap, loans to customers decreased 7.9%, totalling Euro 12,199 million as at 31 December 2011, compared to Euro 13,245 million posted on the same date in 2010, determined by the reduction in loans, leasing and commercial paper.

Deposits showed an increase of 27.2% from 31 December 2010, reflecting the commercial effort in fundraising. The total customer funds decreased by 3.7%, amounting to Euro 10,822 million in 31 December 2011, compared with Euro 11,236 million in 31 December 2010, determined by the reduction observed in debt securities.

Euro million

	31 dec. 11	31 dec. 10	Change % 11/10
Profit and loss account			
Net interest income	240.9	206.0	16.9%
Other net income	180.7	159.8	13.1%
	421.7	365.8	15.3%
Operating costs	77.7	74.9	3.8%
Impairment	432.7	178.2	-
Contribution before income taxes	(88.7)	112.7	-
Income taxes	(25.7)	29.9	-
Net contribution	(63.0)	82.9	-
Summary of indicators			
Allocated capital	1,637	1,608	1.8%
Return on allocated capital	-3.8%	5.2%	
Risk weighted assets	16,370	16,082	1.8%
Cost to income ratio	18.4%	20.5%	
Loans to customers (1)	12,199	13,245	-7.9%
Total customers funds	10,882	11,236	-3.7%
Customers deposits	6,265	4,923	27.2%

(1) Includes commercial paper.

Note: Loans and Customers funds on monthly average balances.

Corporate Network

In view of the structural changes in the Portuguese banking sector arising from the implementation of the Economic and Financial Assistance Programme, jointly supported by the IMF and European Union (EU), with implications in terms of loan deleveraging and strengthening of capitalisation levels, the activity of the Corporate Network, in 2011, as was the case of the Companies Network described above, was guided by the following strategic lines: i) reduction of the commercial gap, maintaining the guidelines followed in previous years, with adjustment of loan concession and focus on growth of funds; ii) reduction of capital consumption (reduction of risk weighted assets), namely through careful analysis of the collateralisation of loan operations; iii) incisive control of overdue loans, aimed at decreasing loan impairment; and iv) focus on the overall profitability of Customers, through the establishment of an overall relationship, offering overall solutions for all company needs.

The following initiatives were developed for the purpose of implementing the guidelines referred to above:

I. Reduction of the commercial gap

- Strictness in loan concession, reducing loans to Public Sector Companies, adjusting the ceilings offered to Companies to their effective needs and negotiating with Customers the restructuring of medium and long term loan operations, so as to adjust the respective payment to the generation of project and/or Company cash flow;
- Preference, in loan concession, to Companies with internationalisation strategies and operating in diversified markets;
- Adoption of a policy of management of compensation, in terms of attraction of Company treasury, offering support to the financing of daily activity and project development, in a perspective of an overall relationship, negotiating solutions adjusted to different needs;
- Establishing a logic of partnership with companies, taking advantage of their relations with different stakeholders, namely their Employees, Suppliers and Customers;

II. Reduction of capital consumption

- Incisive analysis of loan operations, namely in terms of the adjustment of the collateral to the risks of the operations and evolution of Company activity;
- Frequent renegotiation with Customers concerning possible strengthening of guarantees for operations, corresponding to minimisation of capital consumption;

III. Control of overdue loans

- Close monitoring of Company activity, with frequent contact aimed at identifying possible signs of difficulties in order to establish, together with company directors, solutions to prevent future default;
- Support the implementation of plans for readjustment of the activity within the strategy of partnership with companies, assisting them in the market diversification strategies.

IV. Focus on the overall profitability of Customers

- Adjustment of the spreads applied in operations to the effective risk of the Customers and to the guarantees negotiated with them, taking into account the significant growth shown by interest rates in the financial markets;
- Generalised application of the fees established for operations, so as to meet their operating costs;
- Stimulation of the use of automatic channels, with substantial advantages for Companies in terms of transactional ease and integration with their own systems, also enabling cost reduction.

The strategic guidelines for the Corporate Network will remain, during 2012, in line with the strategy implemented in 2011, with strong focus on:

- Reduction of the liquidity gap, with very careful management of loan concession, following a logic of overall partnership with Companies and negotiation of compensation in terms of treasury movements and favouring companies focusing on the development of strategies of market diversification, with internationalisation to high-growth countries;

- Close monitoring of Companies, aimed at the identification of new business opportunities in line with company needs and strategies, seeking to ensure the timely diagnosis of possible warning signs on the evolution of Company activity, in order to ensure the efficient implementation of appropriate solutions;
- Development of new solutions adjusted to Company needs, enabling the attraction of new sources of revenue, namely in terms of treasury management concerning payments, receipts or added value services (renting), life insurance and pension funds, hedging instruments, amongst others);

The main risks faced by the activity of the Corporate Network in 2012, as is the case of the Company Network described above, are related to the uncertainty associated to the evolution of the Eurozone, which in a less disruptive scenario raises doubts on the need for new austerity measures in Portugal and in the main European countries receiving Portuguese exports, with impact on Portuguese business activity and on the need for the possible adaptability of business activity.

Investment Banking

In the area of Investment Banking, through Millennium investment banking, the Bank maintained its leading position in the brokerage of shares on Euronext Lisbon in 2011, with a market share above 6% and holding 3rd place in the ranking. Even in such an adverse context, more Customers were attracted to negotiation with direct access to the trading room, and strong activity was maintained concerning the publicising of the national market amongst international investors. The research area consolidated its position as the main reference in the coverage of companies listed on Euronext Lisbon, both for local and international investors, and, at the same, strengthened its coverage of companies listed on the Spanish market. The concentration of the certificates and warrants programme of Millennium bcp on Euronext Lisbon contributed to the growth of the activity, thus strengthening its strong leadership with a market share above 50%. In an innovative attitude and considering the current context, Millennium bcp promoted the negotiation in regulated markets of savings management and financial leverage products.

The market instability which severely affected various members of the Eurozone, then spreading to most European countries, constrained the launch of new operations and prevented the access of national issuers to international markets. In view of these circumstances, the Bank concentrated its activity on domestic operations, maintaining its position of leadership in this market segment, in particular in the organisation and structuring of debenture loans for EDP – Energias de Portugal (200 million euros), Sporting SAD (20 million euros) and FCP SAD (10 million euros), placed through Public Subscription Offers. The Bank was also in the leadership of a series of new Commercial Paper Issue Programmes for notable Portuguese companies, in particular the operations carried out for Espírito Santo Saúde (96 million euros), Grupo Salvador Caetano (40 million euros), Têxtil Manuel Gonçalves (50 million euros) and Sonae Indústria (50 million euros). The first issue of covered bonds of Banco de Investimento Imobiliário – BII was also carried out, to the value of 1,000 million euros. In August of this year, the Bank organised and led, through private placement, an issue of bonds for EDP Finance BV, under the Programme for the Issuance of Debt Instruments of the EDP Group, of the value of 350 million euros, for the period of one year. Particular note should also be made of the activity developed in the structuring and placement of structured products, under a commercial effort aimed at the attraction of stable Customer funds, developed by the Retail Networks and by Private Banking. The total value placed reached approximately 880 million euros. Amongst the different structures, emphasis should be given to "Millennium M Income", "Millennium Growing Income" and "Millennium Income Now".

Notwithstanding the difficulties related to the macro and microeconomic circumstances, during 2011, positive results were obtained from the sale of treasury products, both in the area of cash products (spot and forward foreign exchange transactions, short term investments and financing at fixed interest rates), and in the area of interest rate risk, exchange rate and commodity hedging derivative products.

In the area of corporate finance, Millennium investment banking participated in various major projects, in particular the financial advisory services provided to REN, in the placement of part of the capital of OMIP, SGPS; to Parpública, in the assessment of the Cahora Bassa Hydroelectric Plant and to Sonangol, in the group acquisition in the tourism/leisure sector. Also important, were the assessments made of REN and EDP under the respective privatisation processes.

In the area of equity capital markets, note should be made of the role of Millennium investment banking in the Overall Coordination of the share capital increase operations of Millennium bcp itself which, in spite of having been carried out under particularly adverse market conditions, were fully successful and were completed in an extremely short period of time, corresponding to less than three months since their announcement until the listing of the new shares on the stock market. This coordinated share capital increase operation, integrated in an objective of optimisation of the own fund components of Millennium bcp, covered the following three components: i) incorporation of reserves of the value of 120.4 million euros; ii) public offer of exchange of subordinated perpetual securities with conditional interest for new BCP shares, of the value of up to 1,000 million euros; and iii) public subscription offer of the value of 259.8 million euros, with reservation of preemptive rights for shareholders. In January 2011, the Offers of Sporting SAD were concluded, which are included in the financial restructuring of the SCP Group, where the Bank was the "Joint Overall Coordinator" of its organisation and structuring, which consisted of a share capital increase of up to 18 million euros and an issue of Mandatorily Convertible Securities convertible into Sporting SAD shares of up to 55 million euros, in both cases carried out through Public Subscription Offers, with reservation of preemptive rights for shareholders. In September 2011, the Bank was also the "Joint Overall Coordinator" in the organisation and structuring of the share capital increase of Inapa of up to 75 million euros, carried out through a public subscription offer of preferred shares without voting rights, with reservation of preemptive rights for shareholders.

In 2011, Millennium investment banking maintained an active role in structured finance operations, in particular the restructuring operations related to the Visabeira/Vista Alegre Group, and the support provided to the shareholder recomposition of the ETE Group, one of Portugal's largest port and maritime transport operators. Also noteworthy, is the completion of the restructuring of a syndicated loan of the Multi Corporation Group (an important player in the European real estate sector). The Bank also ensured close monitoring of its portfolio of outstanding loans, which stands at approximately 2.3 billion euros, and special note should also be made of the effort dedicated to the obtaining of liquidity from components of the portfolio.

In the project finance business area, Millennium investment banking participated in various operations of importance at a national and international level, of which the following are of particular note: i) structuring, as "Mandated Lead Arranger" of the first repowering and overpowering operation carried out in Portugal, under the Iberwind portfolio of Lagoa Funda Wind Power Plant, enabling the gain of an additional 2 MW (to a total of 12 MW), where the operation was financed under the contract of 1,062 million euros of the original loan, with the due adaptations; ii) signing of the contracts comprising the Reformation of the Concession of the stretch of the High Speed Railway between Poceirão and Caia, where the Bank is a shareholder of the concessionaire ELOS – Ligações de Alta Velocidade, S.A., its "Financial Adviser" and "Mandated Lead Arranger"; iii) signing of the contracts closing the financing operation, of the value of 11.68 million euros, of Meroicinha II Wind Power Plant, owned by the company Alto Marão, with 15 MW planned to be installed; and iv) Financial Advisory mandate of Luanda Waterfront for the requalification and urban re-planning of the waterfront of the city of Luanda, with maritime and terrestrial works implying the widening of Avenida Marginal, removal of sediment from the Bay, new road lanes, new green areas, amongst other works.

As a signatory of the Equator Principles, Millennium bcp undertakes to ensure that the projects in which it participates in a financial advisory capacity or which it finances under project finance are developed in a socially responsible manner and comply with good practices of environmental management.

In historic 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 PARTIVIPATION (Million euros)
A	High social and environmental risl	1	41
B	Limited social and environmental	42	4,487
C	Low social and environmental risk	1	27

In 2011, the following projects were classified under the criteria applied by the International Finance Corporation (of the World Bank Group) which led to the Equator Principles:

PROJECT FINANCE OPERATIONS APPROVED IN 2011

Million euros

Project	Classification	Total Funding	Millennium bcp participation
IBERWIND (PORTUGAL)			
Repowering in 10 MW and overpowering in 2MW from Lagoa Funda's wind farm	B	10 (*)	2.8 (*)
ELOS			
Reform the Concession of Alta Velocidade Poceirão-Caia	B	308.8 (**)	102.3 (**)
Meroicinha II			
Financing the Meriocinha II Wind Farm - Alto do Marão	B	11.7	11.7

(*) It was not funding / additional exposure, but the conversion of an unused facility

(**) The amount shown represents the increase in the Reform held in February 2011.

For 2012, the strategic guidelines for the area of Investment Banking are based on the maintenance of the focus on products and structures that enable increasing and diversifying the Bank's sources of financing; maintenance of its position as a reference institution in the national market; continuation of the activity's international expansion, namely through the offer of advisory services in project and/or corporate finance, preferably in countries where Millennium bcp is already present, also exploring potential opportunities along the strategic axis of China/Macao – Portuguese-speaking Africa – Europe, to which Brazil is added, under the partnership agreement signed with Banco Privado Atlântico for the constitution/acquisition of a bank, aimed at the exploration of opportunities in the Brazilian market; and, finally, close monitoring of Customers and operations currently in the portfolio.

REN

Financial Advisor

Placement of 50% of the capital

omip

2011

Millennium investment banking

grupo enersis

Meroicinha II Wind Farm

11.7 Million Euros

Project Finance

2011

Mandated Lead Arranger

Millennium investment banking

Syndicated financing restructuring of the Group Multi Corporation

900 Million Euros

Structured Finance

2011

Senior Lender

Millennium investment banking

SONAE INDÚSTRIA

Commercial Paper Program

50 Million Euros

2011

Leader and Agent

Millennium investment banking

edp

Bond Issue through a subscription of a Public Offer

200 Million Euros

2011

Joint Leader

Millennium investment banking

Banco de investimento imobiliário

Mortgage Bond Issue under Covered Bonds Programme

1,000 Million Euros

2011

Leader

Millennium investment banking

Millennium bcp

Capital Increase

1,370.4 Million Euros

through

Incorporation of Reserves

€120.4Million

Public Echange Offer

€ 990.1 Million

Public Offer

€ 259.9 Million

2011

Organization and Structure

Millennium investment banking

Equity Swaps

REN, EDP, ZON

147 Million Euros

2011

Millennium investment banking

Certificates

ICE Brent Crude Future Contract

55 Million Euros

Issuer

2011

Millennium investment banking

International

In view of the scenario of downgrading of the ratings of the Portuguese Republic and Bank, the activity of the International Department, over 2011, was particularly concerned with the permanent disclosure, amongst banks and financial institutions, of detailed information on the economic and financial indicators of the country and Bank.

The proximity maintained with counterparties, both in terms of other banking institutions and of the risk and loan analysis departments, enabled the maintenance of limits for the conclusion of commercial and treasury operations which permitted business continuity.

Specific lines were negotiated with sovereign and multilateral banks to support external trade operations and investment projects, of a value close to 1,000 million euros.

Initiatives were developed to make a difference to the service, quality and range of products offered, which was reflected, by the end of 2011, in the following market shares: 42% of total assets under custody held by non-resident institutional investors in the national market; 25% of total commercial payments; and 26% of the trade needs supporting exports.

In 2012, the Bank will continue to identify new markets and counterparts, with special focus on the supranational, central bank and development segment, fostering the use of trade programmes and other multilateral instruments, with a view to reducing capital consumption and endeavouring to find innovative ways to contribute to the attraction of funds.

Considering that support to exports and company internationalisation is today, apart from a strategic option, a national aspiration and the only path towards the sustained recovery of the country, the Bank has centralised this support, since 2006, in the International Department, through a centre of competences covering all aspects of international business, from treasury management solutions to trade finance. Constituted by country and product specialists with strong technical knowledge in international business (cash management, guarantees, loans and documentary remittances, financing solutions), Millennium Trade Solutions ensures personalised attendance and the search for the most suitable solutions for exports and company internationalisation, through counselling on export market selection, counterparts and financial instruments, and the structuring of financial support solutions.

In 2011, the Bank, through the International Department, directly supported over 4,000 export companies and 350 processes of internationalisation not only to countries where Millennium bcp is present such as Angola, Mozambique, China, Poland and Brazil, but also to other regions such as the Maghreb or Latin America, using the support of local partner banks. In circumstances that are expected to be increasingly more difficult, the Bank will continue, in 2012, to promote its support to exports and company internationalisation, through the strengthening of its team of specialists in international business and continuous focus on the improvement of the Bank's value proposition, both in terms of products and services, and Customer monitoring.

Asset Management & Private Banking

The Asset Management & Private Banking segment, considering the geographical segmentation criteria, posted a net loss of Euro 67.3 million in 2011, compared to a net loss of Euro 6.7 million in the same period of 2010, determined by the increase in impairment charges for loan losses, despite the rise of net operating revenues.

The increase of 13.9% in net interest income, due to the effort to implement the repricing designed to reflect the risk and liquidity costs, led to the increase the interest rate margin for loans to customers, despite the decrease in the volume of loans to customer and in the term deposits interest rate margin.

The increase of 21.2% in other net income resulted from the Private Banking business in Portugal, and was mainly associated with the increase in commissions related to assets under management and structured products.

The rise in impairment charges for loan losses was due to the devaluation of financial collaterals and to the increase of impairment indicators in the loan portfolio, as a result of the persistence of an adverse financial and macroeconomic context.

Loans to customers amounted to Euro 1,288 million as at 31 December 2011, decreasing 7.5% from 31 December 2010, as a result of the reduction in loans granted in the Private Banking segment in Portugal.

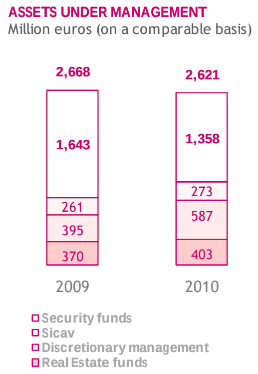
Total customer funds amounted to Euro 4,713 million as at 31 December 2011, compared to Euro 5,804 million as at 31 December 2010, supported by the reduction in off-balance sheet customer funds. Given the volatility and uncertainty of the markets, during 2011, there has been a greater readiness of customers to prefer more traditional conservative solutions, to the detriment of structured products, investment funds and discretionary management.

Euro million

	31 dec. 11	31 dec. 10	Change % 11/10
Profit and loss account			
Net interest income	22.3	19.6	13.9%
Other net income	27.7	22.8	21.2%
	50.0	42.4	17.8%
Operating costs	31.6	31.5	0.5%
Impairment	113.2	20.4	-
Contribution before income taxes	(94.8)	(9.4)	-
Income taxes	27.6	2.8	-
Net contribution	(67.3)	(6.7)	-
Summary of indicators			
Allocated capital	64	97	-34.0%
Return on allocated capital	-104.5%	-6.8%	
Risk weighted assets	643	975	34.0%
Cost to income ratio	63.3%	74.1%	
Loans to customers	1,288	1,391	-7.5%
Total customers funds	4,713	5,804	-18.8%
Customers deposits	1,360	1,380	-1.5%

Note: Loans and Customers funds on monthly average balances.

ASSET MANAGEMENT



The Asset Management area includes the development of mutual and real estate investment fund management activities and discretionary management activity. The identification of opportunities, under circumstances that, in 2011, exerted a very marked influence, and their realisation through the construction of financial solutions offering suitable profitability to Customers of the different activity areas included in the Asset Management area, namely the Management of Mutual and Real Estate Funds and the Discretionary Management of Individual Portfolios, as well as the preservation of the return of these business units, constituted the main strategic lines, during a year characterised by the persistent impact of high volatility and uncertainty in financial markets, induced by the sovereign debt crisis, which essentially affected Europe, and was aggravated by the deceleration of GDP growth in Portugal and by the crisis of confidence installed in financial markets and in the economy.

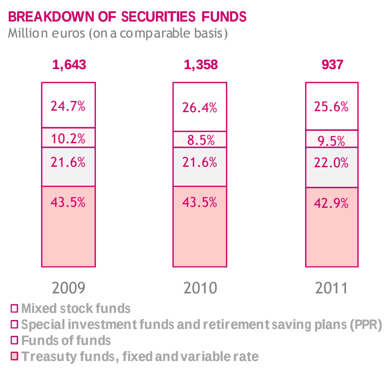
In 2011, the national industry of mutual investment funds once again, as in the previous year, showed a significant decrease (23.9%) in the volume of assets under management, from 14,237 billion euros in 2010, to 10,835 billion euros.

The total volume of assets under management of the mutual investment funds managed by Millennium bcp Gestão de Activos decreased by 31.0%, from 1,358 million euros in 2010, to 937 million euros in 2011, corresponding to a market share of 8.7%, or 0.8 p.p. less than in December 2010. In contrast, in terms of total harmonised funds, representing the core of the asset management industry, in particular of mutual investment funds, Millennium bcp Gestão de Activos holds a market share of 14.9%, in line with the value recorded in December 2010.

The fall in the volumes under the management was greatly influenced by the context of uncertainty and volatility which has been experienced since 2010 but aggravated in 2011 as a result of the negative performance of the financial markets, directly contributing to 15% of the annual reduction recorded. The negative net subscriptions were equivalent to those of the previous year, showing a decline of approximately 16%, after exclusion of the effects of non-recurrent operations, namely arising from the:

- Process of strategic reallocation of the Funds of Funds, resulting from the adoption of new benchmarks;
- Impact on the positions of the Funds of Funds on merged funds, caused by the merger between the Millennium Available treasury fund and the Millennium Bonds and Millennium World Bonds variable rate bond funds, which resulted in the creation of the Millennium Variable Rate Euro Fund;
- Redemption of positions reflecting Real Estate Funds

Although no category of funds shows positive net subscriptions, relative to the accumulated value as at December 2010, note should be made of the favourable evolutions of the Funds of Funds, Special Investment Funds (FEI) and Variable Rate Bond Funds, in this last case, after suppression of non-recurrent effects.



In terms of assets under management by category of funds, Millennium bcp Gestão de Activos maintained its leadership of one of the segments of funds with highest value added, Funds of Funds, with a market share of 52.4%, and remained in second place in Funds of Assets, with a market share of 20. 7%. The Bank also recovered its leadership in terms of assets under management in Variable Rate Bond funds, with a market share of 33.2%, following the creation of a new variable rate bond fund, the Millennium Euro Variable Rate Fund, which resulted from the merger of the Millennium Bonds and Millennium World Bonds funds with the Millennium Available treasury fund, in May 2011.

The performance of the Millennium funds reflected the behaviour of the financial markets during the year. However, this performance compares favourably with that of the domestic competition of mutual funds: Millennium bcp Gestão de Activos showed, monthly and on average, eight funds in the first three places of the national ranking by category of yield at 1 year, published by the Portuguese Association of Investment Funds, Pensions and Assets (APFIPP).

After an interval of two years, in 2010 Millennium bcp Gestão de Activos was once again awarded prizes by the Morningstar in the 8th edition of the "Morningstar Diário Económico Best Investment Funds" Awards, distinctions which contribute to the recognition of the management quality and merit of the teams employed at Millennium bcp Gestão de Activos. The three Millennium funds that were awarded and their respective categories were: i) Millennium Portugal Shares: "Best National Fund of Portugal Shares"; ii) Millennium PPA: "Best National Fund of PPA Portugal Shares"; and iii) Millennium Moderate Prestige: "Moderate Euro Mixed Best National Fund".

Also concerning performance, particular note should be made of the four Millennium funds which held the first place in the respective ranking of the APFIPP, as at 31 December 2011: Millennium Moderate Prestige (Mixed Funds of Funds); Millennium PPR Shares Investment (PPR Funds category C: between 15% and 35% shares); Millennium Conservative Prestige (Predominantly Bond Funds of Funds); and Millennium Eurocarteira (Funds of Shares of the EU, Switzerland and Norway).

The promotion of the commercial activity of the domestic mutual investment funds took place simultaneously with the strategy of the sales networks, namely the Retail Network and Private Banking Network, which were the main placers of Millennium bcp investment funds.

In the Retail Network, the commercial team ensured support to the branches, with a new Employee having been recruited in March to strengthen monitoring in the South and Southern Centre regions, which enabled the achievement of the objective size. The Millennium investment funds are placed, as components of funds, under the strategy of the 3Rs – Resources (Funds), Repricing and Recovery, being positioned as solutions to meet two of the fundamental needs of Customers:

- Access to various investment choices, since they enable the diversification of net worth in terms of assets, sectors and geographical coverage of markets, in a manner adaptable to each risk profile;
- Supplementary pension, since the Millennium PPR funds constitute vehicles of medium/long term saving, for the gradual and timely constitution of future income, benefiting from tax advantages at the time of repayment, provided that this is carried out under the conditions established by the law.

Also concerning this strategy, the Millennium funds are part of the campaign of Attraction of Programmed Savings through Monthly Investment Plans (PIM), which enable Customers to save small amounts, in a planned and regular manner, requiring minor effort.

In the Private Banking Network, the Millennium funds were positioned as niche alternatives, complementary to the offer provided by the international holding companies which operate in Portugal, and to the offer of bound Portfolio Management by Millennium Gestão de Patrimónios.

Under the continuous readjustment of the conditions of the offer in view of the circumstances under which the activity is operating, an adjustment was also made with respect to the review of the Management Committee of almost all the Treasury and Variable Rate Bond Funds. This process, combined with that of the merger of Funds, and that of the strategic reallocation of Funds of Funds, led to additional income in excess of 800 thousand euros during the year, equivalent to an increase of 20%.

In 2012, Millennium bcp Gestão de Activos will endeavour to maintain and strengthen its competitive positioning in the market of mutual investment funds, through the launch of new investment funds under the form of Special Investment Funds (FEI) and the promotion of their placement through the sales networks. In a long term perspective, the appropriate strategy for investors will involve strengthening portfolio diversification, which implies the constitution of global portfolios that are very diversified in terms of regions, sectors and assets. In 2012, investment funds will be the ideal financial instrument for this purpose. Millennium bcp Gestão de Activos will also guide its action by the market trends identified in the European and worldwide investment funds business, adapted to the new European Union regulations which will be enforced during the year, in particular arising from the transposition of Directive UCITS IV.

The total value of the Millennium Sicav funds under management, domiciled in Luxembourg, reached 227 million euros in December 2011, having fallen by 16.7% in relation to the end of 2010. About 43.2% of this decline was attributable to the market effect, particularly marked during this year, and about 44.7% to redemption of Funds of Funds, partly derived from the strategic reallocation process which involved these Funds. In spite of the decline noted above, it was possible to maintain a certain level of performance and income, associated to the management and distribution of Millennium Sicav, based on the greater stability of the Customers of institutional portfolios which invest in the different compartments of Millennium Sicav.

In the segment of Mutual Investment Funds managed by Millennium bcp Gestão de Activos, the volume of assets under management was 385 million euros, as at December 2011, representing 4.5% less than as at December 2010. However, it is important to note that most of the Open Mutual Investment Funds on the market showed an even stronger decrease (-12%). The redemption observed, namely by private investors, is largely explained by the increased remuneration of term deposits and by the demand for highly liquid investments.

Regarding the yields of the Open Mutual Investment Funds, in spite of the deterioration of the indicators of the Portuguese economy, most of these funds continued to show positive yields, with the net average yield at 1 year having been 2.14%. However, yields have been moving on a downward path.

The Mutual Portfolio AF Open Fund (FPI) followed the market trend, albeit with a net yield at 1 year of 2.70%, which compares favourably with the 2.14% presented by the APFIPP index relative to Open Funds.

In spite of continuing to be penalised by the difficulties shown in the main segments, namely with respect to rent reductions, default and low demand for vacant spaces, FPI continued to show a performance above the market average.

The FPI was distinguished with the Oscars of "Best Development of the Year" and "Best Office Building", at the 15th edition of the National Real Estate Award 2011, in its capacity of owner of the Vodafone building, at Avenida da Boavista in Porto, whose construction it promoted and financed.

Under the area of discretionary management, developed by the Millennium Wealth Management Department (DMGP), at the end of the year the assets under management reached 533 million euros, representing a decrease of 9% relative to the value at the end of the previous year. This decrease reflects the very volatile behaviour of the financial markets. However, the average balances showed an upward evolution, which reached 24%, resulting in an increase of net fees of 11%, which, combined with the significant savings achieved in terms of operating costs, led to growth of the annual net income of approximately 45%.

In 2011, this area of activity pursued the objectives of consolidation and expansion of its offer, having launched yet another profile of investment with guaranteed capital. This period was also marked by the rationalisation of resources, arising from the migration of the portfolio management activity to the computer system supporting the investment fund activity, which was embodied in the achievement of synergies enabling a significant reduction of computer support and development costs in this business area, which exceeded 43%. In 2012, the DMGP will continue its strategy of intensification of relations with the sales networks with the objective of increasing its turnover.

PRIVATE BANKING

The segment of Private Banking Customers was particularly affected by the enormous uncertainty and fragility of the financial markets and by the sovereign debt arising from the downgrading of the rating of the countries of the periphery of the Eurozone, which implied a particularly strong effort in the commercial monitoring of Customers, with a view to ensuring the continuity of the relationship of trust in the institution and business model of Millennium bcp.

It were created conditions to restructure the business of this segment, by giving a special focus to the area of resident Customers with a new approach to the business model.

The process of classification of the risk profile of Customers of the domestic area has enabled the optimisation of the operation of the advisory model, which consisted of one of the pillars of the value proposition of Private Banking.

This process relies on the input from a team of Investment Specialists who, in full coordination with the Private Bankers, creates the conditions for permanent monitoring of the customer base, materialized in investment proposals set out in accordance with the specificities of assets under management.

Due to this model, the Investment Committee of Control reinforced its role as a framework for the follow up, control and monitoring of the counselling model and management of asset allocation. In this context, investments were made in the fine-tuning of the management tools of this business, in order to incorporate new functionalities to enable minimising operating risks and strengthening the documental control of orders conveyed by Customers.

The offer maintained its diversity and coverage, seeking to meet Customer needs and favouring Structured Products, Investment Funds and Discretionary Management which is an appropriate solution for the management of assets under mandate.

It was ensured a logic open architecture that allows, independently, selecting each time the most appropriate solutions to the profiles of Customers and to cyclical conditions. However, in view of the market volatility and uncertainty observed throughout the year, Customers have shown greater interest in more traditional and conservative solutions.

This business area, in line with the strategic objectives for the Bank, focused on the raise of on-balance funds, contributing to the improvement of the commercial gap.

Accompanying the technological progress developed in the area of homebanking of Millennium bcp, a series of actions were designed with a view to the implementation of the customisation of the site for Private Banking Customers, adapted to its value proposition, and the creation of an area of information on the activity and characteristics of this segment.

It should also be noted that, in 2011, Millennium bcp was distinguished by the Euromoney, prestigious international magazine, with award of the prize for the best Private Banking operation in Portugal.

In the context of the overall project of commercial approach for the entire Bank, aimed at the application of new segmentation criteria and the achievement of specific proposals by segment, plans were made for the resizing of the Private Banking network which will take place in 2012, with the strengthening of its value proposition aimed at a broader base of Customers with profiles suited to the Private Banking model.

Foreign Business

The net contribution of the Foreign Business segment, considering the geographical segmentation criteria, amounted to Euro 177.8 million in 2011, compared to a net contribution of Euro 101.5 million in 2010. The increase of 75.2% compared to the last year was determined by the increase in net operating revenues, powered by the growth in business volumes and by lower operational costs, with emphasis on the net contributions of operations in Poland, Mozambique and Angola.

The increase in net interest income by 23.3% was supported by the favourable interest rate effect and by the volume of customer deposits effect, despite the impact resulting from operations in Turkey and the United States of America, which were partially sold at the end of 2010. Highlight to the performance of the operations in Poland, in Mozambique and in Angola.

The decrease in other net income reflects mainly the impacts identified in 2010 related to the activities of the partially sold operations, as well as the performance of the operations in Switzerland, Greece and Poland, the latter due to exchange rate effect.

Operating costs decreased by 3.9% in 2011, compared with the previous year, influenced by the operating costs posted in 2010 related to the partially sold operations. This reduction offset the increases in Poland and Greece, in part influenced by the resizing of the distribution network, and in Angola and Mozambique, related to the ongoing expansion strategy.

The increase in impairment charges for loan losses, compared with 2010, was mainly associated with a higher level of provisioning recorded in the subsidiary companies in Greece and Switzerland partially offset by the decrease in Poland.

Total customer funds decreased 3.3% to Euro 15,914 million as at 31 December 2011, with emphasis on the favourable performance of assets under management, despite the favourable development in operations in Mozambique and Angola.

Loans to customers decreased 3.7% to Euro 16,306 million as at 31 December 2011, benefiting from the performance of loans to individuals, reflecting the decrease in operations in the Cayman Islands, Greece and Switzerland, partially offset by the increases registered in Angola and Mozambique.

Euro million

	31 dec. 11	31 dec. 10	Change % 11/10
Profit and loss account			
Net interest income	679.2	550.8	23.3%
Other net income	338.6	365.7	-7.4%
	1,017.8	916.5	11.0%
Operating costs	593.8	617.9	-3.9%
Impairment and provisions	198.5	171.0	16.0%
Contribution before income taxes	225.5	127.6	76.8%
Income taxes	47.7	26.1	82.8%
Net contribution	177.8	101.5	75.2%
Summary of indicators			
Allocated capital	1,795	1,740	3.2%
Return on allocated capital	9.9%	5.8%	
Risk weighted assets	14,285	14,272	0.1%
Cost to income ratio	58.3%	67.4%	
Loans to customers	16,306	16,926	-3.7%
Total customers funds	15,914	16,453	-3.3%
Customers deposits	14,994	15,276	-1.9%

Note: In 2010 the net contribution was not adjusted from the impact related to the activities in Turkey and in the United States of America, which were partially sold during 2010.

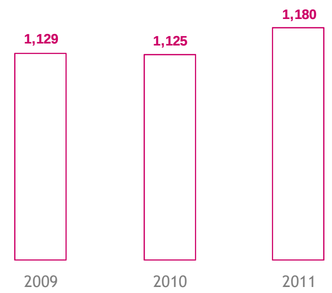
Following, it is presented the individual activity of the international operations.

European Business

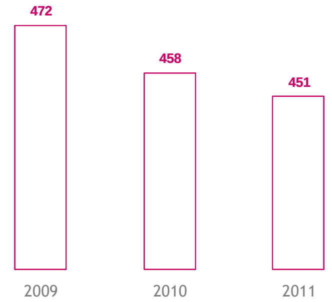
Poland

Bank Millennium is a universal bank of national scope which, together with its subsidiaries, offers a vast range of financial products and services to individuals and companies. Supported by a renewed network of 451 branches, Bank Millennium is one of the main operators on the Polish market, with a leading position in Retail Banking supported by an efficient sales promotion 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 aimed at Retail, Companies and Investment Banking. Bank Millennium has the fourth largest Retail Network in Poland, with 1.2 million active Customers, being the international operation with the highest contribution to Group's net income.

NUMBER OF CUSTOMERS
Thousands



NUMBER OF BRANCHES
Units



In 2011, Bank Millennium was included in the "Respect Index", the Central and Eastern European index of socially responsible companies in recognition of the development of its activity, based on the highest standards of quality in areas such as corporate governance and investor relations, as well as the promotion of socially responsible initiatives in areas such as the environment and the community.

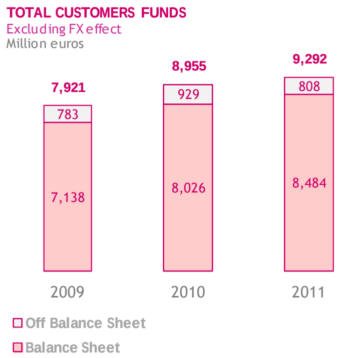
After the two year period of 2009/2010 dedicated to the internal reorganisation in which Bank Millennium implemented the 2010 Millennium strategic programme, designed to minimise the impact of the worldwide financial crisis on its activity, in 2011 the bank concentrated fully on business development and on the fine-tuning of profitability levels, keeping costs under control and maintaining a conservative risk profile. Bank Millennium pursued its policy of new Customers acquisition and simultaneously promoted the deepening of relations with the existing Customers expressed in terms of the cross-selling ratio, improved level of the quality of services and the offer of innovative products to enable maintaining the high level of sales and to increase its market share.

In 2010, Bank Millennium began the "Quality Project", an innovative strategy with the objective of improving Customer satisfaction indices and becoming the market leader in Customer service. The project focuses on four main areas: i) Employees (knowledge, skills and behaviour); ii) Service model (service standards and standardised product sales models); iii) Processes (elimination of gaps in operating procedures); and iv) Quality control system. The operationalisation of this project is based on five programmes focusing on five different areas: Programme for branches; Programme for the Call Centre; Programme for the Internet; Programme for Complaints and Programme for HQ. The main initiatives which have already been implemented consisted of a Mystery Client project, with visits to 5,276 branches in 2011 and audits to 473 remote channels; improvement of Customer service through the implementation of a network incentive system; implementation of Service Standards for Retail Customer Attendance, supported by two sessions of intensive training, involving 500 branch managers and 4,000 employees; improvement of service level agreements, involving telephone attendance in 20 seconds and answer to e-mails within the period of 24 hours for over 80% of Customers and over 50% of the complaints processed in up to 7 days.

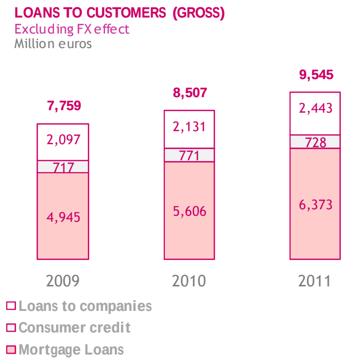
The first results of this project are already visible. According to Newsweek, Bank Millennium is amongst the three first "Most Friendly" banks, both with respect to banks with a traditional network of branches and banks operating only through the Internet. In both rankings, Bank Millennium achieved the highest grades in the category of "service quality". Bank Millennium was also recently distinguished with the "Service Quality Emblem 2011", based on the real opinion of Customers. The bank was also distinguished by the Forbes magazine, as the "Best Bank for Companies".

In terms of business development in 2011, Bank Millennium has, once again, recorded growth in Retail funds and in Companies. Bank Millennium deposits stood at 37.4 billion zloties (approximately 8,396 million euros), representing a significant increase of 5.7% (in zloties) relative to 2010. The bank has not changed the main conditions of its base offer for individual Customers, in spite of some pressure having been observed on net interest income of deposits, but it was more competitive in various deposits to companies. Notwithstanding the growth in deposits, the impact on the loan portfolio derived from the depreciation of the zloty affected the ratio of loans to deposits which, even so, closed the year close to 100%.

Regarding the launch of new innovative products, in the beginning of 2011, Bank Millennium launched a new current account, "Dobre Konto", which through compliance with certain conditions exempted adhering Customers from the payment of opening fees, fees related to the associated debit card and transfers through the ATM network and also granted 3% cash-back for purchases in grocery stores, supermarkets and petrol stations. This account was a big commercial success, with 180 thousand accounts having been opened, corresponding to 64% of all Retail accounts opened in 2011. "Dobre Konto" combined with its debit card received a special award from the selection panel of the 2011 edition of the Publi-News Trophy for innovative cards.



Bank Millennium innovated in the area of attraction of funds, by launching a specific product for the Summer period called "Hot Deposit", with daily compounding of interest and at a yield rate of 4.68%. In the scope of funds attraction, but for new Customers, the bank offered the "Sea of Income" deposit, with a rate of up to 7% per year, with guaranteed capital. Bank Millennium's offer in Poland was also enriched with a new investment product, the "Gaining Every day" account, combining the benefits of a term deposit, with daily interest, with Millennium TFI's Investment Funds, offering a rate which can reach 8%. In the area of savings, note should also be made to the "Objective Saving Account", characterised by enabling the effective management of savings for a specific purpose, incorporating tools (graphs with the yield history and forecast for the future) which help Customers to plan and monitor the evolution of the account in relation to their objective.



Regarding loans, during 2011, note should be made to the "Urgent Loan", a specific product to support families in the management of their money at the beginning of the academic year, which, in a fast and effective manner, enables Customers to guarantee additional money for this purpose. In the area of encouragement of energy efficiency and the use of clean energy, Bank Millennium launched Eko Energy, a Loan/Leasing product for the purpose of financing latest generation solutions in the field of energy saving technology and renewable energy, under the Polish Programme of Sustainable Energy Financing (PolSEFF) which facilitates the implementation of projects from Polish small and medium-sized companies.

Bank Millennium has expanded its range of products through a partnership with MAKRO Cash & Carry Polska, covering the needs of entrepreneurs who purchase at MAKRO shops. The proposal covers a wide range of products, both for entrepreneurs and their employees, including cards (debit and credit), bank accounts, and various types of loans and leasing. The fundamental characteristic of this offer consists of the Millennium MasterCards, which combine the functionalities of payment card and card to entry into the MAKRO shop.

Concerning access through remote channels, Bank Millennium launched new access channels to the bank: i) "Mobile banking" through the Mobile Application, the channel offers permanent access to the bank and to Customer accounts through a secure and transparent system that enables having Bank Millennium always on hand; ii) "Millenet Mobile", the light version of Millenet, a new version of the online platform available to all Individual Customers with mobile telephones with Internet connection; iii) an access channel for mobile telephones and tablets with the Android system. The "PayPass" Mini Card was also launched, issued by MasterCard, an innovative and secure card in payment technology which enables its use without contact with the Point-of-Sale (POS). In 2011, 1,376 Customers subscribed MasterCard network – WWF Millennium MasterCard credit card, which is produced with recycled materials and whose annuity is donated to the World Wildlife Fund in Poland, thus contributing to the conservation of nature, fight against climate change and waste of water.

In 2011, net income increased from 81.3 million euros to 113.3 million euros, essentially as a result of the increased core income to 413.9 million euros and decreased impairment to 42.2 million euros.

The improvement in core income was underpinned by the rational management of term deposits spread, the impact of the efforts began in 2009 to adjust the loans to Companies spread to current market conditions and the significant increase in the cross-selling ratio. Net interest income maintained its upward trend, standing at 277.4 million euros, and representing an increase of 19.9% relative to 2010. Net commissions reached 136.5 million euros, corresponding to a decrease of 3.2% in relation to 2010, essentially reflecting the evolution of fees from current accounts, bancassurance, savings, and operations and products related to capital markets. In spite of the increased activity levels, operating costs increased by merely 1.2%, as a result of strict cost control. Particular note should be made to the reduction of cost of risk in relation to 2010, essentially as a result of the improvement of loan portfolio quality and maintenance of a conservative policy of write-downs.

In this way, the combination of the significant growth in core income with operating cost control and cost of risk reduction enabled Bank Millennium to considerably improve all its profitability indicators. Pre-tax profit reached 143.6 million euros and net income reached 113.3 million euros.

Bank Millennium - Poland

Million euros

	2011	2010	2009	Change %	2010	Change % 11/10
					excluding FX effect	
Total assets	11,371	11,820	10,943	-3.8%	10,539	7.9%
Loans to customers (gross)	9,545	9,541	8,428	0.0%	8,507	12.2%
Loans to customers (net)	9,271	9,242	8,158	0.3%	8,241	12.5%
Customer funds	9,292	10,043	8,604	-7.5%	8,955	3.8%
Of which: on Balance Sheet	8,484	9,001	7,753	-5.7%	8,026	5.7%
off Balance Sheet	808	1,042	851	-22.5%	929	-13.0%
Shareholders' equity	1,029	1,029	679	0.0%	918	12.1%
Net interest income	277.4	231.4	137.2	19.9%	225.3	23.1%
Other net operating income	179.4	196.8	197.7	-8.8%	191.6	-6.4%
Operating costs	271.0	270.3	234.5	0.3%	263.2	3.0%
Impairment and provisions	42.2	56.2	100.0	-24.9%	54.7	-22.8%
Net income	113.3	81.3	0.3	39.3%	79.2	43.1%
Number of customers (thousands) (*)	1,180	1,125	1,129	4.9%		
Employees (number)	6,289	6,135	6,245	2.5%		
Branches (number)	451	458	472	-1.5%		
Market capitalisation	1,034	1,495	993	-30.9%	1,333	-22.4%
% of share capital held	65.5%	65.5%	65.5%			

Source: Bank Millennium

FX rates:

Balance Sheet 1 euro =	4.458	3.975	4.1045	zloties
Profit and Loss Account 1 euro =	4.11623333	4.0078625	4.36182083	zloties

(*) Number of employees according to Full Time Equivalent (FTE) criteria.

In 2012, Bank Millennium will strengthen its focus on increased efficiency, measured by a cost-to-income ratio below 60%, simultaneously maintaining a sustainable increase of net income, strengthened by core operating revenue growth and keeping tight control over operating costs base. At the same time, Bank Millennium intends to maintain its stable liquidity position, continue its focus on deposits and loans growth and, simultaneously, pursue its efforts towards the diversification of funding sources. Bank Millennium will continue to impose strict discipline on capital management, proceeding with capital allocation to products and segments showing greatest potential return.

In terms of business development, Bank Millennium intends to continue its policy of Customers acquisition, based on the large and modern network of branches, its full offer of products and services, good reputation of the brand, quality of the service and the effectiveness of the marketing campaigns. For this purpose, the Bank will focus on the cross-selling of products and services, in order to strengthen its relations with the present Customer base.

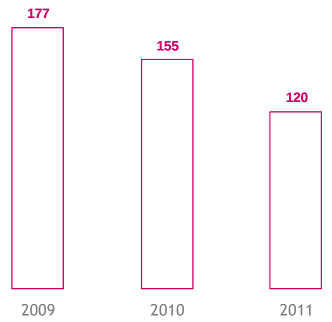
Greece

Millennium bank has operated in Greece since 2000. Its activity concentrates on Retail through the universal offer of a complete range of financial products and services for affluent and business Customers via a single multisegment network. By the end of 2011, Millennium bank had a network of 120 branches, serving 584 thousand Customers.

During 2011, Greece's banking sector was significantly affected by the aggravation of the economic and financial crisis, whose impact was reflected, essentially, in the significant increase of funding costs, intensification of competition in terms of deposits attraction, deterioration of the quality of loan portfolio, as a result of the increased default, and greater restrictiveness in loan concession.

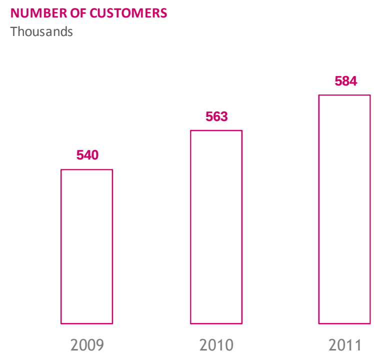
NUMBER OF BRANCHES

Units



In spite of the adverse macroeconomic circumstances, the acquisition of Customers was significant in 2011. 21 thousand new Customers were gained, increasing the total Customer base of Millennium bank to 584 thousand by the end of December 2011, representing over 6% of the population actively participating in the banking sector in Greece.

Following the transformation agenda implemented in 2010, Millennium bank continued to adjust rapidly to the growing market uncertainty through action in accordance with four strategic pillars: i) Capital: the capital base was strengthened – share capital increase in December of 105 million euros - in order to comply with the new minimum capital requirements, measures of optimisation of risk weighted assets and a liabilities repurchase programme were implemented; ii) Liquidity: Millennium bank continued with the deleverage programme, simultaneously implementing various measures to protect its deposit base, even in a context of the removal of deposits from the Greek banking system - the market share of deposits increased from 1.3% in December 2010 to 1.4% in December 2011 - and, simultaneously, loans and advances to customers were decreased by 6.9% relative to 2010, thus reducing structural funding needs; iii) Default: minimisation of the impact of delinquency, continuing to improve risk management and control processes in order to limit the increase of overdue loans; and iv) Efficiency: adjustment of the bank to current reality, having completed the reconstruction plan in December so as to achieve the optimisation of costs through rationalisation measures implemented rapidly and in a sustainable manner, more specifically, Millennium bank proceeded with the optimisation of the branch network, reducing the network by 35 branches, so as to increase the effectiveness of the commercial efforts and resilience of the bank, especially in the bleak current context. Furthermore, Millennium bank finalised a voluntary staff reduction scheme, achieving a reduction of 220 employees in 2011.

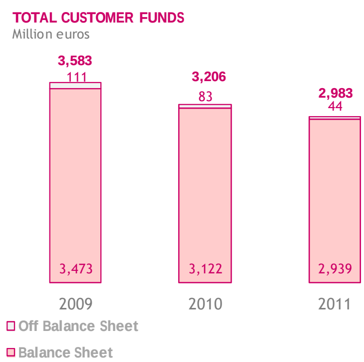


Last year was marked by a change of corporate governance. In July 2011, Dimitrios Romossios was appointed the new CEO of the Bank, replacing Rui Coimbra who took on new responsibilities as the Group's Investor Relations.

On the commercial front, Millennium bank's priorities consisted of the acquisition of new Customers and increase the bank's deposits base. Millennium bank launched various campaigns and increased the offer of deposit products, including high income deposits and new salary account packages, in particular a new product, "Every Month Plus", aimed at facilitating the monthly expenses of each family. This programme offers supermarket coupons of 5 euros to 20 euros, when the average balance of the previous month was above 1,500 euros and if the account is associated to at least one direct debit and a bancassurance product. Finally, of the total number of Customers meeting the above-reffered criteria, fifty win, on a monthly basis, via raffle, vouchers of 50 euros in petrol.

Maintaining its support to civil servants and pensioners, a segment of the population particularly affected by the crisis, Millennium bank launched the "Yper-eho" salary-account programme. This programme includes a deposit with an interest rate of 5% for the first 1,000 euros invested. The launch of this programme was supported by a highly visible campaign, including a raffle of 1,000 euros for 15 Customers every month, for Customers who associate their account to a direct debit.

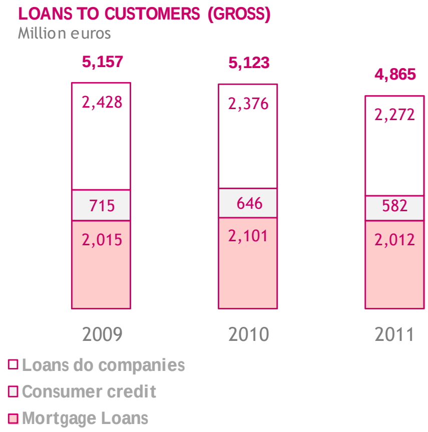
In order to increase its Customer base, Millennium bank invited parents and family members to support the future of their children by opening a "Millennium Children" saving account. This account offers an interest rate from 2.2% to 2.4%, as well as discounts for the purchase of clothes, technology and entertainment products, and for health services. Upon the opening of the account, a piggy bank and a lottery ticket are offered to each child. In total, 300 children will receive their first deposit of 50 euros through these lottery tickets, while 100 will receive their first deposit of 50 euros through a digital competition.



The Bank also launched a saving account called "Wedding List", which offers couples who are interested, a means for family members and friends to deposit their wedding presents. This account also offers discounts at the Greek subsidiary of the Swedish multinational Ikea and at one of the largest local electrical appliance stores. Each participating couple may also enter a competition where they may win a honeymoon trip to an exotic destination.

Furthermore, Millennium bank launched various types of term deposits, with different characteristics, including competitive interest rates and various maturity periods, in order to meet the needs of the bank and its Customers. Cooperation was also begun with Franklin Templeton, Pictet and Schroders for the distribution of its mutual funds, whereby the offer for Prestige Customers increased to 407 mutual funds of seven manager companies.

Millennium bank maintained its tradition of offering innovative products as one of its factors of differentiation on the market. In the area of bancassurance, the bank promoted the "Medi plan senior" health plan for Customers aged over 50 years old, "Medi hospital solutions", consisting of a low budget programme which guarantees access to high quality services, "Family Life", which complements the social security services, a life insurance with an insured value up to 1 million euros, applicable to micro businesses and creditors, new protection programmes, covering company premises and its equipment, and "Junior Plus", offering a programmed saving plan for children. Also in the area of bancassurance, note should be made to the programme to insure "Personal Property", a product targeting mass-market Customers, which offers significant benefits at a very competitive price of 25 euros per year. This product proved to be enormously successful, with the commercial network having placed over 8,000 policies in less than three months.



In view of the very difficult macroeconomic circumstances in Greece, and with the objective of responding to the aggravation of the economic situation of many Customers, partly as a result of unemployment, Millennium Bank has provided an offer adjusted to the needs of each Customer for loan restructuring, amongst which: i) consolidation of various loans into a single loan, with a preferential interest rate; ii) reduction of the initially contracted interest rate; and iii) inclusion of a 6 month period of grace.

Millennium bank has renewed its website on the Internet, making it more functional and efficient. Bank Millennium's focus on service quality has continued to be rewarding. The bank was distinguished by Deutsche Bank with the "Straight-Through Processing Excellence Award" for the fourth year consecutively, for its exceptional performance in the processing international transfers in euros.

Millennium bank - Greece

Million euros

	2011	2010	2009	Change %
Total assets	6,364	6,858	6,669	-7.2%
Loans to customers (gross)	4,865	5,123	5,157	-5.0%
Loans to customers (net)	4,654	4,997	5,083	-6.9%
Customer funds	2,983	3,206	3,583	-7.0%
Of which: on Balance Sheet	2,939	3,122	3,473	-5.9%
off Balance Sheet (*)	44	83	111	-47.7%
Shareholders' equity	474	372	389	27.3%
Net interest income	197.5	127.5	124.7	55.0%
Other net operating income	28.7	32.5	45.1	-11.8%
Operating costs	129.5	124.1	125.8	4.3%
Impairment and provisions	92.6	57.3	24.7	61.5%
Net income	-3.5	-16.0	9.0	78.0%
Number of customers (thousands)	584	563	540	3.7%
Employees (number)	1,212	1,470	1,527	-17.6%
Branches (number)	120	155	177	-22.6%
% of share capital held	100%	100%	100%	

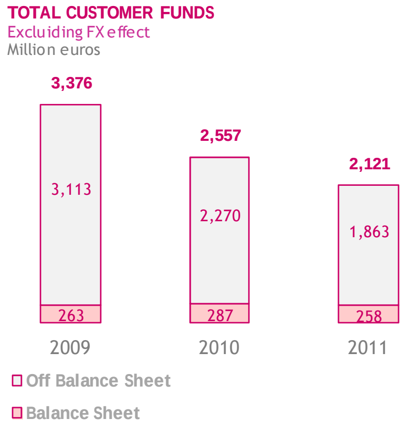
(*) The values presented exclude third parties investment funds.

In 2012, Bank Millennium, as was the case in the last two years, will continue to implement its strategy in accordance with the four strategic pillars listed above, Capital, Liquidity, Default and Efficiency.

Switzerland

Banque Privée BCP, constituted in Switzerland in 2003, is a Private Banking platform which provides services to Group Customers of high net worth.

In 2011, Banque Privée BCP's activity was particularly affected by the sovereign debt crisis and its respective impact in terms of evolution and extreme volatility of the financial markets. In a very adverse environment, characterised by the decrease of the assets base of Portuguese Customers, the adoption of a deleveraging strategy and the appreciation of the Swiss Franc, Banque Privée BCP recorded, in 2011, a reduction of 11% in income essentially derived from commissions decrease. However, and in spite of the reduction of the loan portfolio, the efforts aiming to increase the spreads, enabled Banque Privée BCP to preserve its net interest margin. The performance of last year was also marked by the unfavourable evolution of impairment, which increased by 384%, to 23.9 million euros. By the end of the year, and in view of the adverse economic circumstances experienced during 2011, Banque Privée BCP recorded a decline in net income, which fell from 4.2 million euros to -12.0 million euros.



The deleverage strategy pursued allowed the bank to progressively reduce its funding needs and concentrate on its operating activities. It is also important to stress that Banque Privée BCP shows high financial solidity, embodied in a Core Tier I ratio of 53.2% at the end of 2011.

Banque Privée BCP - Switzerland

Million euros

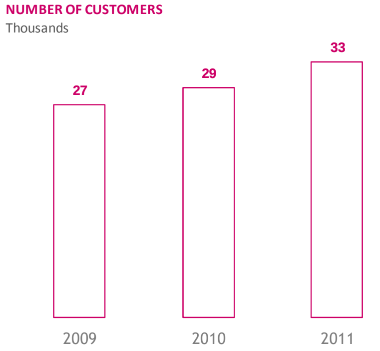
	2011	2010	2009	Change %	2010	Change % 11/10
					excluding FX effect	
Total assets	570	745	880	-23.4%	766	-25.6%
Loans to customers (gross)	406	602	752	-32.6%	620	-34.4%
Loans to customers (net)	369	568	724	-35.1%	585	-36.9%
Customer funds	2,121	2,485	2,766	-14.7%	2,557	-17.1%
Of which: on Balance Sheet	258	279	215	-7.5%	287	-10.1%
Assets under managen	1,863	2,207	2,551	-15.6%	2,270	-17.9%
Shareholders' equity	94	103	83	-9.0%	106	-11.5%
Net interest income	9.5	8.5	7.0	11.8%	9.5	0.2%
Other net operating income	16.0	20.1	17.0	-20.6%	22.5	-28.9%
Operating costs	17.4	18.1	15.1	-3.7%	20.2	-13.7%
Impairment and provisions	23.9	4.9	-1.4	384.5%	5.5	333.9%
Net income	-12.0	4.2	7.8	-385.4%	4.7	-355.5%
Number of customers (thousands)	2	2	2	16.5%		
Employees (number)	69	71	65	-2.8%		
Branches (number)	1	1	1	0.0%		
% of share capital held	100%	100%	100%			

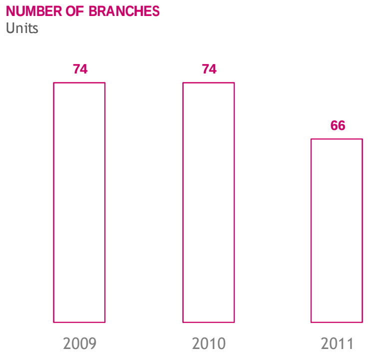
FX rates:				
Balance Sheet 1 euro =	1.2156	1.2504	1.4836	swiss francs
Profit and Loss Account 1 euro =	1.2348875	1.37895	1.50777917	swiss francs

During 2012, Banque Privée BCP will continue to offer personalised and quality services to its Customers, namely asset management solutions based on rigorous research and its profound knowledge of financial markets, underpinned by an irrevocable commitment to risk management and an efficient IT platform. Customer service will continue to be provided following a philosophy of trust and dedication, through staff with excellent professional qualifications and skills, under permanent development through an Employee continuous training programme. With low loan exposure, in 2012 Banque Privée BCP will focus on the strengthening of marketing and Customer relations in its core markets.

Romania

Millennium Bank, greenfield operation launched in Romania in October 2007, is a nation-wide bank offering a wide range of innovative financial products and services to Individuals and Companies, leveraged by a network of 66 Retail branches and 6 Company centres, covering main Romanian cities. Having recently completed its 4th anniversary, Millennium bank has consistently strengthened its positioning in the Romanian banking sector, supported by the sustainable business growth and by the bank's growing reputation in the market. Millennium bank has clearly demonstrated its capacity to rapidly adapt its strategy to changing circumstances. After a period dedicated to the adjustment of its business model, implementing a series of measures to improve efficiency and fine-tune its risk policy, Millennium bank is currently prepared to enter into a new phase of growth.



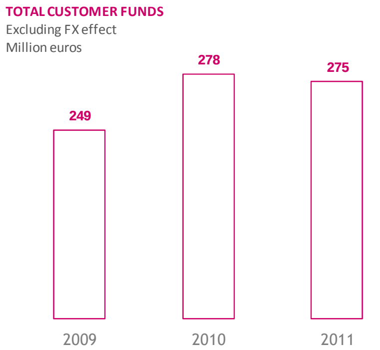


In 2011, Millennium bank pursued its strategy begun in 2009, where the main pillars are based on making the most of the potential of its retail franchise, through the attraction of deposits and granting of mortgage loans, and on the development of the overall bank relation with SMEs in selected sectors, supported by a low-cost operation and conservative approach to risk, with the objective of improving profitability in a sustainable manner, aiming at reaching break-even of the operation.

Building the future of the retail banking business was one of the priorities defined for 2011. Millennium bank has focused on achieving close relations with Customers, operating excellence and the application of best practices at Group level. Millennium bank's activity in retail banking involved the expansion of the Customer base, essentially through the establishment of protocols with Companies, which included an offer of a salary-account with advantages for the company's employees. In this context, during the 4th quarter the bank launched an ambitious campaign based on an offer of a salary-account with an associated debit card, granting a monthly cash-back of 100 RON depending on the volume of transactions recorded during the period. This campaign was supported by an internal competition called "superleague" whose objective was to concentrate the network on the Customers acquisition. Millennium bank also launched a new business line for Affluent Customers with exclusive products and services, including a dedicated network of branches and managers, an offer designed to meet the financial needs of these Customers. Regarding the Prestige segment, Millennium bank launched a saving and investment product, "Prestige Double Value", an investment in euros, composed of a deposit with a special rate and investment funds, combining the safety of a term deposit with a potential high yield associated to the investment funds.

Regarding loans, the commercial effort continued concentrated on the granting of mortgage loans to individuals, namely through participation in "First Home", a programme supported by the State and targeting the Mass Market segment, which included a risk sharing mechanism where the State guarantees 50% of the value of the loan.

In view of the limited capillarity of the retail network, the bank sought to create distinctive capacities on its Internet platform, in particular through the launch of an e-account, the first account fully available online on the Romanian market. In this area, note should also be made to the launch of an application for smart phones, "MillenniumRO", with Apple and Android operative system, enabling users to have access to all Millennium bank products, as well as the possibility of carrying out transfers. In order to reiterate the constant promise of expansion of the range of quality products and services for Customers, all Millennium bank’s branches began to offer Western Union services, a world leader in service payments, enabling Customers and non-Customers to transfer money in a fast and safe way, within the worldwide network of Western Union.

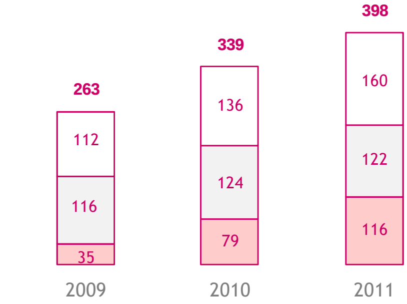


Focus on Corporate business was also a priority of the bank, with a view to the achievement of sustainable growth of business turnover and profitability through the focus of bank's activity in the expansion of the relations with existing Customer base, aimed at increasing customer loyalty and income simultaneously with expansion into economic sectors with best prospects. Simultaneously with the growth and diversity of its loan portfolio, Millennium bank has dedicated particular attention to increasing its market share, through the increase of current accounts and income related to transaction banking, namely transfers and foreign exchange operations.

The ongoing search for efficiency gains also marked the bank's activity in 2011. Various processes were redesigned, allowing Millennium bank to achieve important cost reductions and/or improve the quality of the service offered to Customers. The review of the money management process, which led to a decreased number of cash transport operations and to the reduction of the cash values at branches and distribution centres, as well as the decision to load the ATMs in-source, are good examples of cost savings. The review of the mortgage loan process which, through the implementation of parallel work queues, enabled decreasing operations period of approval, representing a good example of improved Customer service. When highlighting the main initiatives implemented in 2011, it is important to mention the improvement in the effectiveness of collection efforts, both in retail portfolios and in company loan portfolios, which contributed to cost of risk control. It is also relevant to note that, under the actions adopted for the optimisation of the Retail network, Millennium bank decided to close eight branches.

In spite of the particularly adverse market conditions that constrained the activity of the Romanian banking sector, reflected in terms of lower demand for loans, liquidity difficulties and increased impairment, Millennium bank was able to increase its net income by 24.5%, as a result of its good performance in terms of core income. The bank was also able to reduce its cost base for the second year consecutively, as a result of the staff reduction and processes of renegotiation of third-party supply contracts, in spite of the increase in VAT rate in July 2010 and negative impact of the closing of the eight branches. Particular note should also be made of the reduction of impairment over the year, reflecting the good quality of new loans portfolio and the efficiency in overdue loans recovery.

LOANS TO CUSTOMER (GROSS)
Excluding FX effect
Million euros



Millennium bank continued to increase its market share, essentially through growth of mortgage loans granted to individuals, where it had achieved a market share of 1.5% by the end of 2011. The company loan portfolio also grew, albeit at a more modest rate, and shows good performance. The evolution of the deposit base, which decreased slightly in relation to 2010, reflected the bank's decision to reduce the interest rates paid for term deposits, which was most evident during the first semester of 2011, aimed at protecting net interest income. This decision was possible because Millennium bank benefits from a comfortable position in terms of liquidity and took into consideration the fact that net interest margin from deposits was negative, due to the nonexistence of alternative funding sources on the Romanian market. In 2011, there was a slight increase in the commercial gap, however Millennium bank enjoys a comfortable position in terms of liquidity. Regarding capital, the bank maintains a solvency ratio of 17%.

Millennium bank - Romania

Million euros

	2011	2010	2009	Change %	2010	Change % 11/10
					excluding FX effect	
Total assets	522	521	472	0.3%	513	1.7%
Loans to customers (gross)	398	344	268	15.6%	339	17.3%
Loans to customers (net)	346	304	243	13.7%	300	15.4%
Customer funds	275	282	254	-2.8%	278	-1.4%
Of which: on Balance Sheet	275	282	254	-2.8%	278	-1.4%
Shareholders' equity	86	80	59	6.4%	79	8.0%
Net interest income	21.2	16.8	5.9	26.7%	16.6	27.5%
Other net operating income	8.8	9.9	16.9	-11.1%	9.8	-10.5%
Operating costs	38.6	40.7	41.4	-5.1%	40.5	-4.5%
Impairment and provisions	12.3	13.7	16.6	-9.9%	13.6	-9.3%
Net income	-17.8	-23.6	-38.0	24.5%	-23.4	24.0%
Number of customers (thousands)	33	29	27	11.3%		
Employees (number)	690	731	700	-5.6%		
Branches (number)	66	74	74	-10.8%		
% of share capital held	100%	100%	100%			

FX rates:

Balance Sheet 1 euro =	4.3233	4.262	4.2363	new romanian leus
Profit and Loss Account 1 euro =	4.2372625	4.21037083	4.24474583	new romanian leus

The guidelines for 2012 are based on the continuation of the strategic plan started in 2009, concentrating on: i) the improved profitability of its distribution network, through an increased customer base, supported by innovative and differentiating service, with mortgage loans being the anchor retaining Customers; ii) increased efficiency in the implementation of specific cost cutting and control policies; and iii) more conservative capital risk management, namely in terms of procedures for the approval and recovery of loans.

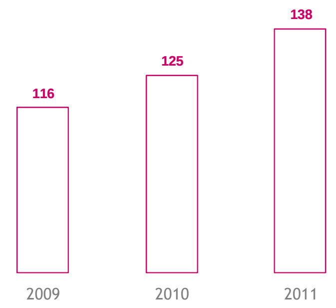
A key point to take into account for 2012, is the management of liquidity, where various announcements issued by the parent company of several local subsidiaries informing them that financial support would not be provided to Romanian subsidiaries. Considering this risk, Millennium bank will continue to ensure balanced growth between loans and deposits so as to maintain a positive liquidity position and will also endeavour to increase the portion of loans in local currency in total loan portfolio, which is consistent with the measures recently announced by the central bank towards limiting loans in foreign currency.

Millennium bank's activity will be strongly constrained by the evolution of the Romanian economy, which, to a large extent, depends on the economic evolution of its main trading partners. Global economic deceleration might significantly affect the growth of Romanian GDP, limiting the expansion of banking activity and with negative impact on the quality of the loan portfolio. On the other hand, the nonexistence of funding alternatives might lead to a price war in deposits which could affect bank's profitability.

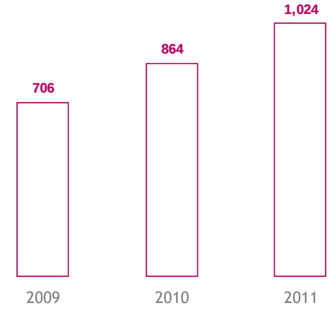
BUSINESS IN PORTUGUESE-SPEAKING AFRICA

Mozambique

NUMBER OF BRANCHES
Units



NUMBER OF CUSTOMERS
Thousands



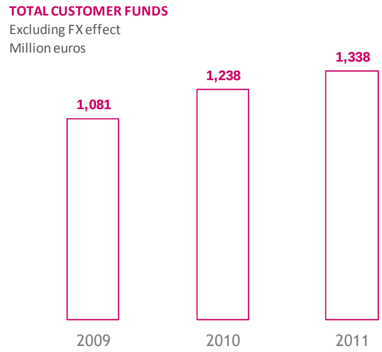
Millennium bim is Mozambique's largest bank, with its 138 branches offering a full range of financial products and services, including insurance. Millennium bim is strongly committed to contributing to the development of Mozambique's economy and financial system, to strengthening and developing its business structure and to helping to improve the living conditions of its people, not only through involvement in social responsibility action, but also through the offer of innovative banking products and services that contribute to meeting the financial needs of the Mozambicans.

In 2011, Millennium bim continued its strategy of growth supported by the programme of expansion of the branch network, being its enlargement to the entire country an unequivocal sign of Millennium bim's commitment to the process of increasing banking sector penetration. The focus of expansion of accessibility, proximity and Customer relations has decisively contributed to reaching the milestone of 1 million Customers.

In order to ensure high standards of quality in the services offered to Customers, Millennium bim has increased the total number of ATMs and POS and continued to focus on innovative products and services such as the new application for mobile telephones "Millennium SMS". Also in the scope of innovation, Millennium bim has pursued its tradition of leadership in the introduction of novelties on the market, in particular: the "Netshop" e-commerce platform, the viewing of cheques in Internet Banking and the "Family Saving Plan". The Family Saving Plan, with attractive interest rates and monthly payment of interest and no minimum subscription value, achieved over 2,000 subscribers in less than one month after its launch, creating saving habits amongst families and encouraging the responsibility to save. Under the commemorations of the milestone of 1 million Customers, achieved by the "Best Local Bank of Africa", according to the African Banker, Millennium bim launched the "Million Deposit" bank product, a term investment of 180 days, with attractive interest rates and the option of interest on a monthly basis or upon maturity, with a minimum subscription value of 25 thousands MT (approximately 700 euros) and automatic participation in a raffle of 1 million meticais. The implementation of "MilleTeller" was also started at bank branches, which is expected to be completed during the first quarter of 2012. This cash operation management application aims to eliminate the need to fill in deposit tickets and posting notes by Customers, thus improving service quality and minimising operating risk.

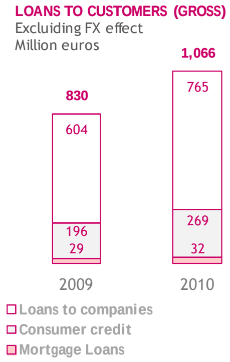
As a result of strict management and strong market knowledge, Millennium bim maintained its dominant position in Retail Banking and in the Corporate and Prestige segments (Companies and Individuals), in a sector that is becoming increasingly more buoyant and competitive. The Institutional Customer Department was created, with the objective of more suitable monitoring of the State-Customer, designing specific offers according to its needs.

Notwithstanding the investment made in the expansion of its branch network, Millennium bim significantly increased its consolidated net income (+69% relative to 2010), reduced the loans-to-deposits ratio to 81% and increased the volume of deposits in meticais by approximately 22%. Millennium bim was also distinguished as the largest contributor to the State in the financial sector and recognised, both at a national and international level, for its social responsibility programme.



At the end of 2011, consolidated net income reached 3.6 billion meticais, equivalent to 89.4 million euros, representing a 51% growth relative to 2010 (69% in euros, influenced by the appreciation of the metical). Net interest income increased by 34.1% (50% in euros) and operating income by 20.5% (34.8% in euros). Return on equity (ROE) stood at 38.3%, comparing favourably with the 32.3% achieved in 2010.

Total assets reached 62,145 million meticais (approximately 1,793 million euros), representing a 11.0% growth (38.7% in euros), compared with 2010. As a result of the strong appreciation of the metical over the year, if excluding the foreign exchange effect, net loans to Customers decreased by 2.3%, while Customer funds increased by 8.1%. The ratio of overdue loans to total loans increased to 1.7%, with coverage by provisions of 414%. The cost-to-income ratio improved in relation to 2010, to stand at 37.6% against 43.0% in 2010.



During the first semester of 2011, the bank increased its share capital through the incorporation of reserves, from 1,500 million meticais to 4,500 million meticais, thus strengthening its commitment to sustainable development in Mozambique. The solvency ratio stood at 18.2% as at 31 December 2011. Moreover, the adopted strategy, aimed at the attraction of funds, led to the strengthening of its liquidity position.

The subsidiary of Millennium bim, Millennium Seguros, maintained its position of leadership in the insurance market, with processed revenue having grown by 15%. Net income stood at 396 million meticais (9.7 million euros), representing a 59% growth (78% in euros).

Millennium bim reiterated its commitment to the implementation of the principles of the United Nations Global Pact concerning human rights, work and the environment, as well as its support to the implementation of the objectives of the Business Forum for the Environment (FEMA). The bank developed various activities, in particular: 6th Mini Basketball Tournament; Recycling Project; A Clean City for Me; Banking Olympics and Responsible Millennium bim (voluntary action).

Knowing that its action is determinant for the deepening of social awareness, in 2011, Millennium bim continued its policy of providing regular support to social intervention institutions, through constant action boosting the well-being of the communities in which it is placed, through sponsorships and its Social Responsibility Programme, "More Mozambique for Me", now in its 6th year of existence. The work developed by the bank under this programme, widely recognised as playing an important role in society, has led various other institutions to join Millennium bim in its actions.

Millennium bim was chosen by various national and foreign institutions as the best brand, the best Bank and the best financial group in Mozambique, and has received the highest number of distinctions ever achieved. The main distinctions of the year, which praise the effort and dedication of all Employees, were as follows: i) "Bank of the Year in Mozambique", attributed by the magazine The Banker of the Financial Times Group; ii) "Best Local Bank in Africa", awarded by IC Publications under the African Banker Awards; iii) "Best Bank in Mozambique", distinguished by EmeaFinance and by the financial magazine Global Finance; and iv) "Best Banking Group in Mozambique", by the financial magazine World Finance. Furthermore, Millennium bim was distinguished as the "Best Brand of Mozambique" in the banking sector by the multinational GFK, and also considered a "Superbrand" excellent brand by Superbrands Mozambique.

Millennium bim - Mozambique

Million euros

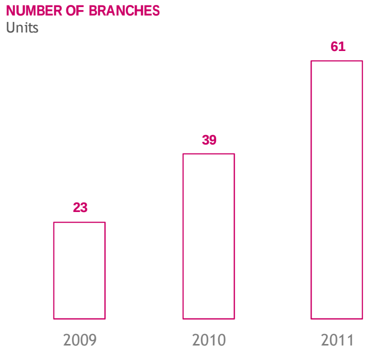
	2011	2010	2009	Change %	2010 excluding FX effect	Change % 11/10 excluding FX effect
Total assets	1,793	1,293	1,205	38.7%	1,615	11.0%
Loans to customers (gross)	1,061	854	703	24.4%	1,066	-0.5%
Loans to customers (net)	986	808	673	22.1%	1,009	-2.3%
Customer funds	1,338	991	916	35.0%	1,238	8.1%
Of which: on Balance Sheet	1,338	991	916	35.0%	1,238	8.1%
Shareholders' equity	316	195	159	62.4%	243	30.0%
Net interest income	143.5	95.6	84.1	50.0%	107.0	34.1%
Other net operating income	60.8	55.8	51.3	8.9%	62.5	-2.7%
Operating costs	76.8	65.1	59.6	17.9%	72.9	5.4%
Impairment and provisions	17.6	21.2	11.6	-16.7%	23.7	-25.6%
Net income	89.4	52.8	52.0	69.5%	59.1	51.4%
Number of customers (thousands)	1,024	864	706	18.6%		
Employees (number)	2,377	2,088	1,936	13.8%		
Branches (number)	138	125	116	10.4%		
% of share capital held	66.7%	66.7%	66.7%			

FX rates:				
Balance Sheet 1 euro =	34.665	43.305	40.91	meticais
Profit and Loss Account 1 euro =	40.78	45.63333333	38.545	meticais

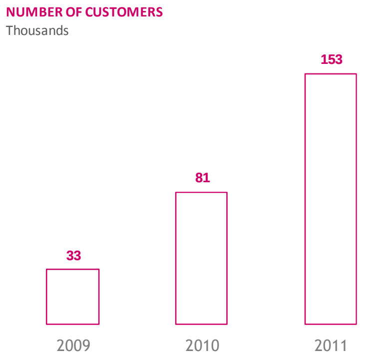
The main strategic lines defined for 2011 were thus achieved, consisting of the improved efficiency and quality of the services, innovation, expansion of the business base and increased profitability of the bank. For 2012, Millennium bim intends to strengthen its position of leadership in the Mozambican market.

Angola

The mission of Banco Millennium Angola (BMA), constituted on 3 April 2006, through 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.



In 2011, there were various structural changes in the Angolan banking sector. Regarding the regulatory environment, particular note should be made of the alteration of the Compulsory Reserve ratio applicable to deposits in national currency from 25% to 20%, the alterations in the granting and classification of loans, the new regulatory framework for Cash Remittances and the New Operating Framework for Monetary Policy. The changes in the conditions of loan granting operations aim to reduce the exposure of local economic agents and commercial banks to the risks inherent to the granting of loans in foreign currency, namely in North American dollars (USD), since there are no monetary policy instruments for other currencies apart from the kwanza.



With the objective of improving the mechanisms and instruments conveying Monetary Policy, allowing the Central Bank (BNA) to play a more active role in the stability of prices in the economy, the New Operating Framework for Monetary Policy was implemented, whose principal characteristics are as follows:

- Institutionalisation of the Basic Interest Rate (BNA Rate) to signal monetary policy objectives to the market and serve as a reference for the formation of the interest rate of the interbank market;

- Institutionalisation of the LUIBOR (Luanda Interbank Offered Rate) - an interest rate based on offer interest rates of interbank lending operations, in national currency, of non-guaranteed funds, carried out between banks;
- Creation of a Monetary Policy Committee entrusted to determine Monetary Policy directives and the Basic interest Rate.

A decree-law on Mortgage Loans was also published, which defines the terms and conditions of the General System and Subsidised System. Plans have also been made for the creation of a Housing Promotion Fund which is expected to stimulate construction activity and real estate promotion all over the country, over the next coming years.

In 2011, the strategic priorities of Banco Millennium Angola were essentially based on business development, cost containment and greater control of the quality of the loan portfolio. The Bank's Retail Network continued to expand through the increased number of branches, growth of the Customer base and attraction of balance sheet funds in each business segment. Over the year, 22 branches were inaugurated, resulting in a total of 61 branches of the Retail Network, 30 of which are open on Saturday morning. It is particularly noteworthy that, by December, BMA covered all of the 18 Provinces of Angola, after the inauguration of the Ndalatando branch in the province of Kwanza Norte.

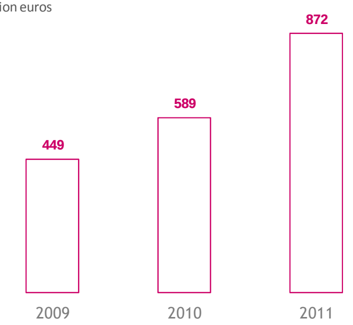
By the end of 2011, BMA had 153 thousand active Customers, representing an increase of 89% year-on-year, with 72 thousand new Customers having been attracted.

The continued focus on the recruitment and training of Angolan staff was reflected in the increased number of Employees which, by the end of 2011 numbered a total of 893, corresponding to an increase of 25% year-on-year. In terms of career management, 3,015 hours of training were ministered and seven student grants were attributed to BMA Employees. BMA held the Objectives Meeting in February 2011 during which 25 excellence awards were given to the Employees distinguished by the best performance. In May 2011, BMA celebrated its 5th anniversary, and organised an event with 500 Employees.

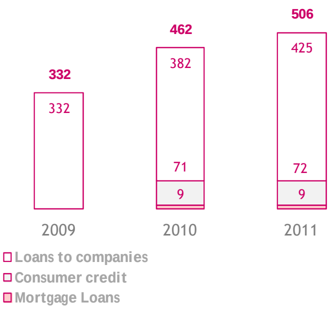
In the area of risk management and monitoring, BMA's objectives include the implementation of suitable processes, aligned with the best practices of the Millennium bcp Group.

By the end of 2011, the total assets of BMA reached a total of 1,388 million euros, representing an increase of 37% relative to 2010. Over the last year of activity, the volumes of funds and gross loans granted have shown a positive evolution, with increases of 47% and 9% compared with 2010 (in kwanzas, 48% and 10% respectively). The ratio of overdue loans to total loans stood at 2.5%, with coverage by provisions of 202%. The net income of Banco Millennium Angola increased by 41%, having reached 33.3 million euros (+52% in local currency) compared with the same period of 2010, underpinned by a sharp increase on income, in particular net interest income. Operating income increased by 14% relative to 2010, reaching a total of 106.8 million euros. Return on Equity (ROE) reached 21.9% and the cost-to-income ratio stood at 53.9%, reflecting an improvement in comparison to the value achieved in the previous year of approximately 0.8 p.p.

TOTAL CUSTOMER FUNDS
Excluding FX effect
Million euros



LOANS TO CUSTOMERS (GROSS)
Excluiding FX effect
Million euros



Banco Millennium Angola was extremely active in the launch of new products and services in 2011, in particular: i) "Civil Servant Account", with an integrated offer of banking products, like monthly anticipation of the salary and first annuity of the Visa credit card, as well as attractive interest rates for savings and loans products; ii) "University Account", with no minimum opening amount and exempt from fees, it allows access to funds of up to 1 million kwanzas with a subsidised interest rate, in addition to the offer of a voucher of 5,000 kwanzas, which may be used in bookshops and electronics stores; iii) " SME Pack", a series of banking solutions for the trade and services, restaurant and hotel, health and pharmacy, and education sectors; iv) pre-paid debit card for Individuals called "Cocoa", launched to meet needs detected in the market, it has many functionalities, enabling the payment of services and purchases at POS and ATMs, cash withdrawals and balance queries at the ATM Multibanco network, and may also be used as an "gift card"; v) "Birthday Deposit", a product that was created specifically to attract funds and commemorate the bank's 5th year of activity, characterised by an attractive interest rate (reaching 7.5% for the period of 180 days), it also strengthens BMA's social commitment since, for every 1,000 USD invested in the deposit account, BMA donates 1 USD to the Happy Child Programme, a Social Solidarity Institution which fosters children up to the age of 14 years old; vi) "Special One"

Deposit, a term investment in USD for individual Customers and companies with attractive interest rates. Regarding accessibility, Millennium Angola continues to focus on technologically advanced and interactive solutions, and for this purpose it launched a banking application for mobile telephones, available for iPhone by Apple, which enables Customers who are registered on Internet Banking to consult accounts and carry out transactions in a simple, fast and safe manner.

Note should also be made of the participation of Banco Millennium Angola in the first edition of the Angolan Woman's Fair, so as to promote the Woman Offer, a series of products and services of exclusive subscription for women covering a specific Current Account, Woman Multicaixa Card, Saving Plan and access to Microcredit. The event was entertained by the female percussion group Celamar, contracted by the Bank. In this context, two protocols were concluded with the Angolan Woman's Organisation (OMA) and with the Federation of Female Entrepreneurs of Angola (FMEA) whose objective is to support the business activity of national small and medium-sized female entrepreneurs.

In October 2011, Banco Millennium Angola and Banco Privado Atlântico signed a protocol to strengthen Microcredit in Angola, as a feasible funding alternative for entrepreneurial activity, making it an effective instrument for low income families.

In 2011, Banco Millennium Angola was distinguished with five international awards: "Best Bank" and "Best Banking Group" by the prestigious magazines Euromoney and World Finance, "Bank of the Year" and "Most Innovative Bank" by The Banker publications, a magazine of the Financial Times Group, and by EMEA finance. Finally, it was distinguished as an "Excellent Brand" by Superbrands.

Banco Millennium Angola

Million euros

	2011	2010	2009	Change %	2010	Change % 11/10
					excluding FX effect	
Total assets	1,388	1,012	746	37.2%	1,004	38.2%
Loans to customers (gross)	506	465	317	8.8%	462	9.7%
Loans to customers (net)	480	447	310	7.4%	444	8.3%
Customer funds	872	593	429	46.9%	589	48.1%
Of which: on Balance Sheet	872	593	429	46.9%	589	48.1%
Shareholders' equity	186	140	110	32.5%	139	33.5%
Net interest income	63.1	51.0	26.7	23.9%	47.4	33.2%
Other net operating income	43.7	42.8	32.5	2.0%	39.8	9.6%
Operating costs	57.5	51.3	40.6	12.2%	47.7	20.6%
Impairment and provisions	12.1	14.1	5.0	-14.5%	13.1	-8.0%
Net income	33.3	23.6	14.6	41.4%	21.9	52.0%
Number of customers (thousands)	153	81	33	89.4%		
Employees (number)	893	714	499	25.1%		
Branches (number)	61	39	23	56.4%		
% of share capital held	52.7%	52.7%	52.7%			

FX rates:				
Balance Sheet 1 euro =	122.55	121.6	128.38	kwanzas
Profit and Loss Account 1 euro =	131.39625	122.23	109.98629167	kwanzas

The strategic initiatives for 2012 will involve business growth, based on the implementation of the expansion plan (opening of branches and company centres), increase of the Customer base and increased attraction of balance sheet funds in each business segment, the strengthening of the Angolan staff recruitment and training programmes, continued focus on the implementation of suitable risk management and monitoring processes, and investment in information technologies and systems.

The main risks for 2012 are related to the change in the regulatory and supervisory framework and consist of the alteration of the limit of foreign exchange exposure and alteration of the conditions of loan granting operations.

Under the transitional system and pursuant to BNA Notice number 5/2010, the limits of the foreign exchange exposure ratio will be reduced in January to 30% of Regulatory Own Funds (ROF) for long exposure and 20% of ROF for short exposure, and in July to 20% of ROF on both cases.

Pursuant to BNA Notice number 04/2011, short term products contracted before 30 June 2011 in foreign currency and with characteristics of successive renewal, must be closed by 31 December 2012.

OTHER INTERNATIONAL BUSINESS

Macao

The presence of Millennium bcp in the East goes back to 1993, however, it was only in 2010 that the first branch with a full license (onshore) was inaugurated in Macao, aimed at the establishment of an international platform for business operations between the strategic triangle of Europe, China and Portuguese-speaking Africa. The cooperation agreements with the Canton Business Association and Canton Municipal Finance Bureau also contributed to Millennium bcp's objective to support the economy of Macao and entrepreneurs of this region, with the Bank's representation office having been inaugurated in 1998 in Canton (capital of the province of Guangdong, Southern China).

In 2011, the Macao Branch began to offer its Customers operations and services in Renminbis, namely the purchase and sale of Renminbis against a varied range of currencies, investments in term deposits and transfers of Renminbis to accounts domiciled in other Banks, provided that they were not located in the Popular Republic of China. Therefore, if a Customer of Millennium bcp, or of any other operation of the Group, wishes to carry out foreign trade operations in Renminbis with a Chinese company, the Macao Branch is capable of brokering the operation in coordination with the Chinese company.

The deposit portfolio reached 298.0 million euros, having grown by 103.4%, while the loan portfolio decreased by 30.1% to stand at 173.4 million euros, with the loans-to-deposits ratio standing at 58.2% in December 2011.

For 2012, and in view of the strategic agenda of Millennium bcp which plans for the strengthening of commercial relations and deepening of the strategic diamond of Portugal, China, Portuguese-speaking Africa and Brazil, the Macao Branch has a crucial role to play as an international business centre supporting both Portuguese companies wishing to develop business in Macao and China, and Chinese companies developing business in the Portuguese-speaking geographic areas in which Millennium bcp is present.

Cayman Islands

Millennium bcp Bank & Trust, with its head office in the Cayman Islands and a "B" category banking license, offers international banking services to Customers who are not resident in Portugal. The Cayman Islands are considered to be a cooperative jurisdiction by the Bank of Portugal.

The evolution of the turnover recorded in 2011 essentially results from the reduction of loans and advances as a consequence of the pursuit of objectives to reduce the group's consolidated commercial gap. The net income for 2011 was 4.6 million euros.

Brazil

On 7 September 2011, BCP informed the market on the signing of a partnership agreement with Banco Privado Atlântico, S.A. for the constitution of a bank in Brazil, with a view to exploring opportunities in the Brazilian market, namely in the areas of corporate finance and trade finance, through partnerships.

BANKING SERVICES

The Departments covering the area of Banking Services - IT Department, Administrative and Logistics Department, Operations Department, Credit Department, Standardised Recovery Department, Specialised Recovery Department, Prevention and Security Office, Litigation and Quality Department - monitor the activity of the major areas of support to the front-end services of the Bank, through the fundamental search for mechanisms and processes to increase efficiency, cut costs, and improve the business processes and monitoring of the management structure of processes implemented at the Bank. 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 the austere management of new investments, operating costs and implementation of measures designed to improve the service levels of the main processes of relevance to commercial activity.

During 2011, the Quality Department was integrated in the structure of the Banking Processes and Services Committee, with the objective of deepening the management of processes, both through supervision and stimulation of its governance model, and through promotion of continuous improvement of business efficacy and efficiency, ensuring a suitable monitoring of the processes that have already been implemented and encouraging the creation of new ones.

In 2011, the careful cost management enabled achieving the extremely restrictive budget targets (-0.2%). The total operating costs of all the Banking Services Departments remained stable in relation to the previous year (+0.1%), in spite of the significant increase derived from the effort relative to loan recovery. The volume of investments fell by 53% relative to 2010 and by 62% in relation to the budget.

The number of Employees of the Banking Services areas continued very close to that of 2010, with a slight increase of 0.4%, corresponding to 1,908 Employees, reflecting the increases in the Specialised and Standardised Credit Departments, of 25 and 21 Employees respectively.

Measurement and active management of the service levels of the various processes supporting commercial activity continued to underlie the definition of the main performance indicators of the more operational areas. There was ongoing improvement of the thresholds achieved, reflected in the continued increase of the degree of internal Customer satisfaction, with very positive impacts on the service quality provided to the Group's Customers and perceived by the External Customers.

The main initiatives of a strategic nature included, in particular, the special focus on the control of costs and investments, technological support 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 national market, renewal of the ATM and CAT network, optimisation of the management of operating risk, consolidation of the organisational model of credit risk management so as to best meet the requirements of the IRB application, and specialisation of the loan recovery function in the Retail, Companies and Corporate segments.

INFORMATION AND TECHNOLOGY DEPARTMENT

During 2011, the IT Department (DIT) implemented a series of structural projects and initiatives in the various areas within its perimeter of action, with a view to continuing an ongoing process of improvement of operating and application efficiency, service levels, optimisation of costs and timely adaptation to business requirements. Hence, the strategy underlying the activity developed by the IT Department during the period under analysis, in strict alignment with the reference framework defined by the Bank, concentrated on 7 critical areas of action, namely i) Business development; ii) Management of IT costs; iii) Provision of suitable technological solutions for the business; iv) Service levels; v) Risk and compliance; vi) Sustainability and social responsibility; and vii) Employee mobilisation and development.

The first area "Business development", covered a significant number of new solutions or the fine-tuning and improvement of existing solutions, aimed at contributing in a tangible form to enhanced business profitability through the control of leakage, new products and services and increased income. Due to their impact on the value chain, special note should be made of the new website on the Internet, the integrated platform of call-centres and the innovative mobile banking solutions. The second area addressed, "Management of IT costs", enabled, based on a series of coordinated actions and strict process of control, the continued reduction and optimisation of the values attributable to the operating or investment headings. The third pillar, aimed at ensuring the "Provision of suitable technological solutions for the business", has, in its new version of the commercial action platform (iPAC) and applications to support decision-making on loans, which include factoring and loan recovery (with the latter still being under development), its best examples. Particular note should also be made of the updating and realignment, from a software perspective, of the desktop environment of the Millennium Group. Regarding "Service levels", over 2011 note should be made of the merit of maintaining the application availability and performance indices at excellent levels. The IT Department also addressed the topic of "Risk and compliance", consolidating the organisation of the Bank's processes in line with the best international practices, as well as having provided a new multidomestic application for management of the areas of "Market Abuse" and "Anti-Money Laundering", actions included in the Bank's fifth strategic priority. On this issue, further reference should be made to the certification of the IT Development process in Portugal with maturity level 2 of Capability Maturity Model Integration (CMMI) attributed by the Software Engineering Institute (SEI). Also in the area of "Sustainability and social responsibility", the IT Department continued with the implementation of the "Green IT" programme, namely the specific actions aimed at the reduction of energy and printout consumption and CO2 emissions, as well as the underlying communication plan. Finally, and concerning the seventh guideline defined for 2011, the IT Department, once again, invested in the "Mobilisation and development of its Employees", implementing an integrated training plan under the "IT Academy", with the objective of ensuring the acquisition and updating of technical and behavioural skills, as well as consolidating the flow of internal communication, currently also supported by a new IT Portal (IT Workspace).

In 2012, a year when the financial sector will face new stimulus and challenges in an economic framework which is expected to be extremely adverse, the IT Department will continue to focus its resources on the achievement of the major strategic guidelines defined by the Bank - both in Portugal and in all the Group's international operations -, so as, with the decisive contribution of its Employees in a collective effort, to consolidate and deepen the lines of action included within its functional sphere in line with the guidelines listed above. Furthermore, the ID Department will remain dedicated to the continuous search for the solutions which best meet Customer requirements and needs, developed at the lowest cost and integrated in an overall offer characterised by innovation, always with the distinctive mark and factor of differentiation of the value proposition in the markets in which it operates.

OPERATIONS DEPARTMENT

Seeking to align its action with the Bank's strategic objectives, during 2011, the Operations Department focused its action on improving its efficiency and on the management of its Teams to serve the new priorities of the Bank, in addition to an effort of reflection on its future positioning. The consolidation of the "Lean O.D." programme, improvement of processes and insourcing of processes carried out, resulted in a decreasing evolution of the staff and of operating costs. Corresponding to the new priorities of the Bank and consequent operating flows, the teams and processes supporting loan recovery, repricing and the recording of loan collateral were reformulated. Simultaneously with the active participation in the “Project M”, the internal programme "Rethink O.D." was developed, seeking to reassess the positioning of the Operations Department at the Bank, which will be implemented in 2012 through a series of initiatives aimed at improving its efficiency and flexibility, aligning the service offered with the new needs of the Bank.

Credit Department

As was the case in 2010, there was a significant reduction in the demand for new loans, in all customer segments and in all product categories. In conformity with this reduction in demand, but also in view of the growing need of involvement of the teams in the active monitoring of the loan portfolio, the number of Employees was adjusted, especially for support to the Recovery Departments. The criteria of analysis and decision-making on loans were adjusted to show even higher strictness, reflecting the strategy of containment and better selection of risks. In this context, special precaution was given to factors related to the maturity of the operations and associated collateral. As a result, the Bank currently has a solid process of analysis and decision-making on loans, adjusted to the risks arising from the present circumstances and aligned with the objectives defined by the Bank, regarding its asset portfolio. In the automatic decision-making models, the previous work was continued, namely, in loan decision-making models and processes for the domestic operation and international operations of the Group, where particular note should be made of the excellent results achieved in the Polish operation. Concerning collaboration with other areas of action of the Bank, it should be noted that these methodologies were applied to Loan Recovery, which will be intensified in the future. The resources and tools used to monitor the loan portfolio were greatly strengthened, with a view to the timely detection of situations of default and taking of the appropriate measures of prevention. The development of this monitoring function is one of the main priorities of the Credit Department for 2012.

Standardised Recovery Department

The Standardised Recovery Department, in view of the extraordinarily difficult circumstances, developed its activity based on four strategic vectors: i) Adjustment of the business model, through the partial transfer of collection duties to the Non-performance Prevention Teams and launch of a loan recovery campaign with the Retail Network, with the objective of higher recovery in view of the proximity of debtor Customers; ii) Innovation in the recovery process, through the launch of the batch enforcement process, which is totally innovative in the sector and enables mass judicial enforcement, and the implementation of Triad Collections in processes of recovery of Small Amounts, with the definition of strategies by Customer segment and with predefined actions; iii) New recovery solutions, such as the launch of financial “packages", in coordination with the Marketing Department, for restructuring during the initial phase of default with simple operating processes and greater flexibility in specific products for loan recovery; and iv) Specialisation of the recovery teams, through the constitution of the Leasing Recovery Unit, with shared duties in business and in the recovery of the leased assets with teams in Lisbon and Porto. A series of initiatives, that are complementary to the activity most directly related to the business were also developed, in particular, amongst others, the launch of a new overall asset search model, with more services associated at a national and international level, and the implementation of the functional survey to support the development of the Integrated Loan Recovery Solution (SIRC), a tool which will be transversal to all recovery areas of the Bank. In 2012, the Standardised Recovery Department will continue to develop its loan recovery activity, with greater intervention by the Sales Network during the collection phase, to which a new default prevention model will be added. The application of *analytic* systems to recovery will begin, through the segmentation of the Customer base and application of models of behavioural analysis, simultaneously with the implementation of the SIRC and a new management information model to support recovery, which will allow the Bank to recover more and in a better way.

Specialised Recovery Department

The Specialised Recovery Department, in a structured manner, conducts the recovery of overdue loans of Customers with total liabilities greater than 1 Million euros or in situations of Insolvency, following methodologies and strategies that are suited to the segment and situation of the Customer, with a view to the minimisation of the Bank's risk of economic loss. During 2011, the deterioration of the macroeconomic context in Portugal and economic-financial conditions of the different activity sectors led to the aggravation of company and family default levels at the Bank, with a generalised increase in non-performance, namely in the number of insolvencies, which grew by 212% in relation to the previous year. In order to ensure the best and most effective monitoring of the growing number of recovery processes and based on studies of reorganisation and operating optimisation, the Specialised Recovery Department strengthened the available resources, namely through the creation of new insolvency teams and the expansion of departmental structures, as well as a broad series of initiatives and projects linked, essentially, to Internal Organisation and Information Systems, so as to improve relations with the Networks it serves and increase Employee Satisfaction. In 2012, a new commercial management model will be implemented, implying that the Specialised Recovery Department will become an area with even stronger capacity of intervention.

LITIGATION DEPARTMENT

The loan recovery activity was developed under a recessive macroeconomic scenario. The number of cases sent forwarded as litigation for judicial prosecution increased considerably, and it was also notable that there were greater difficulties in obtaining recovery agreements. However, particular note should be made of the success achieved by the Litigation activity, whose good results minimised the values of the indemnities payable and costs incurred by the Bank. The improvements established in the Loan Recovery System (SRC) for Litigation processes were implemented and the Department participated in the new Integrated Loan Recovery Solution (SIRC) Project, transversal to all recovery areas. The Litigation Department website was created and four conferences were promoted on Banking Law addressing topics of major interest for banking activity. For 2012, the focus will be on the loan recovery activity and participation in the SIRC Project with impact on the provision of more suitable resources for portfolio management.

ADMINISTRATIVE AND LOGISTICS DEPARTMENT

The Administrative and Logistics Department is divided in four areas, i) Insurance Management Unit; ii) Administrative and Procurement Department; iii) Procurement Department and iv) Works Management and Maintenance Department. In 2011, the activity of the Insurance Management Unit was characterised by the implementation of a business strategy focused on products of highest value with greatest impact on cost reduction and savings, safeguarding the contracted guarantees and protection. In 2012, a survey will be made of the opportunities which might represent new cost reductions and efforts will be continued towards a sustained negotiation. In the Administrative and Procurement Department, and with the objective of cost control/reduction and protection of the environment, particular note should be made of the reduction of postal objects, due to the migration to digital bank statements, the internal production of printed forms, the reduction of vehicle fleet costs, the release of warehouse space due to donations and the controlled destruction of obsolete articles and the decrease of representation costs. All these actions were carried out without lowering the overall quality of performance. 2012 will be a year of continuity and strengthening of the measures referred to above. During 2011, the Procurement Department strengthened its role as a universal platform of negotiation of purchases of products and services with the suppliers of Millennium BCP, achieving clear gains for the Bank. At the same time, new strategic activities were launched such as i) the exhaustive renegotiation of high value contracts; ii) the creation of a structured process for the analysis and assessment of alternatives to the acquisition of products and services; and iii) the reformulation of the Procurement Workflow. Also during this year, the Department participated in the "2011 Assessment of excellence in Procurement – AT Kearney", having been ranked in the first quartile in all key areas of the procurement process. For 2012 it is expected that there will be continuity and consolidation of the activities launched in 2011 and the installation of the new procurement workflow system in international operations, integrated at a Group level, which will enable deepening the synergies in transversal negotiations. In the Works Management and Maintenance Department, in addition to the continued effort of cost/benefit optimisation in the current maintenance activity of the premises, amongst the projects and initiatives that were adopted, particular note should be made of the following: i) the closing of 3 Service Buildings; ii) the coordination of the implementation of the new ActivoBank areas (7 new Branches in 2011 and 3 more in 2012); iii) the work begun in relation to the renegotiation of rents with third parties (a project whose main development will take place during 2012); iv) the implementation of a programme to reduce energy consumption (whose impact in 2012 will be above 0.5 million euros); and v) the support to the “Project M” in the quantification of costs and alternative solutions related to the possible closing of premises. In 2012, cost cutting will be strengthened in all budget headings, safeguarding the meeting of the critical needs of premises, as the main objective aligned with the Bank's strategy.

PREVENTION AND SAFETY OFFICE

The Prevention and Safety Office is underpinned by three areas: i) Physical Safety; ii) Security of Information Systems; and iii) Business Continuity. The Department of Physical Safety developed its activity, in accordance with its mission, focused on minimising the likelihood of the occurrence of harmful situations to the personnel and operations of the Group's institutions. In this perspective, the main objectives defined for 2011 were achieved, in particular the finalisation of the migration of the Digital Video Surveillance System (CCTV) for specific VLAN; the rollout of the process of technological renewal of the access control system in the central buildings of Tagus Park; the completion of the technological renewal of both the IP alarm centres of the branches and the IP intrusion centres of the buildings; the integration of all the branches in the Millennium Security Room security system; the submission to the National Civil Protection Authority, for approval, of the self-protection measures in 3rd Class Risk buildings; Evacuation Exercises in all central buildings to test Emergency Response promptness and capacity; the implementation and monitoring of the entire security procedure related to General Meetings and Meetings of Objectives; introduction of the topic "Prevention and Safety" in the Culture and Rigour Programme and the cutting of human surveillance costs, both through the reduction of reception work hours and the elimination of jobs. 2012 might imply an upsurge of external action against people and assets. Continuing the work that has been developed, various activities are planned for 2012 which will enable the Physical Safety Department to pursue its mission.

The main activities developed under Security of Information Systems during 2011 concentrate, essentially, on actions developed in terms of risk analysis, monitoring and detection of security events, user and infrastructure control mechanisms and management of access to the information system, where all these actions are under a framework of rules and standards that should be updated on a permanent basis. In 2012, the main objectives will consist of taking full advantage of the new monitoring mechanisms that have been installed so that, if possible in real time, one can identify and respond promptly and in a strengthened way to security incidents; continuing the task of classification of the information of the different units so as to associate their handling to the respective criticalness; preparing a business process for Certification using an International Security Standard; basing part of the security on the use of the Internet in heuristics enabling control of any situations of attempted fraud; raising the awareness of Stakeholders on Security; and finally, adjusting the security measures to the main trends observed in the area of access to information, through the use of any mobile device, sometimes owned by the actual users, with increasingly broader requirements of access to internal and external resources.

Under the activity of the Business Continuity Unit, the programme of exercises for 2010-2011 led to the training of 95% of the Units operating Critical Business Processes. 374 Employees of the Business Recovery Teams developed their usual activities, at alternative locations and workplaces. Two crisis management exercises were held during 2011: the first included the emergency response, with evacuation of a central building and business recovery in an alternative location; the second confronted the Crisis Management Office with a worldwide IT disaster scenario, in coordination with a simultaneous exercise of technological recovery (Disaster Recovery Plan). During 2012, the documentation of contingency procedures for specific scenarios will be completed, aimed at strengthening the effectiveness and efficiency of recovery following an incident. The firm establishment of the culture of business continuity will be deepened by a training action for all Employees in addition to the launch of an internal communication programme.

Quality Department

The regular system of assessment of Satisfaction in three strategic aspects (Employees, Customers and Internal Customers), was greatly expanded with the implementation of initiatives which contributed to the dynamics of the process of continuous improvement, namely the completion of a diagnostic broad-based study (Baseline) of Customers of the Retail Network and the implementation of new Satisfaction studies and programmes in Private Banking, Customers Resident Abroad and Mystery Client Programme in the Mass Market Branches of the Retail sector. This initiative is placed under the Millennium ADN Programme, and includes the identification of "moments of truth" in Customer/Bank relations through the preparation of a new and encompassing system of monitoring these interactions which will constitute the baseline for the measurement of satisfaction in 2012. In process management, 2011 was a year of consolidation with the creation of a single model, which meets the requirements of the different areas of the Bank in an integrated way, and the implementation of a governance model which covers current management and review activities. In 2012, priority will be given to the continuous and integrated monitoring of the business, performance and risk indicators of processes considered strategic for the achievement of the Bank's objectives. The Documental Management system was also consolidated, which is transversal to all the Group's operations and underpinned by a set of management principles and rules and by a technical solution which supports and ensures the feasibility of the application and control of these rules.

Corporate Areas

The Corporate Areas include the Compliance Office, the Planning and Budget Control Department, the Research Office, the Strategic Projects Centre, 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 Communication Department, the Company Secretariat, the Foreign Business Support Unit, the Staff Management Support Department, the Risk Office, the Rating Department, the Financial Holdings Department and the Assets and Liabilities Management Department.

During 2011, the activity of the Corporate Areas remained focused on initiatives regarding Employee management, support to strategy development, strengthening of discipline in risk and capital management, simplification of the Bank and improved efficiency.

Compliance Office

The Compliance Office has adjusted its action to the new regulatory requirements and growing demands on the part of the organisation, with its action in product creation and alteration having been important in ensuring compliance with the principles and rules regarding transparency, veracity and balance in conformity with the regulatory principles in force. Special note should also be made of the monitoring and control of the action of the sales networks, preventing the use of the bank for illicit purposes, namely money laundering and the financing of terrorism, as well as action on matters of prevention of market abuse. The process of integration of the principles and rules of the compliance function by the entire organisation is the fundamental objective for the following year, with in-depth involvement in the technological development and training programmes for the whole organisation, including ethical and deontological principles in a continuous manner, so that the principles of rigour and transparency are consolidated transversally.

Planning and Budget Control Department

During 2011, under its duties, the Planning and Budget Control Department developed a series of regular activities aimed at compliance with the duties to provide information and ensure periodic reporting to the supervisory authorities, disclosure to the market and support to the governing bodies. The Planning and Budget Control Department coordinated and/or participated in many activities, in close collaboration with other Organic Units of the Bank and/or external entities, in particular the preparation and successive periodic reviews of the Group's "2011-2015 Liquidity and Capital Plan", as well as the stress-test exercises promoted by the national and European supervisory entities (EBA). Under the strategic agenda defined for the Group, the Planning and Budget Control Department participated in the monitoring and strict control of operating costs and definition of the Key Performance Indicators (KPIs) for 2011, as well as in the strategic planning process for 2012 and forecasts until 2015, including the preparation of the individual budgets of operating costs and investments, support to the reflection and strategic alignment of the Organic Units in the definition of the respective objectives and KPIs, and preparation of the individual budgets of the Subsidiary Companies and the Group's consolidated budget for 2012.

Research Office

The Research Office ensured compliance with the periodic duties of reporting to the Bank as a public company, prepared the different meetings with the rating agencies, simultaneously coordinating the response to their occasional requests for information, and also carried out the monitoring and analysis of the economic circumstances and financial system. The Research Office maintained the practice of disclose of studies by electronic means, through presentations to Customers, internal and external, and regular collaboration with the press, so as to share the main conclusions derived from the analyses. The Research Office participated in various projects, in particular for the reformulation of the business model in Portugal, the continued focus on directed creativity in the area of innovation, the reporting to Stakeholders of the information on Sustainability, and the analysis and benchmarking of the competition. It carried out various analyses and assessments of activity segments in Portugal and of national and international subsidiaries, and frequent updates of the Sum-of-Parts assessment of the BCP Group. It also carried out a variety of research concerning the management and optimisation of capital and the performance of the Portuguese and European banking sector. It coordinated the analytical work of the implications for the activity of the BCP Group, arising from the request for External Financial Assistance, which was developed by an internal and multidisciplinary team. It also supported the preparation of the Reports on the Liquidity and Capital Plan and Stress Tests carried out under the Memorandum of Economic and Financial Policies. In 2012, the Research Office will continue to pursue its usual disclosures in addition to, in particular, the Reports concerning the Economic and financial adjustment programme, and will focus on monitoring the implementation of the different business models under the "Project M".

MANAGEMENT INFORMATION DEPARTMENT

The strategic objectives of the Management Information Department involve control of the commercial liquidity gap of the Networks, up to the branch level, and continuation of the monitoring of the repricing of the Networks. The Management Information Department was entrusted with the responsibility for the income and fund improvement teams, composed also of members of the Marketing Department, detection of constraints, recommendation of ways to resolve them and indication of possible means to create new income sources and attract funds. The Management Information Department proposed alterations to the Network incentive systems, in order to ensure the adjustment of commercial behaviour to the major objectives of the Bank. The Management Information Department, together with the Networks, ensure the establishment of the Bank's objectives in the respective commercial budgets. In 2012, the main objective will be the adjustment of the management information to the needs arising from the implementation of the "Project M".

ACCOUNTING AND CONSOLIDATION DEPARTMENT

During 2011, the Accounting and Consolidation Department pursued its mission to prepare the individual and 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 Adjusted Accounting Standards (NCA), as determined by the Bank of Portugal, and International Financial Reporting Standards (IFRS), adopted in the European Union. Regarding the activity developed by the Accounting and Consolidation Department during 2011, special mention should be made of the continued implementation/fine-tuning of control mechanisms with a view to improving the quality and accuracy of the accounting information, the development of ratios/indicators/warnings for a better analysis and reporting of accounting information and follow-up of legal alterations, both relative to accounting and tax, of impact on the Group. In 2012, the Accounting and Consolidation Department will continue to pursue its mission.

AUDIT DEPARTMENT

The Audit Department developed its activity during 2011 in accordance with the Annual Plan approved by the Executive Board of Directors, where special reference should be made to the following: i) the completing of the audits arising from the exercise of its Independent Review Function, in compliance with the requests of the Bank of Portugal following the approval of the Bank's candidature under Basel II, requests that were opportunely included in the Department's Annual Plan and include audits to the three types of risk (operating, credit and market) and to the ICAAP, including the IT component (audits to the calculation models and reliability tests of the databases); ii) the preparation of the Reports on the Internal Control System of the Bank and other institutions of the Group presented to the Bank of Portugal and to the CMVM at the end of June, as well the continuous monitoring of the recommendations reported therein, especially those classified as being of high risk; iii) the analysis of matters relative to ethics and rigour, credit risk and impairment, the prevention and investigation of situations of fraud, the internal control system as a whole and the activities classified as being of high risk under the risk assessment carried out by the Department; and iv) the follow-up and response to the requests of the supervisory authorities, in particular the Permanent Team of the Bank of Portugal, and for the assessment of the loan portfolio of the Bank arising from the Special Inspection Programme (SIP).

During 2012, the activity of the Audit Department will follow the Bank's strategic agenda, namely the deepening of the Strategic Diamond, the "Project M" and the New Operating Model, the compulsory actions arising from requests issued by the supervisory authorities and the priorities resulting from the risk assessment carried out by the Audit Department itself.

LEGAL DEPARTMENT

The Legal Department provides legal advice to the management bodies and those areas which report directly to management bodies of the Banco Comercial Português, S.A., Banco Activobank, S.A., Banco de Investimento Imobiliário, S.A. and Millennium bcp – Prestação de Serviços, ACE. In 2011, the Legal Department went on to attain its objective of contributing to improving the quality of services provided by the Bank, minimizing or removing the legal risk, thus contributing to the increase in safety in banking operations, safeguarding their interests and of its Customers, potentially preventing situations that generate litigation or liabilities arising from the operation of the respective services.

TAX ADVISORY SERVICES DEPARTMENT

During 2011, and under its functions and duties, the Tax Advisory Department monitored compliance with tax obligations by the companies of the Group, and participated, on its own initiative or upon the request of the Executive Board of Directors or areas entrusted with its coordination, in the design and analysis of the tax framework and consequences for tax purposes of various operations carried out by companies of the Group, with a view to tax optimisation or reduction of tax risk. Regarding this last aspect, note should be made of the participation of the Tax Advisory Department in the process of transfer of part of the liabilities of the pension funds of the banking sector to social security. In 2012, the Tax Advisory Department will continue to develop its activity in accordance with the needs of the companies of the Group, participating in special projects in progress and to be started, with a view to improved internal functioning and, above all, ensuring suitable response to the challenges of the Group's companies in the current economic-financial context.

GENERAL SECRETARIAT

In 2011, the General Secretariat under its activities, ensured: i) the logistic organisation of events with the presence of the members of the Governing Bodies, namely, the General Meetings of Shareholders, the meetings of the Supervisory Board and respective Committees, as well as the Executive Board of Directors; ii) the logistic and administrative support to the Governing Bodies and their members individually; iii) the coordination of the Employees and outsourcers providing services to the Governing Bodies; iv) the coordination of the service provided by the Social Areas, the management of the occupation and maintenance of the meeting rooms and their equipment, dining rooms and vehicles at the disposal of the Governing Bodies; v) the management of the expenses and respective invoices related to the activity of the Governing Bodies and their members; and vi) relations with third party suppliers, namely the restaurant service for members of the Governing Bodies, seeking the best quality/price ratio. The General Secretariat sought to develop its duties in strict compliance with the defined guidelines and strong cost control. Its action during 2012 will follow the same principle of seeking to ensure a good service level with quality and strict cost control.

COMMUNICATION DEPARTMENT

2011 was marked by a new phase in the communication of Millennium bcp aimed at conveying greater energy and modernity to the brand, further boosting its reputation and its media and advertising visibility. For this purpose, the Bank contracted José Mourinho as the "face" of Millennium bcp, expressing the same values of success and passion, a personality which constituted the *leitmotiv* of the institution's main campaigns over the year. The Bank also strengthened its focus on communication to the Youth segment, through the innovative offer of "Millennium GO!", and expanded its presence in various Social Network platforms, as means of proximity and sharing of information with society. It also launched the "Millennium Movement", a joint initiative with the newspaper Expresso, aimed at promoting, publicising and distinguishing the best ideas and future projects in different areas of Society.

COMPANY SECRETARIAT

The Company Secretariat supports the Bank's Governing Bodies and respective committees in the legal, administrative and logistics areas, ensuring their effective functioning. It provides legal advice to the Bank and companies of the Group, on corporate and corporate governance matters, and is responsible for ensuring the registration process of the respective minutes both regarding the Supervisory Authorities and Trade Registers. It is responsible for the promotion and preparation of the General Meeting of Shareholders of the Bank and companies of the Group, for answering requests made by shareholders, and for the preparation of the Corporate Governance Report. This unit provides its contribution to and collaborates with all the Bank's areas, both executing and validating minutes or documents. It also ensures the disclosure of internal institutional communications.

FOREIGN BUSINESS SUPPORT UNIT

The Foreign Business Support Unit is an advisory unit for the Executive Board of Directors, with duties in the monitoring of the activity of the international operations. Its area of action includes the analysis of performance and support to the Board of Directors of local operations, the organisation of and participation in the quarterly meetings of the Business Committee in Europe, as well as the analysis of the matters submitted for the appraisal of the Governing Bodies and Audit Committees of these operations.

The area also coordinates and participates in strategic international projects, corporate and financial development projects relative to international operations, such as the review of business models, review of specific business areas and other projects of structural impact.

In 2011, the Foreign Business Support Unit participated in the analysis of the strategic options for the European operations, which resulted in the new strategic focus announced by the Bank in July. Following the above, this unit promoted various initiatives such as the assessment of opportunities to attract value in the Polish operation, exploration of options to reduce exposure to the Greek market and stabilisation of the Romanian operation and reduction of its negative impact on consolidated net income.

Staff Management Support Department

During 2011, the activity of the Staff Management Support Department focused on the search for innovative solutions to respond to the alteration of the paradigm of banking business. The strengthening of banking relations based on trust was boosted through training programmes such as "Millennium ADN" and "Culture of Rigour" and the Certification programmes. The training programmes were designed in a very specific manner to take into account the development needs arising from the challenges resulting from the market alterations. Leadership, interpersonal relations, communication, techniques to overcome conflicts and negotiate solutions were addressed in an integrated manner and whenever possible fostering increased proximity to communities through training programmes with components of active participation in social work. The sharing of experiences and different perspectives was fostered through programmes such as "One day with the Customer", "One day at DRE", "We value Experience", contributed to the development of attitudes of cooperation between different organisational teams both from an operational and behavioural point of view, strengthening the perception of the contribution of each person to the Bank's net income. The participants in development programmes (People Grow, Grow Fast, Young Specialist, Master in Retail, Grow in Retail) were involved in strategic and especially pertinent reflections in view of the new challenges of the markets and in the presentation of innovative proposals. The permanent contact with Universities (Millennium Banking Seminar, Summer Internships, Start-up Programme - Junior Achievement) enabled participation in important moments of reflection and construction of ideas and the establishment of contacts with students both in a perspective of recruitment and development of future commercial relations. In 2012, this unit will continue its search for innovative solutions, adjusted to the new challenges and consistent with the long term objectives, values and interests of the institution, namely regarding prospects of growth, sustainable profitability and the protection of the interests of Customers and investors.

Risk Office

In 2011, the Risk Office continued to develop its duties of identification, assessment, control and monitoring of risk, promoting, launching or coordinating the different risk management activities developed in the Group. On the other hand, it continued to ensure, over the entire year, the various reports - internal and external - entrusted to the risk management function. This area was also called upon to participate in the stress testing exercise conducted by the European Banking Authority during the first semester of 2011, in the definition of the Group's Financing and Capital Plan or in the Special Inspection Programme during the second semester, developed by the Bank of Portugal under the plan of external financial assistance to Portugal. Regarding the activities of the Risk Office under the Basel II Agreement, note should be made of the continued coordination of the work for the implementation of related measures with the approval of the Bank of Portugal for the use of the Internal Ratings-Based Approach (IRB) to calculate capital requirements for credit risk, as well as the requests for authorisation to extend this methodology to the Group's portfolios in Portugal and Poland. In 2012, the Risk Office will continue to guide its activity by the strategic objectives related to the Group's stronger solidity and confidence, contributing in an important manner to the improved internal control environment, through the fine-tuning and strengthening of the risk measurement and control policies and instruments.

Rating Department

A review of the entire loan portfolio was begun in 2011, using new adjusted and re-calibrated rating models. Models were implemented for the Mid and Small Corporate segment with a sectorial differentiation that was more adjusted to the reality of the portfolio and adapted to the new accounting rules. The assessment models of the Large Corporate segment and State Business Sector were altered so as to reflect all conclusions arising from the validation, and were widely tested.

The application of the Risk Degree Attribution System became operational during 2011. The automation of this application, integrated with the Bank's different systems, has been clearly reflected in productivity and efficiency gains in the process of attribution, management and maintenance of degrees of risk as well as in a drastic reduction of the operating risks inherent to a more manual process. The development of the Accounts Analysis Model application is also in progress, which automates the loading of the IES database, integrates the economic-financial algorithms of the different models and includes functionalities with a view to the simplification of all processes.

The main objectives of the Rating Department for 2012 consist of i) Completion of the review of the risk of the loan portfolio and start-up of a new review with a more efficient management of priorities, ii) Improvement of the process of detection of the aggravation of risk and implementation of information circuits with the commercial and credit areas; iii) Training actions on credit risk assessment; iv) Development of the Risk Degree Attribution System, entering into a new phase of initiatives aimed at making the most of the tool's potential for the improved management of all risks; v) Continued fine-tuning of the Accounts Analysis Model, in order to improve the speed of the process and the transformation of the entire physical archive into an electronic archive; and vi) Completion of the standardisation project and improvement of the internal analysis reports, including the enrichment of the information base.

FINANCIAL HOLDINGS DEPARTMENT

During 2011, the Financial Holdings Department experienced growth in its activities associated to the administration of financial holdings, as a result of new investments which require closer monitoring and higher capacity of action in view of the challenges faced by the participated companies in their development or financial restructuring in a context of lower growth. Regarding intervention in treasury management and valuation processes, the Department strengthened its internal control and reporting procedures to the Group's structures participating in such processes, with efficiency and productivity gains. In 2012, it is expected that the portfolio of holdings may experience new investments, which will be managed with a view to the optimisation of the mobilised funds and realisation of their value.

ASSETS AND LIABILITIES MANAGEMENT DEPARTMENT

The activity of the Assets and Liabilities Management Department in 2011 focused on strengthening the strategic vector of reinforcing solvency indicators, being worth mentioning in this area the coordination of various operations publicly disclosed, including the three phases of the BCP’s capital increase carried out between April and June , which resulted in a strengthening of the Core Tier 1 by 1,370 million euros, and also the liability management transactions involving exchange offers in the market for subordinated debt and preference shares, in each case issued by subsidiaries domiciled in the Cayman Islands, for senior and subordinated debt issued directly by the Banco Comercial Português S.A.. Completed in October and having produced an additional impact on Core Tier 1 in the order of 500 million euros, including the components identified in the Profit & Losses Account and in the shareholders’ equity, this second liability management exercise allowed the Core Tier 1 of the group to reach 9.1% in September 30 (pro forma basis including the impact already recorded in October), thus fulfilling the requirements established by the supervision for the end of 2011 fiscal year.

MILLENNIUMBCP AGEAS

The growth and solidity of the insurance market was particularly constrained by the aggravation of the recessive economic climate, the continued rise in unemployment and the increased pressure on the financial markets due to the impact of the sovereign debt crisis of the peripheral countries of Europe and scarcity of liquidity.

In 2011, the turnover of the insurance sector recorded a notable downturn, having reached a total of 11.6 billion euros. Contributing to this outcome was the very unfavourable evolution in the Life branch, which recorded a volume of premiums of 7.5 billion euros, representing a reduction of 38.5% relative to the previous year. The negative performance of capitalisation products (including PPR) and the stagnation of the Life Risk segment constrained the evolution of this market throughout the year. The Non-Life branch recorded a decrease of 0.7% of premiums in 2011 compared with 2010, although the Life segment continued to show a positive performance, with growth of 1.5%.

In 2011, the activity of Millenniumbcp Ageas was guided by the following strategic lines: profitability and financial solidity, commercial proactivity, growth, productivity and quality. The performance of Millenniumbcp Ageas was better than that of the market both in the Life branch, where it strengthened its market share in terms of mathematical provisions, and in the Non-Life branches as a whole. In 2011, Millenniumbcp Ageas achieved good technical results due to the improvement of operating performance and the maintenance of cost control.

In spite of the good operating performance, the net income of Millenniumbcp Ageas was strongly constrained by the impairment recognised in 2011 arising from the sovereign debt crisis of the peripheral countries of Europe and the BCP shares. In spite of this bleak context, the Group ended the year with a positive net income of 36.5 million euros.

2011 was a difficult year, but extremely challenging. Millenniumbcp Ageas, awarded by prestigious organisations (e.g. "Best Insurer of 2011" in Portugal by World Finance), launched, over this last year, new strategic projects and defined the vision which will enable it tread the right path in the difficult years ahead. During 2011 it became absolutely clear that the paradigm of the insurance business had changed, implying a return to the essence of the insurance business which consists of the sustainable and profitable marketing of risk products in the Life and Non-Life branches. Thus, during the 4th quarter of 2011, the Group implemented a strategic review process and decided to launch a series of projects to enable the achievement of the objectives for 2012 and prepare the future.

The new strategic vision is based on three pillars: i) protection of the franchise; ii) growth in the current business model; and iii) expansion of the strategic reach of the operation. The first pillar includes the development of new investment portfolio management policies, the strengthening of the portfolio retention mechanisms, cost control and reduction of claims rates. Under the second pillar, projects were launched aimed at re-launching the sale of Non-Life solutions in the Bank's retail segment, developing the Non-Life business in SME company segments and the development of a new marketing mix for the Life branch. The third pillar includes, above all, the development of new distribution channels.

2012 will be an even more demanding year, since it is expected that the unfavourable circumstances that affected 2011 will be maintained. The activity of Millenniumbcp Ageas will continue to follow the strategic guidelines of promotion of profitability and financial solidity, commercial development and innovation, growth, productivity and quality.

Synthesis of Indicators

Million euros

Synthesis of Inidcators	2011	2010	Variação
Direct Written Premiums			
Life	1,071	1,724	-37.9%
Non Life	226	222	2.0%
Total	1,297	1,946	-33.3%
Market Share			
Life	14.5%	14.2%	
Non Life	5.5%	5.3%	
Total	11.3%	11.9%	
Technical Margin (1)	118	257	-54.2%
Technical Margin Net of Operating Costs	31	164	-81.1%
Net Profit (2)	36	142	-74.3%
Gross Claims Ratio (Non-Life)	64.5%	65.5%	
Gross Expense Ratio (Non-Life)	23.9%	25.9%	
Non-Life Gross Combined Ratio	88.3%	91.4%	
Life Net Operating Costs/Average of Life investments	0.84%	0.83%	

(1) Before allocation of administrative costs

(2) Before VOBA ("value of business acquired")

Risk Management

Risk management and control activities assumed particular relevance in 2011, under very difficult economic and financial circumstances marked by the deterioration of the loan portfolio quality - both in the individuals and corporate segments - and by the persistence of highly restrictive funding conditions for the financial system.

At the same time, in what concerns the calculation of the risk-weighted assets (RWA) volume and the risk assessment methodologies involved in this calculation, 2011 was a year of consolidation of the advanced approach (IRB - internal ratings based) that the Group has been authorised to use for the main segments in its activities in Portugal as of the end of 2010, with important developments with respect to the extension of this approach to sub-segments of the loan portfolio for which the RWA calculation is not yet based on an IRB approach.

Hence, the main activities developed during 2011 within the scope of risk management and control and its respective reporting, were the following:

- Launching of initiatives aimed at the implementation of Bank of Portugal's conditioning measures regarding its approval for the use of the IRB approach in the calculation of capital requirements for credit risk;
- Submission of applications for the extension of this method to other portfolios of the Group, in Portugal and Poland;
- Participation in the stress tests promoted by the European Banking Authority (EBA) and in the definition of the Funding and Capital Plan, within the scope of Portugal's Economical Adjustment Program;
- Participation in the quantitative impact exercises (EU-QIS) concerning the implementation of the new regulatory capital framework (Basel 2.5 / Basel III), also promoted by EBA;
- Collaboration in the production of the regulatory report relative to Pillar II of Basel and production of the Credit Concentration Report;
- Collaboration in the production of the 2010/2011 Internal Control Reports;
- Development of improvements for the strengthening of internal procedures concerning risks assessment and reporting;
- Development of new rating models and review/updating of existing models, for various customer segments (Small and Mid Corporate, Large Corporate, Small Business);
- Focusing on actions aimed at strengthening credit risk mitigation, through stronger levels of collateralisation of transactions and lower concentration of credit exposures;
- Regular undertaking of internal stress tests in the area of market risks;
- Active participation in the Group's feedback to the Special Inspections Program (SIP) carried out by Bank of Portugal and its consultants, carried out as a requirement of Portugal's Economic Adjustment Programme.

Basel II

In 2011, the Group pursued its activities aimed at obtaining extensions for the use of IRB approaches in the calculation of RWA, not only for various risk sub-categories in Portugal but also for the Retail loan portfolio in Poland. For this purpose, a continuous dialogue was maintained with Bank of Portugal, KNF (the Polish Financial Supervision Authority) and, generically, with the College of Supervisors of the BCP Group, which includes representatives of all the supervisors of the countries in which the Group operates.

Thus, applications were submitted to Bank of Portugal and KNF for extending the use of the IRB methodology in Portugal and Poland and these supervisors have intensified their intervention, within this context, *vis-à-vis* the applicant Banks, through the development and reinforcement of their *in situ* verifications and validations.

As a result of the above, by the beginning of 2012 but taking effect on 31st of December 2011, Bank of Portugal has granted authorisation for the extension of the IRB methodology, in Portugal, for the calculation of RWA for the "Other retail exposures" and "Qualifying revolving retail exposures" sub-classes, with own estimates for the Loss Given Default (LGD) parameters.

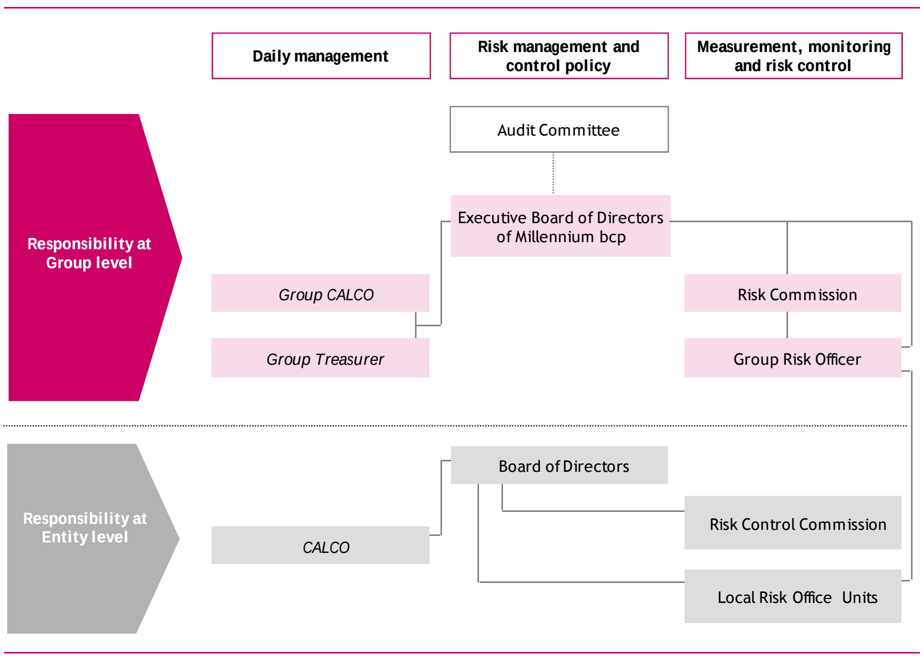
This extension of authorisation reinforced the formal recognition of the quality and effectiveness of the Group's risk management and control framework (for credit risk, specific subject of these applications), which generically involves four lines of action: identification, assessment, monitoring and control of the material risks to which the Group is exposed.

Risk Management Governance

The Group did not change its Risk Management governance model, except for its strengthening in what concerns credit risk, the Risk Commission having instituted a Credit Risk Monitoring Sub-Commission (SCARC) in the last quarter of the year.

This Sub-Commission – whose composition and duties are detailed further below – has held frequent meetings in order to be informed and to analyse the reports that several different areas of the Bank, in Portugal, are called upon to produce, in order to provide the Board of Directors with an increasingly incisive monitoring of the evolution of the risk inherent to the loan portfolio.

It should be recalled, in this context, that the Risk Commission – as well as the respective Sub-Commissions monitoring specific types of risk, such as the abovementioned SCARC and the Pension Funds Risk Sub-Commission (SCRFP) - are bodies directly under the Executive Board of Directors (EBD) of BCP, within the overall framework of risk management and control governance, as represented graphically in the following chart:



The competences 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 (AC)

The AC is entrusted, namely, with matters concerning the supervision of the management, the financial reporting documents and the 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 competences also encompass the issuing of recommendations on the contracting of External Auditors, the formulation of the proposal for its election and for the contractual conditions for their services, as well as the reception of any notifications of irregularities presented by the shareholders, employees or others, ensuring its follow-up by the Internal Audit Department or by the Client's Ombudsman.

The AC is also responsible for issuing opinions on loans granted under 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 Framework of Credit Institutions and Financial Companies, are related to any of the above.

The AC is the main addressee of the Internal Audit's, Certified Accountant's and External Auditors' reports, holding regular meetings with the Director responsible for the financial area, with the Group Risk Officer, with the Compliance Officer and the with the Head of Internal Audit.

Risk Commission

This Commission is responsible for the follow-up of overall risk levels (credit, market, liquidity and operational risks), 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 of the members of the Executive Board of Directors, the Group Risk Officer, the Compliance Officer and the Heads of Internal Audit, Treasury and Markets, Budget Planning and Control, Financial Holdings, Credit, Rating, Research Office and Assets and Liabilities Management.

Credit Risk Monitoring Sub-Commission

This unit has the following duties and responsibilities:

- Monitoring the evolution of credit exposure and credit underwriting process;
- Monitoring the evolution of the portfolio's quality and of the main risk and performance indicators;
- Monitoring counterparty risk and concentration risk of the largest exposures;
- Monitoring the impairment evolution and the main cases of individual impairment analysis;
- Performance analysis of the credit recovery processes;
- Monitoring of the real estate portfolio divestment;
- Proposals for the definition of policies and rules on loans concession;
- Monitoring of the PD (Probability of Default) and LGD (Loss Given Default) models;
- Monitoring of the models underlying the impairment assessment;
- Monitoring of the automatic decision-making and credit recovery processes.

The members of this Sub-commission are the Directors responsible for the financial area and for risk management and two other members of the Executive Board of Directors, the Group Risk Officer and the Heads of Credit, Rating, Credit Recovery, Budget Planning and Control, Real Estate and Marketing areas.

Pension Funds Risk Sub-Commission

The mission of this specialised Sub-commission is the monitoring of the performance and risk of BCP's Pension Funds (the Defined Benefits Fund and the Complementary Fund) and the establishment of adequate investment policies and its respective hedging strategies.

The members of this Sub-Commission are the Directors responsible for the financial area and for risk management, the Group Risk Officer and the Heads of Budget Planning and Control, Assets and Liabilities Management and People's Management Support. Through permanent invitation, the entities linked to the management of the Pension Funds (Pensõesgere and F&C) are also represented.

Group CALCO

The Group CALCO is responsible for the management of the overall capital of the Group, for the management of assets and liabilities and for the definition of liquidity management strategies at a consolidated level. Specifically, the Group CALCO (also called the Planning and Capital Allocation and Assets and Liabilities Management Commission) is responsible for the structural management of market and liquidity risks, including, among others, the following aspects:

- Monitoring and management of market risks associated to the assets and liabilities structures;
- Planning and proposals concerning capital allocation;
- Proposals for the definition of adequate policies for market and liquidity risk management, at the level of the Group's consolidated balance sheet.

The Group CALCO is chaired by the Director responsible for the financial area and a further four members of the Executive Board of Directors are also members of this body. The other members of the Group CALCO are appointed by the Executive Board of Directors, including, among others, the Heads of Assets and Liabilities Management, Treasury and Markets, Budget Planning and Control, Financial Holdings, Research Office, Management Data, Corporate Business and Marketing, as well as the Group Risk Officer and the Chief Economist.

Group Risk Officer

It is the person responsible for the risk control function for all entities of the Group. Thus, in order to ensure the transversal monitoring and alignment of concepts, practices and objectives, the Group Risk Officer is responsible for informing the Risk Commission on the global risk level and for proposing measures to improve the control environment and to implement the approved limits.

The Group Risk Officer has veto power concerning any decision that might have an impact on the Group risk levels and is not subject to the approval of the Executive Board of Directors.

In order to fulfil its mission, the duties 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 a robust and complete risk management;
- Participating in all decisions of relevance to risk and with an impact on the internal control system, empowered with the authority to enforce compliance with the Group's regulations and objectives relative to risk;
- Preparing information on risk management, for internal and market disclosure.

The Group Risk Officer is appointed by the Executive Board of Directors and supports the works of the Risk Commission, as well as of its sub-commissions, referred to before (SCARC and SCRFP).

Economic Capital

The Internal Capital Adequacy Assessment Process (ICAAP) constitutes, for the Group, an important step in the achievement of the best practices on matters of risk management and capital planning.

In fact, this process enables a connection between the Group's level of tolerance to risk and its capital needs through the calculation of the internal (or "economic") capital which, independently of the regulatory capital, is adequate to the incurred risks level, thus forcing an understanding of the business as well as of the risk strategies.

Through the ICAAP, all the material risks inherent to the Group’s activity are identified and quantified, considering the effects of correlation between the different risks, as well as the effects of business diversification (which is developed along various lines and products, in several geographical areas).

After the assessment of economic capital needs, these are compared with the available financial resources (Risk Taking Capacity), enabling an economic perspective of capital adequacy and also allowing the identification of value-creating activities and/or businesses.

Bearing in mind the nature of the Group’s core 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;
- Interest rate risk of the unhedged positions in the banking book;
- Equity risk;
- Real-estate risk;

- Pension Fund risk;
- Liquidity risk;
- Business and strategic risk.

The quantification approach used is based on a 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 by the figure below:

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
Pensions Fund risk		Simulation model
Business and Strategic risk		Model based on the specific volatility of BCP shares

The aggregation of risks at the different levels of the Group's organisational structure includes the calculation of the effect of the diversification benefits, reflected in an overall result which is less than the sum of the various individual components.

A combination of two methods is used for this purpose: i) correlation method and ii) dependence of extreme events. In general terms, the correlation matrix is obtained by submitting the historical series of losses to an implicit linear correlation analysis, which differs from traditional linear correlation analysis since it recognises the dependence of extreme events.

The following table presents the Group's overall risk position as at 31 December 2011 and 2010, represented by the value of the economic capital calculated on these dates:

Economic Capital (million euros)

	Dec 11		Dec 10	
	Amount	%	Amount	%
Credit risk	2,026.8	41.3%	2,078.5	40.6%
Market risks	1,552.4	31.6%	1,212.5	23.7%
Trading Book	17.0	0.3%	40.0	0.8%
Banking Book - interest rate risk	811.0	16.5%	440.4	8.6%
Banking Book - equity risk	355.6	7.2%	404.3	7.9%
Real-estate risk	368.8	7.5%	327.7	6.4%
Operational risk	398.1	8.1%	428.2	8.4%
Liquidity risk	134.8	2.7%	319.3	6.2%
Pensions Fund risk	621.4	12.7%	876.0	17.1%
Business and strategic risk	177.7	3.6%	202.7	4.0%
Non-diversified capital	**4,911.2**	**100.0%**	**5,117.2**	**100.0%**
Diversification benefits	-1,164.6		-1,254.0	
Group's Economic Capital	**3,746.6**		**3,863.2**	

Despite the instability and worsening of the economical context and the volatility of financial markets, the economic capital needs (after diversification benefits) registered a decrease of 3.0% by the end of 2011, *vis-à-vis* December of 2010.

The economic capital position by the end of 2011 is fundamentally explained by:

- A significant decrease of economic capital needs associated with liquidity risk, due to the commercial gap reduction registered in 2011;
- The decrease in the economic capital needs relative to the Defined Benefit Pension Fund, due to the transfer of responsibilities with retired employees and other pensions to the Social Security System, in December 2011;
- The increase, also important, of economic capital needs concerning the interest rate risk of the banking book, mainly caused by the high volatility levels registered in the Portuguese and Greek Public Debt portfolio, stemming from sovereign risk (which is, as such, measured within the scope of interest rate risk of the banking book).

In 2012 the Group will continue to develop and improve the economic capital model, mainly, so as to provide for its greater sensitivity to risks through the integration of self-assessment and stress test processes, also reflecting the recent evolutive dynamics in the regulatory framework where, among others, a highlight should be made on the enforcing of new minimum capital ratios, on the updating and regular reporting of stress tests (Bank of Portugal and European Banking Authority - EBA) and on the need to define capital and liquidity plans.

Monitoring and validation of models

The Models Control Unit (UCM) ensures the monitoring and independent validation of the credit and market risk models. In the first case, the rating systems in which such models operate are also validated.

The implemented monitoring and validation framework also involves model owners, rating system owners, Validation Committees, the Risk Commission and the Audit Department.

Along 2011, various actions relative to the follow-up and validation of credit and market risks models were carried out. In the case of credit risk models, these actions were performed over models for the “Corporate” and “Retail” exposure classes, concerning its main estimation components, both for models used in Portugal and in some of the subsidiaries based abroad.

Within this process, the most relevant models are those relative to the estimation of Probabilities of Default (PD) - such as the models for the Large Corporate, Mid Corporate and Small Corporate sub-segments, the models applicable to the real estate promotion portfolio and the TRIAD behavioural models -, the models used for the calculation of Loss Given Default (LGD) estimates and the models for off-balance sheet Credit Conversion Factors (CCF) estimation.

The monitoring and validation actions developed are also aimed at monitoring and gaining in-depth knowledge on the models’ quality, so as to strengthen the Group's prompt reaction capacity in view of changes in the models predictive abilities, thus allowing the Group to reinforce its confidence in the use and performance of each model and in the implemented rating systems.

It should also be noted that UCM follows an annual validation plan proposed to and approved by the Risk Commission, according to the needs identified internally but also resulting from the specific recommendations of Bank of Portugal on this matter.

Special Inspections Program (SIP)

Under the terms of the Economic Adjustment Programme signed in May 2011 between the Portuguese State and the “Troika” composed of the European Commission, the European Central Bank and the International Monetary Fund, Bank of Portugal established a Special Inspections Programme (SIP), implemented trough three complementary workstreams that concurred for the assessment of the solvency of institutions, focusing on the Bank’s accounts as at 30 June 2011:

- Loan portfolio assessment, focusing both on credit risk management policies, procedures and control, and on the appraisal of the individual and collective impairment provisioned by banks;
- Assessment of the systems and procedures for the calculation of regulatory capital requirements for credit risk under both the standard and IRB approaches;
- Assessment of the banks' stress test model.

The Bank devoted special attention to the development of this project, creating a multidisciplinary team for its follow-up, involving staff from different areas - in particular, from the Risk Office, Internal Audit Division and Credit Division -, with weekly reporting to a Steering Committee including members of the Executive Board of Directors.

The first two workstreams of the SIP have been concluded and Bank of Portugal has disclosed its respective results on 16 December 2011.

The workstream relative to the Bank's loan portfolio led to the identification of the need to strengthen impairments by the amount of 381 million euros, corresponding to 0.7% of the total value of loans analysed and to 16.0% of the impairment value of the portfolio covered by the analysis, which were fully considered in the 2011 accounts.

The overall adequacy of the Bank's policies and procedures for credit risk management and control was also confirmed, although various specific opportunities for improvement were identified.

Regarding the SIP's second workstream, concerning the review of the calculation of own funds requirements for credit risk, specific corrections were identified corresponding to 1.3% of the estimated total amount of risk-weighted assets. These effects are also fully reflected in the amounts calculated at the end of 2011.

Finally, the third SIP workstream, focused on the methodologies and undertaking of stress tests, is still underway, with its completion being expected by the end of February 2012.

Credit risk

This risk's occurrence is materialised through losses originated by the loan portfolio, due to the inability of borrowers (or their guarantors, when these exist, or issuers of securities, or contractual counterparties) to honour their obligations.

This risk is very relevant and highly representative in terms of the Group's overall exposure to risk.

Control and mitigation of this risk are carried out, on one hand, through a solid structure of risk analysis and assessment - using internal rating systems suited to the different business segments and a model for the early detection of potential defaults of the portfolio - and, on the other hand, through structural units that are exclusively dedicated to loan recovery, for the defaults that already occurred.

During 2011, a highlight should be made on the following activities, developed to strengthen the procedures of credit risk assessment, monitoring and control, for the various segments of the portfolio:

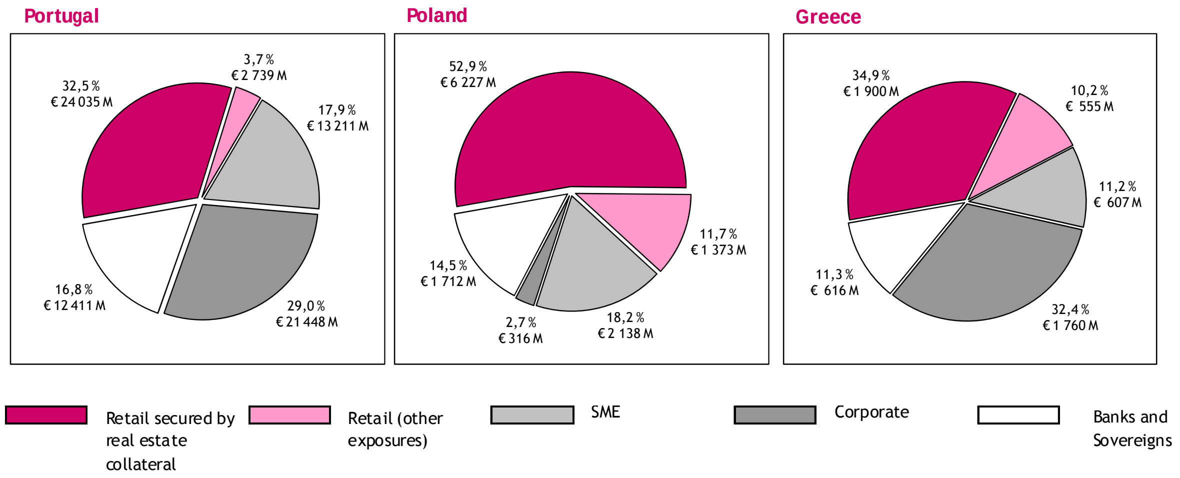
- Effective start-up of the calculation of RWA based on the IRB method, following the authorisations granted by the Bank of Portugal with reference to 31 December 2010;
- Evaluation of the credit risk assessment and monitoring process by an external consultant;
- Continuous updating of the internal regulations regarding credit risk management, with the issue of new regulations concerning the process of individual impairment analysis and impairment in investment securities and equity holdings;
- Development of new rating models for the Small and Mid Corporate segments, with a specific approach for the construction sector;
- Development of new application scoring models for the Retail SME segment;
- Review of the rating model for the Large Corporate segment, with the introduction of several improvements in terms of the modular components of this model;
- Conceptual validation exercise of the Large Corporate model, complemented with benchmarking of the internal ratings, entrusted to an external entity;
- Ratings assessment of the Real Estate Promotion portfolio using new specific models;
- Updating of the LGD estimates for Retail exposures and calculation of LGD estimates for Corporate exposures. This work was carried out based on loans recovery data that was automatically collected through a process developed with the collaboration of an external consultant;
- Preparation and closing of the application for the extension of the use of the IRB approach in the calculation of RWA, relative to the Retail exposures sub-classes that are not yet covered by this methodology and for the Real estate Promotion portfolio, as well as for the use of specific LGD estimates for the Corporate exposures.

Regarding this risk's evolution, the development of the economic and financial conditions in Portugal and Greece in 2011 have had a negative influence over the quality of the loan portfolio, both of individuals and companies; therefore, the default levels and provisions for loans impairment have had a relevant increase. The table below illustrates the quarterly evolution (unfavourable in both countries) of credit risk indicators over the year, since the end of 2010.

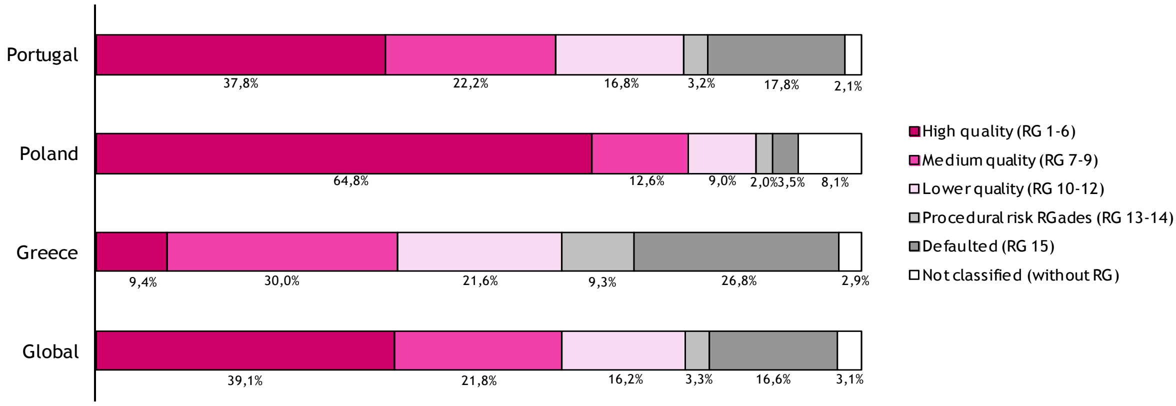
	Dec-10	Mar-11	Jun-11	Sep-11	Dec-11
Portugal					
Non-performing Loans/Total Loans	2,90%	3,29%	3,78%	4,38%	4,58%
Past due Loans (> 90 d)/Total Loans	6,28%	6,81%	7,82%	8,69%	8,44%
Impairment/Total Loans	3,23%	3,43%	3,98%	4,24%	5,09%
Poland					
Past due Loans (> 90 d)/Total Loans	2,75%	2,89%	2,92%	2,66%	2,24%
Impairment/Total Loans	3,09%	3,15%	3,08%	2,94%	2,87%
Greece					
Past due Loans (> 90 d)/Total Loans	7,75%	9,28%	9,67%	11,44%	12,88%
Impairment/Total Loans	2,46%	2,72%	2,96%	3,52%	4,32%

Loan portfolio breakdown

The following charts present the breakdown of the loan portfolio as at 31 December 2011, by segments of exposure (Basel II), in the main geographical areas in which the Group operates and in terms of EAD (Exposure at Default).

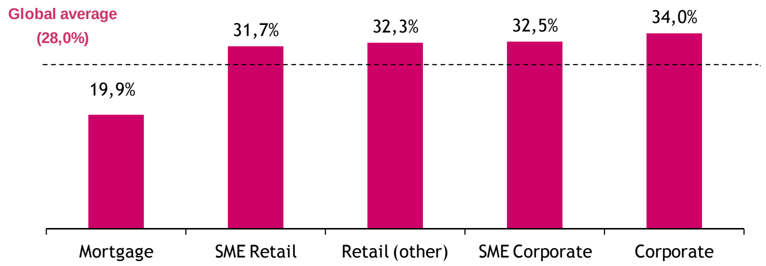


In what concerns the distribution of these exposures by risk quality, measured by the internally attributed risk grades (RG), the position as at 31 December 2011 in each of the three main geographical areas is presented in the following chart:



Note: does not include exposures to Banks and Sovereigns, Specialised Lending and exposures treated by the Standardised Approach (for regulatory capital requirements calculation)

Regarding the average LGD by exposure segment in Portugal - arising from the calculation of regulatory capital and from the estimates that were based on the losses that effectively occurred (i.e. from loans recovery data) - are shown on the following chart:



Credit concentration risk

The figures concerning credit concentration as at 31 December 2011 - measured by the weight of the 20 largest net exposures over the consolidated Own Funds or, alternatively, by the weight of these exposures in total exposure (in terms of EAD, for Portugal, Poland and Greece) - are presented in the following table:

Clients' Groups	Net Exposure / Own Funds	EAD weight in total EAD
Group 1	9,8%	1,3%
Group 2	6,5%	1,0%
Group 3	6,2%	1,0%
Group 4	3,4%	0,6%
Group 5	2,8%	0,4%
Group 6	2,8%	0,7%
Group 7	2,7%	0,5%
Group 8	2,7%	0,5%
Group 9	2,4%	0,5%
Group 10	2,4%	0,4%
Group 11	2,3%	0,5%
Group 12	2,3%	0,4%
Group 13	2,2%	0,4%
Group 14	2,2%	0,3%
Group 15	1,8%	0,3%
Group 16	1,8%	0,3%
Group 17	1,8%	0,3%
Group 18	1,7%	0,3%
Group 19	1,7%	0,2%
Group 20	1,6%	0,3%
Total	61,0%	10,1%

Compared with the end of 2010, the overall EAD weight of these 20 largest net exposures in total EAD for Portugal, Poland and Greece (10.1%) reflects a stability of credit exposure concentration for these largest customers (it was of 9.4% at the end of 2010). This results from the Group's efforts to reduce credit exposures, which is particularly focused on the largest debtors. Overall, in the three main geographical areas in which the Group operates, the reduction of exposure (EAD) was of around 3,900 million euros.

Regarding the weight of these 20 largest net exposures in total consolidated Own Funds, there has been an aggravation of this indicator (which was of 49.7% at the end of 2010), although the value of the net exposure of these 20 customers increased by only 50 million euros in absolute terms. Therefore, this evolution is mainly due to the reduction of consolidated Own Funds, which decreased considerably between these two ends of year.

It should be recalled that the requirements of Bank of Portugal on credit concentration risk are reflected in the Group's risk management and control policies through the establishment of limits for the weights of credit exposures in internal regulations, aimed at mitigating the concentration of this risk. Hence, the positioning of the largest exposures in view of the defined concentration limits is regularly monitored by the Risk Office and reported to the Audit Committee and to the Risk Commission.

Operational risk

Operational risk materialises in the occurrence of losses as a result of failures or inadequacies of internal processes, systems or people or, still, as a result of external events.

In the management of this type of risk, the Group adopts duly documented principles and practices, which are expressed in control mechanisms that are liable to continuous improvement. This framework has a variety of features, such as:

- Functions' segregation;
- Lines of responsibility and corresponding authorisations;
- The definition of risk exposure and tolerance limits;
- Ethical codes and codes of conduct;
- Risks' self-assessment exercises;
- Key risk indicators (KRI);
- Access controls, both physical and logical;
- Reconciliation activities;
- Exception reports;
- Contingency plans;
- Insurance contracting;
- Internal training on processes, products and systems.

During 2011, the Group continued to promote initiatives aimed at improving efficiency in the identification, assessment, control and mitigation of exposures, through the strengthening and extension of the scope of the operational risk management system implemented in Portugal and in the main operations abroad.

The monitoring of operational risks by the Group's Risk Office is facilitated by a computer application supporting the management of operational risk, used in the operations in which this framework has been adopted, thus ensuring a high level of uniformity, albeit showing differentiated stages of evolution as a result of the phased implementation of the management system referred to above and of the priorities attributed according to the relevance of the exposures in the different subsidiaries.

In 2011, in the main areas of operational risk management, the following achievements were of particular importance:

- Consolidation of the events database in the main operations of the Group;
- New risk self-assessment exercises in Portugal, Poland, Greece, Romania and Mozambique;
- Use of key risk indicators for the preventive monitoring of the risks of the main processes in Portugal, Poland, Greece and Romania;
- More effective incorporation of the information provided by the risk management instruments for the identification of improvements in the mechanisms that contribute for the strengthening of the processes' control environment;
- Increased level of automation in the calculation process of the Relevant Indicator (gross income) and its distribution by activity segment, for the assessment of regulatory capital requirements for operational risk and strengthening of the results' validation mechanisms.

Operational risk management structure

The operational risk management system has been based, from the very beginning, on a structure of end-to-end processes, taking into account that a vision which is transversal to the functional units of the organisational structure is the most suitable approach for the perception of risks and the estimation of the impact of the corrective measures that are introduced for its mitigation.

Furthermore, this processes model also supports other strategic initiatives related to the management of this risk, such as the quality certification of the main products and services offered (ISO 9001), the actions to improve operational efficiency and business continuity management.

Hence, the main subsidiaries of the Group have defined their own structure of processes, which is adjusted periodically according to the evolution of the business, so as to ensure an adequate coverage of the business activities (or business support activities) developed.

The responsibility for the management of the processes was entrusted to process owners (seconded by process managers), whose mission is the characterisation of the operational losses captured under their processes, the monitoring of its respective key risk indicators, the undertaking of risks' self-assessment exercises, as well as the identification and implementation of suitable actions to mitigate operational risk exposures, thus contributing to the strengthening of control mechanisms and to the improvement of the internal control environment.

In Portugal, process owners are appointed by the Process Monitoring Committee (CAP), based on the recognition of their know-how and professional experience concerning the activities developed under the processes for which they are responsible. The CAP also has the following responsibilities:

- Approval of the process dossiers;
- Approval of the institution of new processes, defining, on a case-by-case basis, the need for its ISO9001 certification and identifying the processes which, apart from the certification, should be submitted to performance measurement (KPI - key performance indicators);
- Alignment of process-based management practices with the reality of the structure units intervening in the processes;
- Ensure the issuance, maintenance and internal disclosure of documentation and information on the process-based management;
- Approval of changes to already existing processes, as well as of the design of new processes.

In all other operations of the Group the appointment of the process owners is a responsibility of the respective Boards of Directors or bodies to which this duty is entrusted.

Operational risks self-assessment (RSA)

The RSA exercises are aimed at promoting the identification and mitigation (or elimination) of risks, either actual or potential, in each process, through the assessment of each of the 20 subtypes of operational risk considered. These assessments are positioned in a risk tolerance matrix, considering the worst case event that might occur in each process, for three different scenarios. This allows for:

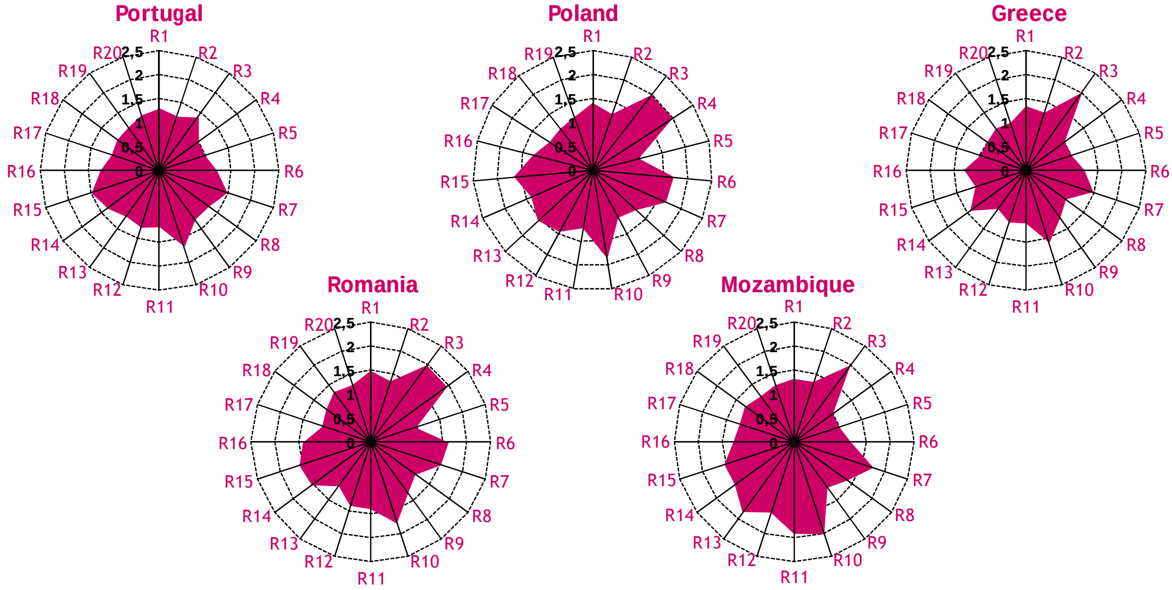
- The assessment of the risks exposure of the different processes, not considering the influence of existing controls (Inherent Risk);
- The determination of the influence of the existing control environment in reducing the level of exposure (Residual Risk);
- The identification of the impact of the 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 answers to questionnaires sent to the process owners for the review of the previous RSA results, according to pre-defined updating criteria.

In 2011, new RSA exercises were carried out in the main geographical areas in which the Group operates - namely, in Portugal, Poland, Greece, Romania and Mozambique - which has allowed for the updating of the operational risks assessment in the various processes defined for each of these operations, as well as for the identification of improvements to mitigate the exposures classified above the defined tolerance thresholds, with a view to reduce its frequency or severity (or both).

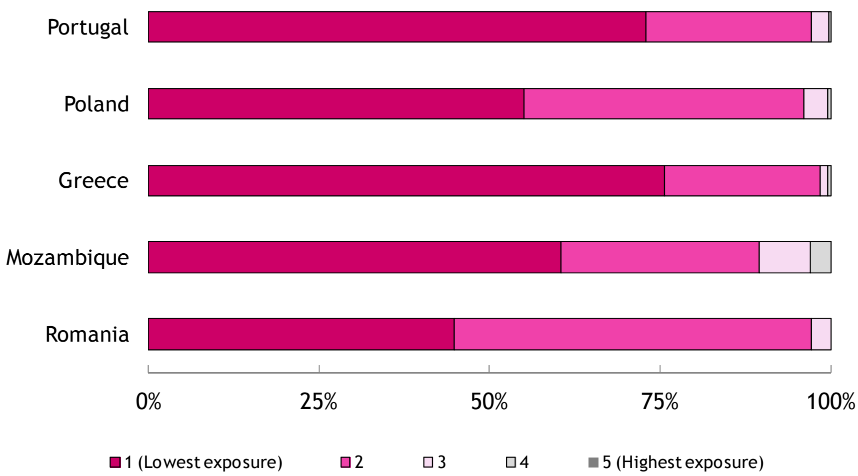
These actions will be placed in an order of priority according to the assessment made and its implementation will be monitored through the IT application supporting operational risk management.

The following spider charts present the results of the RSA exercises that have been carried out, namely, the average score for each of the 20 subtypes of operational risk considered, for the set of processes of each geographical area. The outer line represents a score of 2 on a scale of 1 (lowest exposure) to 5 (highest exposure).



R1 Internal fraud and theft
R2 Execution of unauthorised transactions
R3 Employee relations
R4 Breach of work health & safety regulations
R5 Discrimination over employees
R6 Loss of key staff
R7 Hardware and Software problems
R8 Problems related to telecom services & lines
R9 Systems security
R10 Transaction, capture, execution & maintenance
R11 Monitoring and reporting errors
R12 Customer related errors
R13 Product flaws errors
R14 External fraud and theft
R15 Property and disasters risks
R16 Regulatory and tax risks
R17 Inappropriate market and business practices
R18 Outsourcing related problems
R19 Other third parties' related problems
R20 Project risks

Another, more aggregate, perspective of these results for all of the 20 subtypes of operational risk, for the series of processes of each geographical area, is shown by the following chart:



Operational losses

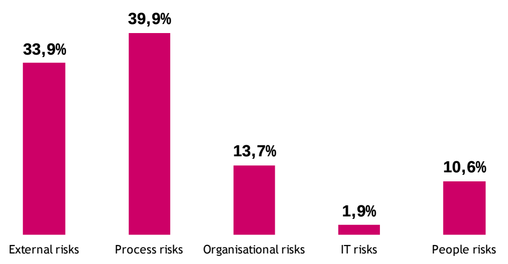
The operational losses data capture (i.e. the identification, registration and characterisation of operational losses and of the events that originated the losses), carried out by the Group for the operations covered by the operational risk management framework, aim at strengthening the awareness of this risk and at providing relevant information to process owners, for its incorporation within their processes' management. As such, it is an important instrument to quantify risk exposures. It should also be mentioned that data on operational losses is used for back-testing of the RSA results, enabling to evaluate the assessment made of each risk subtype within each process.

The detection and reporting of operational losses is a responsibility of all employees of the Group, the process owners playing a crucial role in the promotion of these procedures within the context of the processes for which they are responsible. The identification and capture of operational loss events are also encouraged by the Risk Offices (at Group and local levels), based on data provided by central areas.

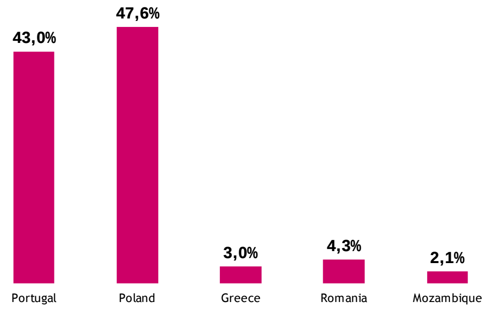
Hence, the identified events in which the losses, effective or potential, exceed the defined materiality limits (for each geographical area), are registered in a Group-level database of operational losses, related to a process and to one of the 20 subtypes of operational risk, being characterised by its respective process owners and process managers. Besides the description of the respective cause-effect, this characterisation also includes the valuation of the loss and, when applicable, a description of the improvement action identified to mitigate the risk (based on the analysis of the loss cause).

The profile of the accumulated losses in the database by 31 December 2011 is presented in the charts below, showing that most of the losses were caused by procedural failings and external events, as well as the fact that a major proportion of the operational loss events were of low material relevance (below 20,000 euros):

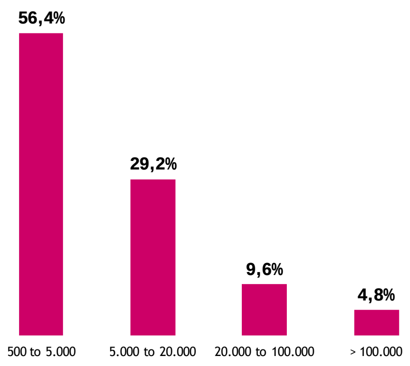
Loss amounts distribution
By type of event



Loss amounts distribution
By country



Loss amounts distribution
By amount range (euros)



Key risk indicators (KRI)

KRI are metrics which draw attention to changes in the profile of the operational risks or in the effectiveness of its control, enabling for the identification of the need to introduce corrective actions within processes, so as to prevent potential risks from materialising into effective losses.

The use of this management instrument has been extended to increasingly more processes, and currently covers the most relevant ones in the main Group operations (Portugal, Poland, Greece and Romania). Plans have been made to extend this instrument to a first set of processes in Mozambique, in 2012.

The information on the identified indicators is consolidated in a "KRI library", shared by the different entities of the Group, and currently includes over four hundred indicators, used for monitoring the risks of the main processes.

Business continuity plans

Within the scope of Business Continuity Management, the Group has concluded the definition and the implementation of plans intended to ensure that the main business activities (and business support activities) continue to operate in the event of a catastrophe or major contingency.

These continuity plans are regularly tested and updated for their two complementary components - the Disaster Recovery Plan, relative to systems and communications' infrastructures, and the Business Continuity Plan, relative to people, premises and equipment – that are defined for a set of processes that are considered to be critical.

In 2011, the first biennial cycle of the exercises programme was completed, this being of great importance for the improvement of the response capacity to incidents and for the adjustment of the scenarios used in these exercises, resulting in a better integration between business recovery, technological recovery and emergency response. These integrated exercises involved scenarios of growing complexity, including the undertaking of the activities included in critical processes at alternative locations.

Insurance Contracting

The contracting of insurance for risks related to assets, persons or third party liabilities is another important instrument in the management of operational risk, the objective being the transfer of risks (total or partial).

Proposals for the contracting of new insurance policies are submitted by process owners under the scope of their duties concerning the management of operational risks inherent to their processes, or are presented by the Heads of areas or organisational units, and then analysed by the Risk Commission and authorised by the Executive Board of Directors.

The specialised technical and commercial functions within insurance contracting are entrusted to the Insurance Management Unit, which is specialised and transversal to all entities of the Group located in Portugal. This unit and the Risk Office share information for the purpose of strengthening the coverage of the policies, as well as for increasing the quality of the operational losses database.

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 its nature, are not directly related with any of the management areas referred above;
- 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 portfolios of the different management areas 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 in 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 up 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 risk measurement that allows for the monitoring of all of the risk subtypes that are considered to be relevant. This measurement includes the assessment of the following types of risk: generic risk, specific risk, non-linear risk and commodities' risk.

Each risk subtype is measured individually using an appropriate risk model and the integrated measurement is built from those measurements without considering any type of diversification between the four subtypes (worst-case scenario approach).

For the daily measurement of generic market risk - relative to interest rate risk, exchange rate risk, equity risk and price risk of credit default swaps - a VaR (Value-at-Risk) model is used, based on the parametric approximation defined in the methodology developed by RiskMetrics (1996). This approach considers a time horizon of 10 business days and a significance level of 99%.

In this methodology, the volatility of each of the market risk factors (and respective correlations) considered in the model is estimated by an econometric estimation model, EWMA, with an observation period of one year and a time-weighting factor (*lambda*) of 0.94. The adequacy of this parameter is assessed regularly using standard methodology, being verified by UCM.

Furthermore, an internally-developed methodology is also applied, replicating the effect that the main non-linear elements of options' positions might have in the results of the different books in which these are included, in a similar way considered within the VaR methodology, using the same time horizon and significance level.

Specific and commodities' risks are measured through standard methodologies defined in the applicable regulations (arising from Basel II), 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 management areas (and not merely to the Trading area), when its books incur in these types of risks.

The table below presents the values at risk measured by the methodologies referred to above, for the trading book, between 31 December 2010 and 31 December 2011:

Tading Book's market risks (thousand euros)

	Dec-11	Average	Max.	Min.	Dec-10
Generic risk (VaR)	5.023,4	3.341,8	12.323,3	1.404,7	12.518,7
Interest rate risk	5.051,1	2.742,7	11.971,0	1.342,7	12.332,2
FX risk	1.761,2	1.527,4	1.697,5	512,7	1.484,8
Equity risk	664,4	825,9	574,0	614,0	609,9
Diversification effects	*2.453,3*	*1.754,1*	*1.919,1*	*1.064,7*	*1.908,1*
Specific risk	1.298,5	969,9	2.861,9	520,0	2.179,7
Non-linear risk	379,8	177,7	1.041,9	6,1	296,8
Commodities risk	4,3	5,2	10,7	0,0	3,1
Global risk	6.706,0	4.494,6	14.853,9	2.501,9	14.998,3

Notes:
- Holding term of 10 days and 99% of confidence level.
- Consolidated positions from Millennium bcp, Bank Millennium, Millennium bank Greece, and Banca Millennium (Romania).

Along 2011, the risk of the Group's trading book remained, to a large extent, at materially low levels. However, there were some peak moments for these risks, due to the occurrence of sharp increases of observed market volatility. In general terms, the previous year's trends were maintained, with increases of volatility in the public debt and equity markets, counteracted by the Bank through a very prudent policy in terms of the size of its trading book.

Despite the constraints arising from the markets' evolution, the risk level of the trading book did not exceed the limits established for its respective management.

Stress tests on the trading book

As a complement to the VaR calculation and aiming at identifying risk concentrations that are not captured by this measurement and, also, for the purpose of testing other possible loss dimensions, the Group continuously tests a broad set of stress scenarios over the trading book and analyses its results.

The results of these tests on the Group's trading book, as at 31 December 2011, were as follows:

Stress tests over the Trading Book (million euros)

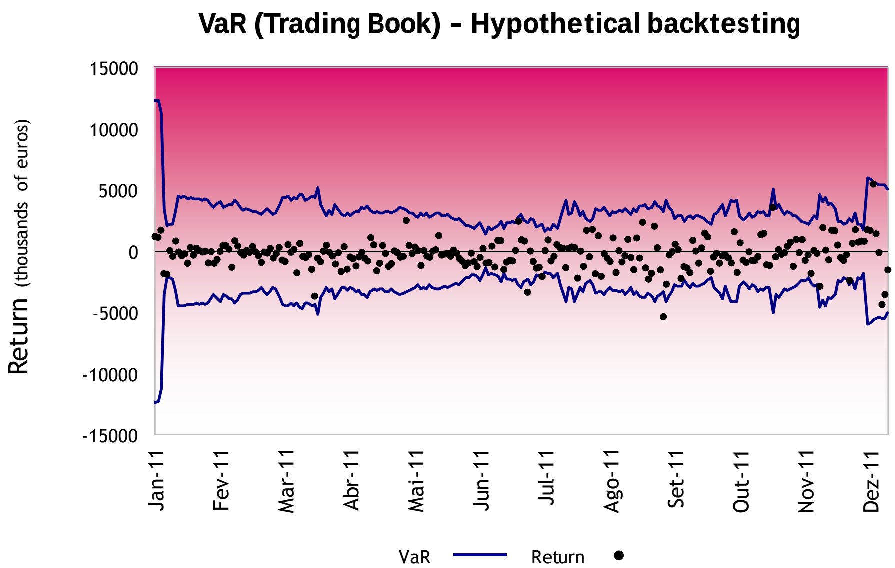
Tested scenarios	Negative results scenarios	Result
Parallel shift of the yield curve by +/- 100 b.p.	- 100 b.p.	-2,9
Change in the slope of the yield curve (for maturities from 2 to 10 years) by +/- 25 b.p.	- 25 b.p.	-0,1
4 possible combinations of the previous 2 scenarios	- 100 b.p. and - 25 b.p.	-3,0
	- 100 b.p. and + 25 b.p.	-2,8
Variation in the main stock market indices by +/- 30%	- 30%	-1,3
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	- 10%, - 25%	-11,2
Variation in swap spreads by +/- 20 b.p.	- 20 b.p.	-0,1

The results of these stress tests indicate that the exposure of the Group's trading book to the different risk factors considered is limited and that the main risk to take into account is the depreciation of foreign currencies against the euro, in particular, of the Polish Zloty and the Romanian Leu.

Monitoring and validation of the VaR model

In order to ensure that the internal VaR model is adequate for the assessment of the risks involved in the positions held, several validations of different scope and frequency are performed, including backtesting, estimation of the effects of diversification and analysis of the scope of the risk factors considered.

The following graph illustrates the hypothetical backtesting for the trading book, through which the VaR indicators are compared with the hypothetical results of the model used.



As shown by this graph, only 2 excess values were observed (around 1% of frequency for 249 business days) over the hypothetical results of the model, which confirms its adequacy for the assessment of the risks in question.

Interest rate risk in the banking book

The interest rate risk derived from the banking book operations 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 forecasted 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.

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 (thousand euros)

Repricing gap in EUR	Repricing terms to maturity					
	< 1 A	1 - 3 A	3 - 5 A	5 - 7 A	> 7 A	Total
Commercial area activity	17.431,9	53.102,6	54.071,7	-2.671,6	-5.490,8	116.443,7
Structural area activity	-7.097,2	59.992,5	59.749,1	76.766,9	17.185,5	206.596,8
Subtotal	10.334,7	113.095,0	113.820,7	74.095,3	11.694,8	323.040,5
Hedging	-22.118,5	-123.568,0	-110.861,0	-74.949,5	-15.992,1	-347.489,0
Commercial and Structural total	-11.783,8	-10.472,9	2.959,7	-854,2	-4.297,3	-24.448,5
Funding and hedging	47.520,6	1.560,1	638,2	4,8	162,1	49.885,8
Investment portfolio	-25.201,5	-15.578,3	-23.022,1	-7.133,1	-53.177,3	-124.112,4
ALM	-2.312,4	45.778,6	7.673,0	-19.308,3	-4.967,1	26.863,8
Banking Book total (Dec 2011)	8.222,9	21.287,5	-11.751,1	-27.290,9	-62.279,7	-71.811,4
Banking Book total (Dec 2010)	-9.371,5	-4.645,3	35.214,2	-43.965,8	-67.261,5	-90.030,0

Hence, the sensitivity of the banking book to the euro interest rate variations decreased, as measured at the end of each year: as at December 2010, to an interest rate increase of 100 b.p. corresponded a loss of economic value of approximately 90 million euros, which would be merely of approximately 72 million euros as at December 2011, for the same rates' variation. This decreased sensitivity is, in itself, beneficial, although not significant.

The Group regularly performs hedging operations with the market, 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 operations are transferred internally to the two markets' areas (Funding and ALM), thus becoming an integral part of the respective portfolios. As such, these are daily assessed 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 that are not included in this transfer – the financial holdings in subsidiaries, in foreign currency - are hedged on a case-by-case basis through market operations. As at 31 December 2011, 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 equities' positions of non-significant magnitude in the banking book, that are not meant to be negotiated with 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.

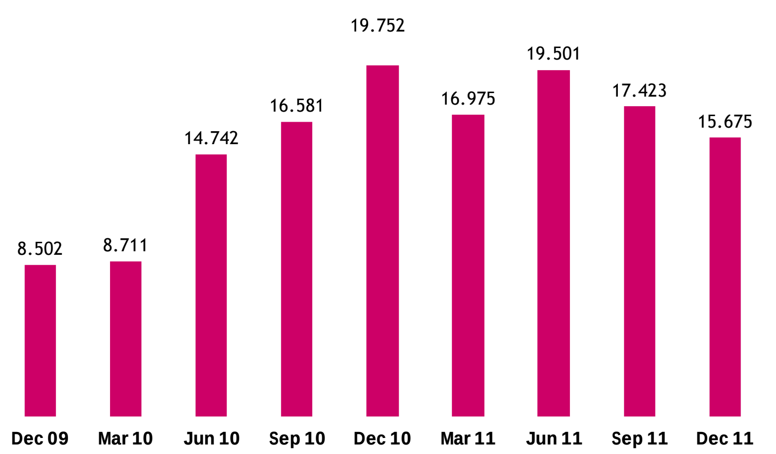
Liquidity risk

Liquidity risk reflects the Group's potential inability to meet its obligations at maturity without incurring in significant losses, resulting from the deterioration of funding conditions (funding risk) and/or sale of its assets below market value (market liquidity risk).

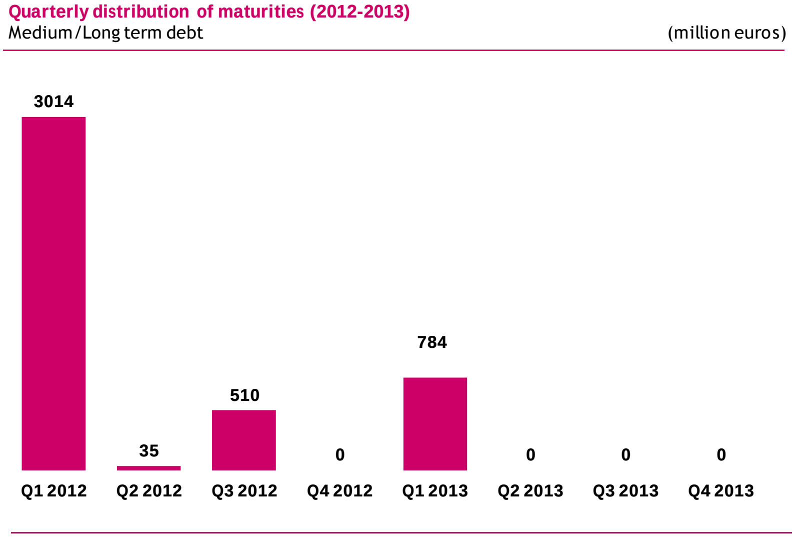
Along 2011 - and following the situation observed since mid-2010 -, Portuguese banks remained without access to the conventional funding markets. Hence, with the aim of reducing funding risk, the Group decided to reduce its commercial gap (difference between customer funds and loans to customers) as one of its main strategic drivers in 2011. Therefore, in the activity in Portugal, the commercial gap decreased by 6,500 million euros and by 7,800 million euros in consolidated terms.

On the other hand, as a complementary measure aimed at the mitigation of liquidity risk, the policy of reinforcement of the pool of discountable assets at central banks that had already been followed in previous years was maintained. However, in spite of these efforts - which involved, namely, the issue and underwriting of debt guaranteed by the Portuguese Republic (1,500 million euros) - it was not possible to maintain the upward trend of volume of this assets' portfolio, due to a combination of effects which reduced its value: the losses of eligibility due to downgrading of ratings (essentially, of Portuguese issuers) and the significant losses of market value which occurred in a large part of the portfolio (namely, in fixed rate securities). The recent evolution of the volume of discountable assets at the ECB is illustrated by the following chart:

Eligible assets for discounting at the ECB
After haircuts (million euros)



The reinforcement of the ECB-discountable assets' portfolio is aimed at the mitigation of the Group's liquidity risk, with future funding requirements being permanently monitored. The next chart, for example, illustrates the distribution over time of the medium/long term debt maturities in 2012 and 2013. The large maturities volume for the first quarter of 2012 is fundamentally relative to the month of January, which includes the maturity of two EMTN issues amounting to around 1,960 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, formulated at 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 along the year, being revised whenever necessary or advisable.

The table below illustrates the wholesale funding structure, as at 31 December 2011 and 2010, in terms of the relative importance of each of the instruments used:

Liquidity breakdown

(*Wholesale funding*)

	31st Dec 2011	31st Dec 2010	Weight difference
MM	0,0%	4,2%	-4,2%
BCE	46,8%	44,2%	2,5%
SFI Deposits	0,0%	1,4%	-1,4%
Commercial Paper	5,3%	1,0%	4,2%
Repos	3,1%	0,3%	2,8%
Loan agreements	4,3%	3,6%	0,7%
Schuldschein	1,4%	1,3%	0,0%
EMTN	25,8%	30,6%	-4,9%
Equity swaps	0,4%	0,0%	0,4%
Covered bonds	11,5%	10,0%	1,6%
Subordinated debt	1,3%	3,3%	-1,9%
TOTAL	100,0%	100,0%	-

Thus, in 2011 there was an increase in the relative importance of the funding obtained from the ECB, with a reduction of the other components' weight, although mitigated by the reduction in funding requirements resulting from the decrease of the commercial gap.

Control of liquidity risk

The control of the Group's liquidity risk, for short term time horizons (up to 3 months) is carried out daily based on two internally defined indicators - the immediate liquidity indicator and the quarterly liquidity indicator - which measure the maximum fund-taking requirements that could arise cumulatively over the respective time horizons, considering cash flow projections for periods of 3 days and of 3 months, respectively. These indicators, for 31 December 2011, 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	-482,3	-583,6
Romania	0,0	0,0
Angola	0,0	0,0

Note: null values represent positive treasury positions (net of Highly Liquid Assets)

At the same time, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors underlying the variations that have occurred.

The Group controls the structural liquidity profile through the regular monitoring, by its management structures and bodies, of a series of indicators defined both internally and by regulations, aimed at characterising liquidity risk, such as:

- The loans-to-deposits ratio;
- The medium term liquidity gaps;
- The wholesale funding coverage ratios, by highly liquid assets (HLA).

As at 31 December 2010 and 2011, these indicators were as follows:

Liquidity control indicators

	Reference value	Dec-11	Dec-10
Accumulated net cash-flows up to 1 year as a % of total accounting liabilities	Not less than (- 6 %)	-1,6%	-5,9%
Liquidity gap as a % of illiquid assets	Not less than (- 20 %)	-8,2%	-7,6%
Loans to Deposits ratio	Not above 150% a)	134,8%	148,8%
	b)	144,8%	163,6%
Wholesale Funding coverage ratios by Highly Liquid Assets (HLA)			
Up to 1 month	> 100 %	132,2%	136,0%
Up to 3 months	> 85 %	96,4%	113,5%
Up to 1 year	> 60 %	87,6%	95,2%

a) Considering Balance-Sheet Structured Products equivalent to deposits

b) As defined by banco de Portugal's Instruction no. 23/2011, from 2011/09/26

Capital and Liquidity Contingency Plan

The Capital and Liquidity Contingency Plan (PCCL) defines the priorities, responsibilities and specific measures to be undertaken in the event of a situation of a liquidity contingency. This plan is reviewed at least once a year.

The PCCL states, as its objective, the maintenance of a balanced liquidity and capital structure, also establishing the need for the continuous monitoring of market conditions, as well as lines of action and triggers aimed at timely decision-taking in adverse scenarios, either anticipated or observed.

The PCCL defines a composite indicator of the main parameters identified as advanced indicators of liquidity stress situations of (29 variables) which can affect the Group's liquidity situation. This indicator is calculated in the last week of each month and its evolution is followed-up by the Executive Board of Directors, the Group CALCO and the Group Treasurer.

Pension Fund risk

This risk stems from the potential devaluation of the Bank's Defined Benefit Pensions Fund, or from the decrease of its expected returns, implying the need to make unplanned contributions. The Pension Funds Risk Sub-commission is responsible for the regular monitoring of this risk and for the supervision of its management.

As at 31 December 2011, the liabilities related to the retirement pensions and pensioners of the Bank's Defined benefit Pension Fund were partially transferred to Social Security, with the Fund remaining responsible for the complementary pensions and liabilities related to past services of active employees, among others. The remaining responsibilities with retirement pensions and pensioners of this Fund will be transferred in the first half of 2012.

Hence, as at 31 December 2011 and considering the transfers referred to above (already effected and to be effected), the Defined Benefit Pension Fund for the banking employees and related to the Group's responsibilities, registered a volume of 2,316 million euros and a net return of -0.71% for the year.

Business and strategic risk

This type of risk materialises as negative impacts on net income and/or capital, arising from 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 stock market price of the BCP share is a relevant indicator for the measurement of this type of risk, with its quantification being made under 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 BCP share, this evolution being analysed after deduction of the external influence of the stock market, estimated from a time series of share prices of the largest banks listed at Euronext Lisbon.

EXPOSURE TO ACTIVITIES AND PRODUCTS AFFECTED BY FINANCIAL CRISIS

The Group's portfolio does not have any exposure either to the US subprime/Alt-A mortgage market, namely through Residential Mortgage-Backed Securities (RMBS), Commercial Mortgage-Backed Securities (CMBS), Asset-Backed Securities (ABS) or Collateralised Debt Obligations (CDO), or monoline type insurers.

The Group carries out transactions with derivatives fundamentally to hedge structured products for Customers (guaranteed capital and other products), risks stemming from the Bank's day-to-day business, essentially including hedging 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 on loans to companies. Credit securitisation is used as a liquidity and capital management tool, aimed at financing the Group's business and, under certain circumstances, to release capital. The Group has no exposure to Special Purpose Entities (SPE) other than that arising from its own securitisations and normal credit business, as described in the Notes on Accounting Policies and on Customer Loans and Advances of the Consolidated Financial Statements. Furthermore, the accounting policies relative to SPE and securitisations have not been altered over the past 12 months.

The international financial crisis revealed structural imbalances in State expenditure in many jurisdictions of the world, including Greece, Ireland and Portugal. As at 31 December 2011, the Group's net exposure to Portuguese sovereign debt was 4.7 billion euros, net exposure to Greek sovereign debt was 0.38 billion euros, net exposure to Irish sovereign debt was 0.2 billion euros, the net exposure to Italian sovereign debt was 0.05 bilion euros and the net exposure to the Spanish sovereign debt was 0.005 billion euros, amongst which almost 2.8 billion euros was recorded under the portfolio of financial assets held for trading and available for sale and 2.6 billion euros under the portfolio of financial assets held to maturity. Further information on exposure to the sovereign debt of countries of the European Union in bailout situation is presented in Note 59 of the Consolidated Financial Statements.

The Group's accounting policies are described in Nota I of the Notes to the Financial Statements, included in the Accounts and Notes to the Accounts of 2011. Further information on the valuation of financial assets and risk management is presented in the Notes on Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity; Fair value reserves, Other reserves and Retained earnings; Fair value and Risk Management in the Report referred to above.

Main Risk Factors

This section highlights the risks that are most significant and capable of affecting the Bank's activity in 2012, and might lead to the future results of the Group diverging materially from the expected results. However, other risk factors could also adversely affect the results of the Group. Hence, the risk factors presented below should not be perceived as an exhaustive and complete statement of all the potential risks and uncertainties which could constrain the Bank's activity in 2012. The main risks identified are of two types:

Exogenous

- Deterioration of the macroeconomic environment (deepening of the recession);
- Downgrade of the ratings of the Portuguese Republic and other countries of the Eurozone;
- Institutional framework of the Eurozone / Stability of domestic funds and risks of transfer of deposits abroad / Deterioration of the climate of confidence;
- Capability of funding in wholesale funding markets constrained for an undetermined period;
- Deterioration in conditions of access to liquidity refinancing operations by the ECB;
- Maintenance of sovereign debt risk (Portugal) at high levels;
- Contagion effect / Adverse behaviour of the capital markets;
- Restrictiveness of the regulatory framework (new regulatory requirements aimed at strengthening the solidity and stability of the financial sector);
- Uncertainty regarding the final requirements and implementation of Basel III;
- Implications of the European Bank recapitalisation plan on the BCP and on the national banking system;
- Non-sustainability of debt dynamics (poor results of public finance and external deficit);
- Intensification of the competitive sectorial environment;
- New budgetary consolidation measures which increase the tax burden for the bank sector and/or on financial instruments.

Endogenous

- The possible recapitalisation of BCP could result, directly or indirectly, in the recomposition of the shareholder structure, with the potential entry of new shareholders;
- Deduction of capital losses on public debt and own funds;
- Reduction of own funds through increased actuarial losses of the Pension Fund;
- Volatility caused by the Bank’s credit risk;
- Downgrade of BCP’s ratings;
- High dependence on ECB funding;
- Impact in capital of the deterioration of the Greece’ financial condition;
- Concentration of the loan portfolio;
- Fall in stock markets and/or corporate debt markets;
- Sharp deterioration of credit quality and increase in overdue loans;
- Devaluation of local currencies in the Group's operations outside the Eurozone;
- Depreciation of real estate assets;
- Reputation Risk;
- The Bank's interest rate risk is historically high, making it vulnerable to increased rates;
- Decision of the authorities or courts against the Bank's interest in administrative offences;
- Contingencies in the implementation of the Bank’s strategy.

EXOGENOUS RISKS

Deterioration of the macroeconomic environment (deepening of the recession)

Any further deterioration of the current macroeconomic environment will have an adverse impact on the financial situation of the national banking sector, namely in terms of decreased turnover and loan quality. Various factors undermine the expectations of growth of the Portuguese economy and might lead to the deterioration of the macroeconomic environment, contributing to the deepening of the recession in 2012. Amongst these factors, reference should be made to the series of budgetary consolidation measures adopted under the Economic Adjustment Programme agreed with the European Commission/IMF/ECB. It cannot be excluded that additional budgetary consolidation measures may be necessary, with repercussions on private and public expenditure and an uncertain effect on public order. The existence of a more unfavourable external environment, in particular in the main trading partners of Portugal, which increases the risk of recession in the EU in the short term, might exacerbate the economic and financial crisis currently being experienced in Portugal.

Downgrade of the ratings of the Portuguese Republic and other countries of the Eurozone

During 2011 and beginning of 2012, various countries of the Eurozone, including the Portuguese Republic, were subject to a series of downgrades by the main rating agencies (Standard & Poor's, Moody's, Fitch and DBRS). In the case of Portugal, the main reasons invoked were the uncertainty and risks arising from the process of budgetary consolidation, the low external competitiveness of the Portuguese economy, the external funding difficulties and the sustainability of the public debt dynamics. The inability of rapid recovery in view of the current context and compliance of the targets defined under the Economic Adjustment Programme, added to the deepening of the recessive climate and continued difficulties in access to external funding might have an negative impact on the risk of the Republic of Portugal and, consequently, on the risk premia of Portuguese banks, their funding costs, the value of the portfolio of eligible collateral at the ECB, funding capacity and results.

Institutional framework of the Eurozone / Stability of domestic funds and the risk of transfer of deposits abroad / Deterioration of the climate of confidence

There are doubts as to whether the measures that have been announced by the authorities will resolve the crisis of the Eurozone. The intensification of the crisis has proved to be very negative for the economy of the region and for the stability of the financial sector. The failure to find a wide-ranging and convincing solution will sustain a climate of high volatility in the financial markets, which is particularly unfavourable for countries showing greatest economic and financial weaknesses (i.e. countries with heaviest debt and deficit problems). The impacts of possible scenarios (e.g. new Treaty, leaving of some member countries or, extreme hypothesis, end of the monetary union) are unpredictable. While, on the one hand, it is believed that there will be greater cohesion and financial discipline in the Eurozone, the opposite scenario, the end of the monetary union would probably imply the bankruptcy of several national banking systems, including the Portuguese banking system which is under pressure of the risk of transfer of funds/deposits abroad as a result of the deterioration of confidence levels.

Capability of funding in wholesale funding markets constrained for an undetermined period

Portuguese banks are currently facing a situation of constrained capability of funding in wholesale funding markets for an undetermined period and high dependency on funding received from the ECB. Government expectations, in line with the Economic and Adjustment Programme, are that, until 2013, access of the national banking system to whole funding markets will be rather limited. It is expected that as of 2013, and assuming compliance with the targets of the Economic Adjustment Programme by the Republic, the access of the Treasury and Portuguese banks to international funding markets will improve both in terms of volume and funding cost/spreads. Otherwise, the continuation of this situation will increase pressure on the deleveraging effort and lead to excessive dependence on ECB funding.

Deterioration in conditions of access to the liquidity refinancing operations by the ECB

The ECB has been one of the funding sources used by the national banking system during this phase inability to obtain financing through the wholesale funding markets. By the end of 2011, Millennium bcp had a total of 15.7 million euros of assets eligible for discount at the ECB, of which 12.7 million euros have already been used. The reduction of the pool of eligible assets, reflecting the erosion of collateral following the downgrades of the rating agencies and the possible difficulty in managing eligible assets to compensate the erosion arising from the loss of eligibility will have a negative impact in terms of liquidity, necessarily implying a search for alternative funding sources and an accelerating of the deleveraging of the Balance Sheet. It is important to emphasise that the ECB has shown, especially in the last few months, greater willingness to support the European banking system, where particular note should be made of the extension, in December 2011, of the maximum period of its funding to banks to 3 years aimed at reducing the liquidity risk of the sector in the Eurozone, the simplification of the rules relative to collateral and the reduction of minimum reserve requirements to half.

Maintenance of sovereign debt risk (Portugal) at high levels

Although the Portuguese financial system has shown great resilience since the beginning of the economic and financial crisis, having ensured the normal funding of the economy during this period, the tensions associated to the sovereign debt crisis and to the constrained access to international wholesale funding markets have exerted major restrictions on banking activity, forcing the institutions to resort to funding from the ECB and to the intensification of the attraction of funding from more stable domestic sources. In this context, the management of liquidity risk has gained increasing importance. The group has adopted some measures through its risk management policies since 2008, which seek to mitigate the adverse impact of the unfavourable liquidity circumstances of the markets, by reducing the commercial gap (balance sheet customer loans-funds), strengthening the attraction of deposits, sale of non-strategic assets and recomposition of assets, through the increase of highly liquid assets. Under the Group's overall liquidity management strategy, there has been more careful granting of loans and focus on the obtaining of funds with the objective of reducing the commercial gap. The Bank, whenever permitted by market conditions, will obtain its funding from interbank and capital markets according to its needs. Although the Bank considers that its liquidity risk management and mitigation policies are suitable, the extension of the market circumstances and continuation of sovereign debt risk at high levels might penalise the Group's liquidity position, both through funding difficulties and via reduction of the pool of assets eligible for discount at the ECB, in addition to the funding costs of the activity, with negative impact on the financial situation and loan quality of the BCP Group.

Contagion effect / Adverse behaviour of the capital markets

The uncertainty regarding the duration of the current international financial crisis will continue to penalise the evolution of the capital markets and maintain or aggravate the already high risk aversion, reflected in the existence of market risk related to the evolution of stock prices, penalising the evolution of fees on stock exchange and asset management operations, the net income of financial operations and other income and, also the value of financial holdings and securities portfolios. The concomitant depreciation of the value of financial collateral, risk premium associated to operations in different markets and yields of pension funds might negatively affect the Bank's net income and solvency ratios. The uncertainty of the opening of the capital markets to the national banking system, to return to being a source of funding of the sector, will contribute to increased pressure on the balance sheet deleveraging process and maintenance of excessive dependence on funding from the ECB.

Restrictiveness of the regulatory framework (new regulatory requirements aimed at strengthening the solidity and stability of the financial sector)

The implementation of a more demanding and restrictive regulatory framework, with additional restrictions on Financial Institutions, in particular regarding capital ratios, indebtedness, liquidity and mandatory information, even if beneficial to the financial system and of a preventative and temporary nature, will imply additional costs for banks. The compliance with new regulations might increase the regulatory capital requirements and costs of the Bank, result in heavier duties of information, restrict certain types of transactions, affect the Bank's strategy and limit or imply the modification of the rates or fees charged by the Bank for certain loans and other products, where any of the above might reduce the yield of its investments, assets or holdings. The Bank might also face increased compliance costs and limitations on its capacity to pursue certain business opportunities, and, as a consequence, this could have a significantly adverse effect on the activity, financial situation and results of the operations of the Bank.

As part of the Economic Adjustment Programme signed with the IMF/EU/ECB, Portugal agreed that the Bank of Portugal would require that all the banking groups under its supervision should achieve a Core Tier I ratio of 9% by the end of 2011 and a Core Tier I ratio of 10% by the end of 2012, and that it should be maintained at this level thereafter. On this issue, it should be noted that Notice of the Bank of Portugal number 3/2011 was published on 17 May 2011, in Diário da República, which determines compliance with a minimum Core Tier I ratio of 9% by 31 December 2011, and 10 % by 31 December 2012, for banking groups subject to supervision on a consolidated basis by the Bank of Portugal and by institutions, not included in these groups, with head office in Portugal and which are qualified to acquire deposits. In addition to these requirements, on 8 December

2011, the European Banking Authority recommended the strengthening of capital requirements in accordance with bank exposure to sovereign debt, for precautionary reasons. For Portugal, the exercise represented a substantial increase in capital strengthening requirements (reaching a total of 6.95 billion euros, of which 3.7 billion euros refer to the public debt buffer). This recommendation was endorsed by the Bank of Portugal, which, in line with the guidelines issued by the EBA, instituted in Notice number 5/2012 that these additional requirements would have to be complied with by 30 June 2012. Following the recommendation of the EBA, banks should favour market instruments or use the established public support facilities.

The regulatory requirements will imply the need for additional capital strengthening in order to comply with the more demanding capital ratios and their lower profitability. The existence of stricter requirements on disclosure and transparency of information will also lead to increased costs for the Bank, with a potentially significant adverse effect on the activity, financial situation and results of the operations of the Bank. The enhanced supervision by the Bank of Portugal as a result of the Economic Adjustment Programme agreed with the IMF/EU/ECB might increase costs and potentially force the Group to sell some of its assets under sub-optimal conditions. As a consequence, the Bank might be confronted with the need to further increase its capital base or restrict its policy of distribution of profit. Moreover, the Bank might be faced with additional constraints concerning the management of its assets and liabilities, and might be affected by the triggering of public recapitalisation mechanisms (which are subject to conditions) which are specifically contained in the Programme.

Uncertainty regarding the final requirements and implementation of Basel III

On 12 September 2010, the Basel Committee on Banking Supervision announced a new agreement, known as Basel III, which reviews most of the minimum requirements relative to capital and liquidity. This agreement has stricter capital requirements that will be applied over a transition period in order to attenuate their impact on the international financial system. The minimum capital requirements for Core Tier I capital (which does not include hybrid capital) will gradually increase from 2% of risk-weighted assets to 7% of risk-weighted assets by 2019. The total solvency ratio will increase from 8% to 10.5% between 2016 and 2019. Further alterations include: i) a progressive increase of the common equity ratio from 2% to 4.5% by 2015; ii) a progressive increase in the Tier I ratio from 4% to 6% by 2015; iii) the additional requirement of a capital conservation ratio of 2.5% on common equity, with phased implementation from 2016 to 2019 and the application of restrictions on bank capability to pay dividends or make other payments, to be defined, if the capital is below the common equity ratio and capital conservation ratio; iv) a buffer of anti-cyclical capital, which will stand at between 0% and 2.5% of risk-weighted assets, with loss absorption properties, according to the credit cycle phase pursuant to its application by the national supervisory authorities; v) the leverage ratio will be tested for a non-adjusted ratio of risk of 3%. Furthermore, the Basel III regime also contains stricter requirements relative to the quality of the capital that may be considered Core Tier I capital and for the calculation of risk-weighted assets. The full implementation of Basel III is forecasted only for the end of 2019. It is expected that the main impacts of Basel III on consolidated capital ratios will be related to deferred tax assets, deficit of the value of impairments for expected losses, Pension Fund corridor, minority holdings in consolidated subsidiaries, significant holdings in non-consolidated financial institutions and in the increased capital requirements for market and counterparty risks.

On 13 January 2011, the Basel Committee issued "Minimum requirements to ensure loss absorbency at the point of non-viability", which suggests some specific rules for internationally active banks. The rules require that all additional Tier I and Tier II instruments issued by internationally active banks must include, with certain exceptions, a provision in their terms and conditions requiring that they should be written-off when particular circumstances occur. If these rules were to be implemented in Portugal, the Bank would be subject to them. If the proposal were implemented in its current wording, this could affect the price of the additional Tier I and Tier II instruments issued by the Group in the future. In addition to these requirements, institutions identified as systemically relevant at a worldwide level might be subject to even more demanding and restrictive requirements. While it is not foreseen that national banks will be classified as systemically relevant at a global level, there are, however, proposals that this principle should also be applied at a local level. In this case, in view of the Bank's dimension in the national banking system, a classification of this nature could imply additional costs for the development of business activity.

Some uncertainty remains concerning the final requirements and implementation of Basel III. If these measures were to be implemented as currently proposed, it is expected that there would be a significant impact on the capital and on the management of the assets and liabilities of the Group. Consequently, this could have an adverse effect on the results, financial condition and prospects of the Group.

Implications of the European Bank recapitalisation plan on the BCP and on the national banking system

On 8 December 2011, the European Banking Authority (EBA) published a Recommendation aimed at promoting, amongst the main European banks, a strengthening of the regulatory capital of highest quality. In this context, it was defined that the banking groups subject to EBA stress-testing should strengthen their respective capitalisation levels in order to achieve, by 30 June 2012, a Core Tier I ratio of 9%, after a prudent assessment, at market values, of their exposure to sovereign debt held as at 30 September 2011.

The Bank of Portugal determined, in Notice number 5/2012, that the Caixa Geral de Depósitos Group, Banco Comercial Português Group, Espírito Santo Financial Group and Banco BPI Group are all subject to compliance with the EBA Recommendation. According to the defined timing, these four banking groups sent their respective capitalisation plans to the Bank of Portugal by 20 January 2011, which specified and justifed the instruments they intend to use so as to comply with the requirements. These capitalisation plans shall be appraised by the Bank of Portugal, in coordination with the EBA and, if necessary, in the context of the relevant colleges of supervisors, by the end of February.

The adherence of Millennium bcp to the specific national banking system recapitalisation plan (namely under the line of the total value of 12 billion euros established in the Economic and Adjustment Programme), might imply the entry of the State in the Bank's capital, under forms as yet to be defined, contributing to various risks, namely, loss of strategic autonomy, possible distancing of the interest of private investors and dilution of net earnings per share. On the other hand, the level of interference in management and the conditions of entry and exit of the State continue to be two of the most sensitive points of the national banking system recapitalisation plan, whose effective definition has potential and particular impact in terms of the policy of distribution of dividends and appointment of managers. Finally, the entry of the State in the Bank's capital should also be associated to a financial cost, which would affect the Bank's net income in a negative manner.

However, it is noted that if the State's participation in ordinary shares would be below 50% there is no room for participation in management and in the case of the issuance of COCO's (hybrid instruments) until his eventual conversion there is no impact beyond the dividend payment.

Non-sustainability of debt dynamics (poor results of public finance and external deficit)

The continuation of the adverse macroeconomic environment and the possible inability of the Republic of Portugal to meet the commitments assumed under the Economic and Adjustment Programme, which, combined with the non-opening of the capital/debt markets, might lead to the need of additional external assistance. This scenario, of increased risk and uncertainty, would exert pressure on the Bank to seek possible alternative funding sources, as well as the need to accelerate/review its Funding and Capital Plan and add new eligible assets to its pool of assets eligible for discount at the ECB.

Intensification of the competitive sectorial environment

The Portuguese banking market is resilient and extremely developed, containing strong national and international competitors which follow multiproduct, multichannel and multisegment approaches. In a very adverse economic context, with pressure to deleverage balance sheets and reduce loan concession, many Portuguese banks are dedicated to increasing their revenue through an increase in their respective market shares and cross-selling, which has led to more aggressive commercial strategies. It is also expected that there will be an intensification of the trend of integration of financial services at a European level, which could contribute towards increased competition, especially 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, implies the existence of business and strategic risk, which could lead to the eventual loss of market share in some products and/or business segments, difficulty of adjustment of spreads to credit risk, decreased net interest income, fees and other revenue and penalise the evolution of revenue, net income and net worth.

New budgetary consolidation measures which increase the tax burden for the bank sector and/or on financial instruments

The Bank might be adversely affected by changes in the tax legislation and other regulations applicable in Portugal, the European Union and other countries in which it operates, as well as by alterations of interpretation, by the competent tax authorities, of this legislation and these regulations, which might have a negative impact on the Bank's activity, financial condition and results. The measures that the Portuguese State intends to implement, aimed at ensuring budgetary consolidation, stimulating the economy and supporting the banking sector, might lead to an increase in tax costs, through increased tax incidence and/or decreased tax benefits in the different areas of tax incidence, and to greater constraints of the applicable pricing, which could have a directly negative impact on the Bank's net income and turnover.

ENDOGENOUS RISKS

The possible recapitalisation of BCP could result, directly or indirectly, in the recomposition of the shareholder structure, with the potential entry of new shareholders

Following the stress test conducted by the EBA, the programme of inspection of the loan portfolios of Portuguese banks foreseen in the Economic Adjustment Programme and concluded at the end of December, and the transfer of the pension funds of various national banks to Social Security (under a transfer promoted by the Government, of 6 billion euros of pension funds of various national banks, which enabled cutting the public deficit for 2011 to 4% of GDP, below the target of 5.9%), Millennium bcp was faced with the need to use the public recapitalisation line, which could, namely, take place through the issue of shares or contingent capital instruments (CoCos). The capital requirements might also be met partially through an increase of share capital via new cash entries, a process which could result in a recomposition of the shareholder structure, with the entry of new shareholders and possibly the strengthening of the stake of some current shareholders, as well as in the possible dilution of the stake of other shareholders.

Deduction of capital losses on public debt and own funds

As noted above, by the end of 2011, Millennium bcp had an exposure to public debt of the value of 6.8 billion euros. The possible compulsory nature of the deduction of potential capital losses on public debt from own funds would create difficulties in the compliance with the objective of achieving a Core Tier I ratio above 9% by June 2012, and 10% by the end of 2012, which could lead to the need to strengthen the Bank's own funds through its Shareholders or use of the capitalisation line for the national banking sector. However, it is worth mentioning that the capital ratios to be achieved at June 30, 2012 already include a buffer for the devaluation of the sovereign debt.

Reduction of own funds through increased actuarial losses of the Pension Fund

During 2011, a Tripartite Agreement was established between the Government, the Portuguese Association of Banks and the Unions of the banking workers on the transfer to Social Security of the liabilities related to pensions paid to current retired workers and pensioners. The total value of the transferred liabilities reached 2,583 million euros. The financial liquidation of the value of 1,510 million euros, took place before 31 December 2011, and the remaining value will be transferred in the first semester of 2012.

At the same time, IAS 19 Employee Benefits also establishes the use of the method of the direct recognition in equity of actuarial deviations. At the end of 2011 the Group decided to alter its accounting policy, and now recognises the actuarial deviations for the year against reserves. According to IAS 8, this alteration of the accounting policy is presented as of 1 January 2010, whereby the entirety of the deferred actuarial deviations is recognised in equity on that date.

For prudential effects, the Bank of Portugal authorised the maintenance of the corridor for the liabilities not transferred to Social Security as well as the amortisation method defined for deferred adjustments related to the pension fund ("Extended corridor"), with the exception of those arising from the actuarial deviations recorded in 2008, of the value corresponding to the liabilities transferred to Social Security.

The level of coverage of liabilities of the Bank’s pension fund could prove to be insufficient. If the deterioration of global financial markets to determine lower investment income and, consequently, the value of the fund decreases, this will result in actuarial losses in the year, which are recognized against reserves in the year they occur.

Since settlement of the liabilities transferred is made in cash or in public debt valued at market prices, the assets that remain in the Pension Fund corresponding to the responsibilities not transferred may have a different composition, dependent on the evolution of financial markets, could lead to actuarial differences.

In the future, the Bank cannot guarantee that will not make changes to actuarial assumptions relating to the pension fund. These changes in assumptions may lead to increased actuarial differences.

Volatility caused by the Bank’s credit risk

These last few years have been marked by the aggravation of the international financial crisis and by the sharp deterioration of the sovereign debt crisis. The existing uncertainty, especially in the financial sector, as a result of the growing difficulties of the financial institutions and systemic risk, led to the maintenance of very high levels of costs related to protection against the default of private debt instruments of the financial market and, in particular, of national banks. The maintenance of this situation has led to the increased spread of the Bank's loans, with negative impact on the level of net interest income, but has also resulted in gains in the fair value of liabilities at fair value. However, these effects are reversible in the long term: the reduction of the Bank's loan spread will produce opposite effects, which will be reflected in a possible decrease in the Bank's net income.

Downgrade of BCP’s ratings

The ratings assigned to BCP reflect, apart from the evolution of the rating of the Portuguese Republic, a series of intrinsic factors. In terms of capital, and in spite of the initiatives carried out recently aimed at strengthening its capital position, the deleveraging process in progress and existence of a facility to support banks provided by the Portuguese State of 12 billion euros for capital reinforcement, the rating agencies have pointed to some fragility of BCP's capital position. In terms of results, the evolution of BCP will be constrained, essentially, by the evolution of the Portuguese economy. The rating agencies also consider the deterioration of the quality of the loan portfolio to be an additional risk factor, essentially related to its exposure to the SME sector in Portugal and to its risks (BCP is the bank with the largest market share in this segment), and also refer to the Bank's exposure to public debt. Finally, the rating agencies consider, as an additional risk factor, the high dependency on wholesale funding and funding from the ECB, as well as the need to reduce the ratio of net loans/deposits so as to reach a ratio of 120% by 2014. Since the wholesale funding markets are practically closed to the Portuguese Republic and to the national banking system under conditions considered suitable, the maintenance of the trend observed during 2011 of downgrading of the ratings could contribute, for example, to the erosion of the collateral eligible for funding at the ECB (requirement of higher haircuts), as well as more restrictive access to funding, at a higher cost. In order to overcome this situation, the Bank might need to accelerate its deleverage process and reduce its activity, with an negative effect on its net income.

High dependence on ECB funding

Currently, the national banking system has limited access to international debt markets, thus showing high dependence on funding from the ECB, which, by the end of 2011, reached 12.7 million euros, corresponding to 14.3% of the Bank's liabilities. The objective of the Millennium bcp is to reduce this dependency in the short/medium term, although, if the authorities oblige a faster reduction of this exposure or if there are restrictions to access to ECB funding, the Bank might be forced to accelerate its Funding and Capital Plan, exerting pressure on profitability and on the deleveraging process. It is important to stress that, under the current context, the review of the conditions of assignment of liquidity by the ECB could lead to the Bank being forced to dispose of its assets, with a potentially significant discount in relation to their respective book value, in order to comply with the Bank's liabilities, and corresponding negative impact on capital and net income. It is particularly noteworthy that, in an unprecedented action, in December 2011, the ECB announced the extension of the maximum period of its funding to 3 years in order to reduce the sector's liquidity risk and strengthen its commitment with the Eurozone. The Bank is implementing various measures to diversify its funding sources away from the ECB, and has also accelerated its deleveraging process, endeavouring to increase customer funds and reduce the granting of loans to customers, which could represent a risk of increased cost of deposits and, if this process is not accompanied simultaneously by the repricing of loans, might negatively affect the net interest income and overall net income of the Bank.

Impact in capital of the deterioration of the Greek’s financial condition

There is a high risk of sovereign default by Greece, resulting in a further significant increase in spreads and adverse contagion effects, along with the risk of financial assistance provided by international institutions not being effective and domestic social and political tensions. The Bank recognized by the end of 2011 a total write-down of goodwill amounting to EUR 294.3 million, associated with the acquisition of Millennium bank in Greece, so the current risk factors relate to the risk of operating business and the level of liquidity and capital support that will be required to the parent company. The risk-weighted assets (RWA) of Millennium bank in Greece amounted on December 31, 2011 to 4.4 billion and represented 7.96% of the Group’s total RWA. Consequently, the continued economic downturn or deterioration of the financial situation in Greece or a deteriorating outlook for the performance and financial condition of Millennium bank in Greece may lead to an additional impairment in the Group's consolidated accounts, resulting from the deteriorating assets quality held by Millennium bank in Greece. The deteriorating situation in Greece, may affect the evolution of net interest income, in the context of the reduction of activity level (less loans and reduced customers deposit base), which along with the increase of overdue loans could result in a more negative net income. As a result of the deterioration of economic environment in Greece, the overdue loans over 90 days of Millennium bank stood at 6.7% of gross loans as at December 2011. Faced with an economic and financial environment very demanding and subject to high uncertainty, the trend of unfavourable evolution of overdue loans will continue and compromise the results of Millennium bank in Greece and by extension the Group's consolidated results and its position in terms of capital.

Concentration of the loan portfolio

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 the individual exposure of its loan portfolio. The 20 largest individual loan exposures represented, as at 31 December 2011, 9.7% of the total loan portfolio, corresponding to a relatively high value, which, together with the high credit exposure to the civil construction sector, contributes to raising exposure to the credit risk. This problem is common to most of the main Portuguese banks, in view of the small size of the Portuguese market, and has been greatly noted by the rating agencies as a fundamental challenge facing the Portuguese banking system. The rating agencies have been particularly critical in relation to BCP's concentration of its exposure in larger Customers and, especially, of the exposure to Shareholders, contributing to make the rating sensitive to the evolution of these variables. Although the Bank carries out its business based on strict risk control policies, in particular of credit risk, seeking to increase the degree of diversification of its loan portfolio, it is not possible to guarantee that the exposure to these groups will fall significantly in the short and medium term.

Fall in stock markets and/or corporate debt markets

The income obtained from the Group's financial investments form an important part of the consolidated profitability, particularly in the case of the asset management business developed by Millennium bcp Gestão de Activos, the life insurance branch developed by the joint venture Millenniumbcp Ageas and investment banking. A sharp depreciation in global capital markets could affect the sales of some products and services, namely unit-linked products, capitalisation insurance, mutual investment funds, asset management services, brokerage, primary market issues and investment banking transactions, and significantly reduce the fees related to them. As a minority shareholder of Millenniumbcp Ageas, there is a risk of the Bank being called up to inject capital into this company if the solvency ratio of the company falls below a certain predefined level, for example, as a result of insurance product derivative bonds with guaranteed minimum levels of return. Therefore, a decline in the capital markets in general could adversely affect the Bank's net income, financial situation and future prospects. As at 31 December 2011, the Group's portfolio of shares, including the investments in associates, reached 587.4 million euros, equivalent to 0.6% of the Group's total assets. Any depreciation in the value of the portfolio of financial holdings could have negative repercussions on its financial situation and net income. A fall in stock and debt markets would also have an impact in terms of the quality of the assets due to the lower value of the collateral of various loans granted, based on this type of guarantee, leading to the reduction in its coverage ratios (as at 31 December 2011, 6.5% of the loan portfolio had financial assets as collateral). Finally, the value of the assets comprising the net worth of the Group's Pension Fund will also depend on the future evolution of the capital markets. A sharp fall in the capital markets could lead to insufficient coverage, through the value of the assets in its net worth and liabilities undertaken by the Pension Fund, negatively affecting the Bank's capital ratios and net income.

Sharp deterioration of credit quality and increase in overdue loans

Millennium bcp's consolidated loan portfolio, as at 31 December 2011, reached 71,533 million euros, of which 6.2% refer to non-performing loans. The prolonged maintenance of the adverse economic and financial circumstances at a worldwide, European and national level, combined with the implementation of the austerity measures established under the Economic Adjustment Programme, increases the risk of deterioration of the quality of the consolidated loan portfolio, and might lead to increased impairment losses and the deterioration of the solvency ratio through capital reduction and/or increased risk weighted assets (RWA).

Devaluation of local currencies in the Group's operations outside the Eurozone

As at 31 December 2011, Millennium bcp had operations outside the Eurozone, in particular in Mozambique, Angola, Poland and Romania. Any devaluation of the first three currencies could have a negative impact on the Group's consolidated net income. In the case of Romania and since the operation has not yet reached its break-even point, the impact would be the opposite. Moreover, the Bank's loan portfolio includes loans in foreign currency, where the losses are assumed by the Customers and recorded in the profit and loss account under impairment.

Depreciation of real estate assets

Millennium bcp is highly exposed to the Portuguese real estate market, both directly through assets related to its operations or obtained in lieu of payment, and indirectly through properties guaranteeing loans or through the funding of real estate development projects (the assets received in donation in Portugal represented 1.1% of total assets as at December 31, 2011 and the direct exposure to the real estate sector, consisting of loans granted to construction companies and real estate activities and the mortgage credit represented 57% of the loan portfolio as at 31 December 2011). This fact makes the Bank vulnerable to a depression in the real estate market. A significant devaluation of prices in the Portuguese real estate market would lead to impairment losses in the assets held directly, lower coverage of exposure to loans guaranteed by real estate collateral and in the pension funds, adversely affecting the Bank's financial situation and net income.

Reputation risk

Reputation risk is inherent to the Group's business activity. A negative opinion of the public or sector could adversely affect the Group's ability to maintain and attract Customers and, in particular, institutional and retail depositors, whose loss could adversely affect the Group's business, financial situation and future prospects. The Bank has a limited number of Customers who were classified as politically exposed persons pursuant to the applicable legislation. Although the Group exercises an increasingly stricter scrutiny of the transactions with politically exposed persons in order to ensure compliance with the applicable laws, the bank services provided to these individuals imply reputation risks, even when there is no infringement of the law.

The Bank's interest rate risk is historically high, making it vulnerable to increased rates

Interest rates are highly sensitive to many factors beyond the control of the Bank, including decisions of the monetary authorities and internal and international political constraints. Changes in market interest rates can affect the interest charged by the Bank and received from assets generating interest in a different way when compared with the interest paid by the Bank for remunerated liabilities. This difference could reduce the Bank’s net interest income. At the end of 2011, the ECB announced its decision to reduce the interest rate applicable to the main refunding operations of the Eurosystem from 1.25% to 1%. A movement in the opposite direction by the ECB (increased interest rates in the Eurozone) could increase the costs associated to debt service in Portugal and aggravate the general financial conditions if the interest rate increases do not correspond to the Portuguese financial situation. Moreover, it is expected that the capital market will remain difficult in the short/medium term. Furthermore, an increase in the interest rate could reduce demand for loans and the Bank’s capacity to grant loans to Customers, and also contribute to increased loan default. Conversely, a reduction in interest rates could affect the Bank negatively through, amongst others, the lower average interest rate of its mortgage loan portfolio, lower net interest income from deposits, lower demand for deposits and increased competition. As a result of these factors, significant changes or volatility in interest rates could have a substantial adverse impact on the Bank’s activity, financial situation or net income.

Decision of the authorities or courts against the Bank's interest in administrative offences

At this date it is not possible to forecast the definitive outcome of the court cases in progress or whether new lawsuits or investigations will be submitted in the future. However, the Bank always runs the risk of being subject to restrictive measures of civil, administrative or other nature, including fines, depending on the result of the accusations, investigations and proceedings in question. The Bank might also be subject to investigations or proceedings by other regulators or disputes, in Portugal or in any other place, by shareholders or third parties, disputes which, if decided against the Bank, could lead to significant losses for the Bank and the downgrading of its ratings. Any of these regulatory proceedings and disputes could lead to negative publicity or perceptions relative to the business developed by the Bank and could lead to loss of Customers and increased funding costs, and even draw the attention of the management team away from the current management of the Bank's activity. Consequently, the development of regulatory investigations, any regulatory proceedings and liabilities resulting thereof, and any dispute arising from or related to the operations described above, if decided against the Bank, could have an important negative effect on its activity, operating income or financial situation.

Contingencies in the implementation of the Bank's strategy

It is not possible to guarantee in advance that the Group will manage to implement its strategic agenda based on four pillars: i) strengthening of its leadership in Portugal; ii) focus on the competence of Angola and Mozambique as a platform of growth in Africa; iii) exploration of new markets of affinity; and iv) redefinition of the positioning of the European operations, due to the general constraints, such as the deterioration of market conditions, adverse environment, increased competition or the actions taken by the main competitors, or specific constraining factors associated to possible delays in the implementation of its strategic program or the efficacy and degree of implementation of the measures to resume growth and leadership in Retail Banking and attract greater value in the Companies and Corporate segments, maintain the drive to reduce costs and optimise discipline in capital and liquidity management and strengthen risk management. The Bank could face difficulties in the implementation of critical management measures aimed at continued repricing, optimising the recovery of banking revenues and profitability, mitigating exposure to various types of risk and increasing own funds, with a negative impact on expected efficiency levels, and compromising the defined objectives and solvency.

CULTURE OF RIGOUR

The Banco Comercial Português Group has instituted a series of codes and policies which summarise the fundamental professional and deontological standards and duties for the compliant and coherent performance of all Employees.

The BCP Group considers that respect for the defined mission and values combined with adherence to its strategy depends on each Employee, and hence it encourages a culture of rigour and responsibility, supported by mechanisms of continuous dissemination of information, training and monitoring, so as to ensure strict compliance with the defined rules of conduct.

Codes	Code of conduct	Financial Intermediation Activity Regulations	Regulations of the Supervisory Board	Regulations of the Executive Board of Directors
Policies	Compliance Policy	Sustainability Policy	Social Policy	Environmental Policy

Regarding corporate and social responsibility, the Bank has voluntarily subscribed to reference principles and is a member of entities which ensure corporate transparency and ethics, thus making a commitment to respect and promote, in its sphere of influence, a series of key values in the areas of human rights, labour legislation, social and environmental standards and the combat of corruption.

Principles and Entities	Global Compact Principles	Equator Principles	Global Reporting Initiative	BCSD Portugal	Portuguese Association of Advertisers

The documents referred to, as well as the reference principles to which the Bank subscribes, are public and available for consultation on the Bank's Institutional website.

Rules on physical safety, security of information systems and business continuity are also defined and published internally, which establish procedures and duties of suitable conduct for the positions held and at the levels of responsibility of the different Bodies and of all Employees. The mission and activities developed by the departments responsible for the management of issues concerning safety, security and business continuity are available for public consultation on the Institutional website of Millennium bcp.

TRAINING AND INFORMATION

Created in 2004, the Compliance Office is responsible for the implementation of systems for the prevention and monitoring of risks in organisational processes, which include communication with Customers, prevention of money laundering and combat of terrorism financing, prevention of conflicts of interest and market abuse, and monitoring of transactions. However, all Employees of the Bank have the duty to operate in their sphere of activity with the rigour imposed by the legislation and the responsibility determined by professional ethics. Thus, in order to ensure cultural alignment on these matters, the Compliance Office follows a policy of continuous training and provision of information aimed at guaranteeing the minimisation of operating, compliance and reputation risks.

The Compliance Office has an international structure, represented abroad by International Compliance Officers, who report functionally to the Group Head of Compliance, in Portugal. The 1st International Meeting of Compliance Officers of the Group was held in the beginning of 2011, with the support of the Executive Board of Directors. This forum had important results in terms of sharing of information, clarification of principles, alignment of strategies and implementation of common action plans.

In 2011, the Compliance Office evolved to a more integrated format, where the consolidation of technical resources, processes and practices was important for the decentralisation of the Organisation function in terms of awareness-raising on compliance matters and for the achievement of its greater internal and external visibility, having always provided all areas of the Group and its Management and Supervisory Boards with the information, recommendations and clarifications, in an independent manner and in compliance with the legal requirements, relative to any facts that it was made aware of under its action.

The training and information development by the Compliance Office, with the relevant areas for the final approval of new products and services as well as all the promotional material of the Bank, enabled greater rigour in the monitoring of the process of creation and alteration of products and services, ensuring compliance with the principles and rules on transparency, veracity and balance in conformity with the regulatory principles in force. Of a total of 2,144 processes analysed, 1,739 recommendations of adjustment were issued which were implemented by the units in charge.

In Portugal, the "Culture of Rigour" training programme, started in 2010, was continued, which aims to internalise topics such as: i) professional ethics and deontology; ii) the need to know Customers well from the moment of the account opening; iii) rigour and transparency in Customer relations and in the sale of products and services; iv) the implementation of transactions observing the principles of prevention of money laundering and combat of the financing of terrorism; and v) the need to ensure physical safety and IT security. During 2011, the topics "Prevention and Security" (9,750 Employees trained, involving a total of 78,000 training hours) and "Prevention of Money Laundering and Combat of the Financing of Terrorism (AML/CTF)" (9,782 Employees trained, involving a total of 39,128 training hours) were concluded. Within compliance issues training, in Portugal, 10% of Employees trained perform management functions.

EMPLOYEES IN COMPLIANCE TRAINING ACTIONS (1)

AML/CTF, Market Abuse, Internal Control, Monitoring of Transactions and Legal Subjects

	2011	2010	2009	Change 11/10
Activity in Portugal (2)	10,038	767	445	1,208.7%
International Activity	4,466	13,515	5,542	-67.0%
TOTAL	**14,504**	**14,282**	**5,987**	**1.6%**

(1) The same Employee could have attended various training courses. Includes Poland, Greece, Romenia, Mozambique, Angola, Switzerland and Cayman Islands.

(2) Includes training in AML/CTF in the scope of Culture of Rigour programme, in 2011.

All the information on the topic "Culture of Rigour" and manuals and films supporting this programme are available for consultation on the Intranet. For 2012, the training actions will essentially address the topics of Ethics and Deontology, with particular emphasis on the regulation of financial intermediation, conflicts of interest and codes of conduct applicable to Employees in the performance of duties of financial analysis and advisory services for investment.

Prevention, Monitoring and Control

During 2011, the plan for the evolution and consolidation of the policies, procedures and mechanisms of control and monitoring were continued under the topics of prevention of money laundering and combat of the financing of terrorism (AML/CTF). The techniques of detection of suspicious operation which had previously been implemented were fine-tuned, where there was a visible consequent consolidation of the best practices that the Bank implements. The alterations carried out to the risk classification model led to the almost duplication of the existing levels, thus enabling the differentiation of risk characteristics between entities which had previously been monitored in a similar way. It was also possible to introduce improvements and changes in the monitoring grids, both in the respective algorithms and through the expansion of their scope of application to new types of transactions, simultaneously enabling a more rational and efficient allocation of resources.

As a consequence of the different events which occurred, there was an exacerbation of geographical political risks over the year, which led to the need for significant and successive adjustments in procedures regarding control and filtering of transactions and entities subject to internationally decreed restrictions, embargoes and sanctions. The ongoing evolution of reputation risk relative to involvement with jurisdictions of low transparency, of added risk in the potential protection of financial flows derived from countries, organisations or entities subject to international restrictions led to a significant increase of necessary actions for compliance with the duties of due diligence, examination and control.

Market operations are also subject to systematic monitoring with a view to the prevention of practices associated to market abuse and whenever justified, the Compliance Office exhaustively monitors other operations carried out in advance of relevant events which might lead to the modification of market conditions or indicate the potentially abusive use of privileged information.

Under the international activity of the Compliance Office, with the objective of a more transversal application of policies, principles and procedures and greater intervention in the definition of guidelines, alignment of strategies and definition of priorities: i) a new regular information reporting model was implemented, embodied in a more encompassing Compliance Internal Reporting Schedule; ii) it was monitored daily activity of the International Compliance Officers; iii) it was strengthened the control of the implementation of the recommendations arising from the assessments made by the Internal Audits, Supervisory Authorities and External Auditors; iv) all operations were provided with computerised AML/CTF monitoring tools; v) a quarterly summary of the activity of the International Compliance Officers was produced; and vi) all operations were required to adopt the relevant compliance documentation, in particular the Group Codes, especially the Deontological Code and the Compliance Policies.

Regarding the duty of collaboration to which the Bank is bound, established in article 18 of Law 25/2008, of 5 June, the Compliance Office ensures all the procedures on clarification and answer to requests for information issued by the competent authorities.

On the other hand, the Compliance Office formulates requests for information on certain data relative to Customers, so as to ensure the receipt of elements to allow for, in conformity with the Risk Based Approach principle, more consolidated decision-making in the analysis of received proposals. Whenever this type of information is collected, preventative steps are taken so as to ensure compliance with the duties of due diligence, detailed examination and control (through more assiduous and robust monitoring), both in account opening and in the implementation of certain operations.

COMMUNICATIONS TO LOCAL JUDICIAL ENTITIES

	2011	2010	2009	Change 11/10
OWN INICIATIVE				
Activity in Portugal	209	187	137	11.8%
International Activity [(1)]	255	193	154	32.1%
RESPONSE TO REQUESTS				
Activity in Portugal	239	161	172	48.4%
International Activity [(1)]	912	554	454	64.6%
TOTAL	**1,615**	**1,095**	**917**	**47.5%**

[(1)] Includes Poland, Greece, Romenia, Mozambique, Angola, Switzerland and Cayman Islands.

The activity of the Audit Department is exercised in accordance with the internal audit principles that are recognised and accepted internationally and ensure the existence of an appropriate control environment, a solid risk management system, an efficient information and communication system and an effective process of monitoring the internal control system of the Bank and Group. In order to contribute to the further deepening of the Culture of Rigour at the Bank, new audit actions have been introduced over the last few years in the Activities Plan of this Department – Ethics and Rigour Audits – especially aimed at the transversal analysis of matters of behavioural nature, compliance of rules and codes of conduct, correct use of delegated competences and respect for all other principles of action in force concerning customer relations, both external and internal.

The prevention and mitigation of fraud risk, as well as the detection and investigation of situations or attempts of fraud, internal or external, and the conduct and follow-up of any disciplinary or judicial proceedings resulting thereof also constitute a priority in the allocation of the Audit Department's resources.

Regarding the prevention, detection and analysis of potential situations of fraud, 306 control actions were carried out and 574 preliminary investigation procedures were conducted. Concerning the follow-up of investigation procedures conducted in Portugal in relation to potentially irregular situations, penalties were applied to 38 Employees due to breach of rules. None of these cases involved situations of corruption.

EMPLOYEES SANCTIONED AS RESULT OF RULES VIOLATION

Activity in Portugal

	2011	2010	2009	Change 11/10
INFRINGEMENT OF RULES				
Internal rules	18	15	15	20.0%
External rules	20	23	14	-13.0%
TOTAL	**38**	**38**	**29**	**0.0%**

Over 2011, as an integral part of the implementation of its Activities Plan, the Audit Department also analysed matters relative to practices of environmental and social management arising from or related to the object of each specific audit. In particular, the respective programmes of audits conducted in person to branches include the assessment of the conditions of hygiene and maintenance of the premises and of the respect for the recycling policies adopted at the Bank, with the necessary recommendations and corrections being issued whenever flaws are detected.

All claims, complaints or denouncement of situations involving socially inappropriate behaviour of Employees, whether amongst one another or relative to Customers, are analysed and investigated, giving rise to disciplinary procedures whenever justified.

INVOLVEMENT WITH THE INTERNAL COMMUNITY

The demanding challenges in the different countries in which the Bank operates, characterized 2011,with the Employees having played a determinant role in transforming the adversities into opportunities in most European countries and in the expansion process in progress in Angola and Mozambique.

During 2012, the involvement of all the Employees will continue to be encouraged in the search for innovative solutions which contribute to achieve the strategic objectives of the BCP Group.

EVOLUTION OF EMPLOYEE NUMBERS

As at December 2011, the total number of Employees was 21,508, of which 46.3% were working in Portugal, 38.4% were working in the operations of other countries in Europe and 15.2% in the operations of Angola and Mozambique.

EMPLOYEES (END OF THE YEAR)

	2011		2010		2009		Change 11/10
PORTUGAL	9,959	46.3%	10,146	47.5%	10,298	48.4%	-1.8%
Retail	6,365	64%	6,540	64%	6,666	65%	-2.7%
Companies & Specialised Credit	456	5%	450	4%	419	4%	1.3%
Corporate	151	2%	146	1%	142	1%	3.4%
Investment Banking	155	2%	159	2%	165	2%	-2.5%
Private Banking & Asset Mangement	191	2%	214	2%	235	2%	-10.7%
Bankig Services	1,850	19%	1,842	18%	1,889	18%	0.4%
Corporate Areas	644	6%	645	6%	637	6%	-0.2%
Associated and Others	147	1%	150	1%	145	1%	-2.0%
INTERNATIONAL	11,549	53.7%	11,224	52.5%	10,987	51.6%	2.9%
Millennium bank in Poland (1)	6,289	54%	6,135	55%	6,245	57%	2.5%
Millennium bank in Greece	1,212	10%	1,470	13%	1,527	14%	-17.6%
Millennium bank in Romania	690	6%	731	7%	700	6%	-5.6%
Banque Privée BCP in Switzerland	69	1%	71	1%	65	1%	-2.8%
Millennium bim in Mozambique	2,377	21%	2,088	19%	1,936	18%	13.8%
Banco Millennium Angola	893	8%	714	6%	499	5%	25.1%
Millennium bcp Bank & Trust in the Cayman Islands	19	0%	15	0%	15	0%	26.7%
TOTAL OF EMPLOYEES	**21,508**	**100%**	**21,370**	**100%**	**21,285**	**100%**	**0.6%**

(1) Number of Employees corresponds to Full Time Equivalent.

The annual variations, per country, are explained by the difference between the recruited Employees and the Employees who left, as well as by the movement of Employees between countries. Overall, the difference between Employee recruitment and leaving was 138 people, corresponding to growth of 0.6% between 2010 and 2011.

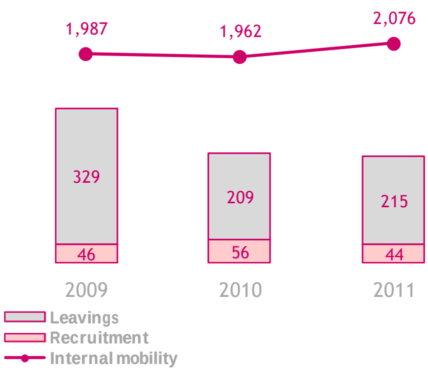
In Poland and in the African countries, there was a total positive variation of 622 Employees and in Portugal, Greece and Romania there was a total negative variation of 486.

The negative variation: i) in Portugal (-187 Employees) was mostly the result of Employees who left due to retirement (54%) and on their own initiative (21%); ii) in Greece (-258 Employees) a voluntary leaving programme took place, created in the wake of the closing of 33 branches and some central services at the end of the quarter, which influenced the leaving of 220 Employees. Over 75% of the Employees who left were in the age group of 30 to 50 years old; and iii) in Romania (-41 Employees) was due to the leaving of 187 Employees, 86% of whom on their own initiative, partially compensated by the recruitment of 146 people. Over 60% of the Employees who left and were recruited were in the age group below 30 years old.

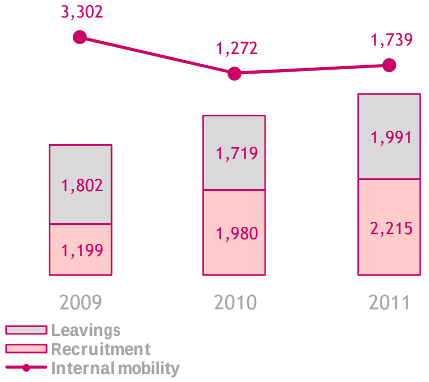
Internal mobility and between countries is recognised as a vehicle of career progression for the Employees, where the Bank seeks, in accordance with its natural needs arising from its activity and strategy, to launch new challenges which meet their expectations. Mobility is also a vehicle for the sharing of best practices between countries.

In Portugal and Poland, the internal vacancies to which the Employees may submit their candidature are advertised through the Intranet. Programmes such as the "New Routes" and "Commercial Skills Development Programme (PDCC)", in Portugal, have supported geographical mobility and the mobility of the central services to the Retail Network.

EMPLOYEES TURNOVER AND MOBILITY
Activity in Portugal
Number of Employees



EMPLOYEES TURNOVER AND MOBILITY
International Activity*
Number of Employees



*Information not available for Switzerland and Angola in 2009.

TALENT ATTRACTION AND MANAGEMENT

The talent attraction continues to be a priority of the Bank, with the existence of specific programmes in Portugal, Poland and Angola aimed at attracting young people who show academic and personal skills in line with the needs and values of the BCP Group.

In the 6th edition of the “Come and Grow With Us” programme, in Portugal, 25 initiatives were promoted amongst young university students, 16 of which were held at the Universities and 9 at the Bank. These activities included thematic workshops, discussion of case-studies and banking management games. Amongst the initiatives held at the Bank, particular note should be made of the “Millennium Banking Seminar”, in which 58 students participated, the “Banking G@me” which was attended by 40 participants and the welcome programme involving the 42 students of the MIM CEMS class. The “Summer Internship” programme offered 40 young people the opportunity to develop their projects based on their acquired professional experience, with the degree of satisfaction with this programme having been 96 p.p. (on a scale of 100).

Under the initiatives referred to above, young people are identified every year who, after the normal process of recruitment, are integrated in specific programmes for the acquisition of transversal knowledge on the Organisation and aimed at professional and personal development: People Grow and Young Specialist.

The Expert Start-up programme in Poland aims to provide training in highly specialised areas. During 2011, the 13 participants in this programme were given specific training in the areas of Risk Management and IT Department.

DEVELOPMENT PROGRAMMES

Programmes	Action developed	Number of participants	Country
RECENTLY RECRUITED EPLOYEES	People Grow	17	Portugal
		13	Poland
	Young Specialist	43	Portugal
	Expert SartUp	13	Poland
EMPLOYEES WITH EXPERIENCE	Grow Fast	31	Portugal
	High Flyers	11	Greece
RETAIL EPLOYEES	Grow in Retail	54	Portugal
	Master in Retail	88	Portugal

Within the development of personal and professional skills through academic training, of young people, in Angola seven Employees were attributed study grants.

Are also identified, annually, Employees with capacity to take on positions of greater responsibility and complexity, who are integrated in specific training programmes - Grow Fast, Grow in Retail, Master in Retail and High Flyers - which include participation in strategic projects of the Bank.

In Portugal, the 4th edition of the Grow Together forum was held, which once again brought together Employees of the Grow Fast and People Grow programmes, who were organised into seven working teams, with the objective of presenting and debating strategic Bank issues with their Mentors and various members of the Executive Board of Directors and Senior Management. Following a suggestion of the Teams who participated in the previous edition, the presentations of this year were preceded by a brief status report on all the projects which have been presented in these forums since 2008.

SUPPORT TO DEVELOPMENT AND INNOVATION

Assessment and recognition

The Employee appraisal systems of all the operations of Millennium enable identifying the main needs relative to Employee training, development and mobility, based on the analysis of their potential or flaws. The performance appraisal model allows the identification of Employees who have the profile or capacity to develop skills for future performance of duties in critical positions, within the Organisation.

In most countries, all the Employees eligible for the appraisal process were assessed, whereby, in relation to the total number of Employees, in Portugal 97% were assessed and in the other countries the average was 78%. In Portugal, 1% of disagreements were recorded, which reflects a high degree of shared perspective on performance between evaluators and those assessed.

PERFORMANCE APPRAISAL

	2011	2010	2009
EMPLOYEES ASSESSED			
Activity in Portugal	9,708	10,218	10,265
International Activity [1]	8,929	10,542	9,740
TOTAL	**18,637**	**20,760**	**20,005**

[1] Information not available for Switzerland and Angola in 2009.

In Portugal, a questionnaire was applied after the conclusion of the assessments, so as to question both the evaluators and those assessed, on the quality and efficiency recognised in the individual performance appraisalsystem, where 88.4% of the evaluators and 81.1% of those assessed showed that they were satisfied or very satisfied.

In Poland, during 2011, following suggestions received by the Employees, meetings were held in the different organic units at the end of each phase of the appraisal cycle, for discussion and analysis of the compliance level with the objectives of the team as a whole, as an addition to the individual assessment.

Millennium bcp maintains, simultaneously with an attitude of constant encouragement of Employee valorisation and of the adoption of excellent practices, a policy of recognition of the merit and dedication shown by each Employee. In 2011, under a process supplementary to the formal individual performance appraisal systems, 64 Employees were identified in Portugal, 50 Employees in Greece and 25 Employees in Angola as excellent in their position. In Portugal and Angola, this distinction was reflected in an Excellence Award attributed at the objectives meeting and in Greece it was used as a tool to identify the 11 Employees who will take part in the specific development programme.

Training and development

Training has always been perceived as a priority for the development of the professional and personal skills of the Employees and as a vehicle of alignment with the Bank's strategy.

In overall terms, the number of training hours reached approximately 991 thousand hours distributed for almost 3,000 training actions, with an average of 46 training hours per Employee. This number of training hours corresponds to an increase of 52% between 2010 and 2011.

TRAINING [1]

	2011	2010	2009	Change 11/10
NUMBER OF ACTIONS [2]				
Through physical attendance	2,266	1,719	756	24.1%
E-learning	642	444	68	30.8%
Distance learning	155	222	22	-43.2%
NUMBER OF PARTICIPANTS [3]				
Through physical attendance	25,299	27,814	22,079	-9.9%
E-learning	118,428	61,005	77,445	48.5%
Distance learning	25,906	42,799	42,344	-65.2%
NUMBER OF HOURS				
Through physical attendance	660,312	376,921	281,162	42.9%
E-learning	145,445	157,202	165,144	-8.1%
Distance learning	185,905	118,748	119,624	36.1%

(1) Information not available for Switzerland and Angola in 2009.

(2) Information not available for Portugal in 2009.

(3) It is reported the total number of participants in the training course. The same Employee could have attended various training courses.

As a whole, the Employees of the commercial areas received the highest number of hours of training. A large number of actions are promoted amongst the Employees of the commercial areas in all the countries every year, where the objectives are to deepen knowledge on products and increase the quality of the service provided to Customers.

TRAINING BY PROFESSIONAL CATEGORY BY GENDER [1]

Medium of hours per Employee / Total of hours by category

	Men	Women
Executive Board	20 / 576	6 / 19
Senior Management	26 / 4,028	49 / 1,610
Management	37 / 44,844	40 / 30,480
Comercial	51 / 268,235	47 / 308,330
Technicians	27 / 60,261	19 / 36,781
Other	96 / 107,301	54 / 71,387

(1) Information not available for Angola.

In Portugal, training was also promoted in the following areas:

- Two strategic programmes: "Culture of Rigour" and "Millennium ADN". The "Culture of Rigour" programme which involved all the Bank's Employees is detailed in the chapter with the same name in this report on page 177. The main objective of the behavioural programme, "Millennium ADN", aimed at all the Employees of the Retail Network, was to strengthen skills in Customer relations and negotiation with Customers. The "People Management" programme was also continued in the Retail Network, with training having been given to all the Commercial Coordinators who had been recruited to this position over the last year;
- Integrated programmes were developed involving all the senior staff of the Southern Companies Commercial Department, Specialised Recovery Department, International Department, Credit Department and IT Department. The Leadership programme was also continued, ministered by the Military Academy, which involved over 50 second-level directors of the Bank's structure;
- Under the certification processes, 78 Managers of the Specialised Credit Department finalised the training course and were maintained the courses for the Commercial Assistants and Managers of the Private Banking network.

In Poland, the "A Single Voice" integration programme for new Employees was maintained and, in 2011 a leadership and people management programme was launched, with the objective of improving internal communication capacities and team motivation, on the part of the senior staff.

The significant changes in the labour market and greater longevity of active life pose new challenges and motivate new approaches in terms of Employee career management. The "We Value Experience" programme launched in 2009 in Portugal, for the purpose of promoting better management of the talent and knowledge of the more experienced Employees, aims to respond to these circumstances. In 2011, 534 Employees participated in this programme, under which 14 training modules have been given, arising from the needs identified in the personalised action plan.

The sharing of experiences between different areas is not only a vehicle of sedimentation of the team spirit and awareness that all are working towards offering an excellent service to the Customers, but also of acquisition of new knowledge. Hence, in Portugal:

- Since 2009, the Bank has promoted the participation, for one day, of Employees of the central services in a branch work, within the "One day with the Customer" programme. This programme aimed to improve the interaction between central services and retail network, ended in 2011, with over 1,900 Employees having participated, of whom 92.3% showed that they were satisfied or very satisfied with the experience;
- The "One day at *DRE*" programme was implemented, under which 60 commercial coordinators of personalised management branches (Prestige and Businesses) of Lisbon and Porto areas, were invited to spend one day at the Specialised Recovery Department (*DRE*) so as to enhance their knowledge on the procedural component and its articulation in the different analytical phases. The program will continue in 2012.

The Litigation Department of Millennium bcp, in Portugal, promoted over 2011 a cycle of Four conferences on Banking Law, to which Employees and Lawyers who regularly collaborate with the Bank were invited. The Cycle began with Prof. Menezes Cordeiro ("The Enforcement of Banking Law - Current Vectors"), followed by Prof. Marques da Silva ("Banking Secrecy"), then, Cons. Dr. Abrantes Geraldes and Dr. Júlio Castro Caldas ("Banking Law in Portuguese Jurisprudence - Relevant Vectors") and concluded with Prof. Calvão da Silva ("The Financial Crisis and [the Absence of] Law"). In view of the success of the conferences, which were always attended by over 200 Employees, it was decided that they should be continued during 2012.

Innovation

The capacity to involve the Employees in the ongoing search for the improvement of efficiency has enabled finding solutions, within internal processes and Customer service, with direct impact on the quality of the products and services and on the operating costs of the Bank.

In Portugal, Poland and Greece, the programmes of ideas encourage, in a structured form, the Employees to present ideas directly or integrated in thematic challenges or by area.

PROGRAMMES ENCOURAGING THE GENERATION OF IDEAS (1)

	2011	2010	2009	Change 11/10
Employees who presented ideas	799	855	908	-7.0%
Ideas presented	1,107	1,374	1,460	-24.1%
Approved ideas	68	29	58	57.4%

(1) Includes "Mil Ideias" in Portugal, "Call 2 Action" in Poland and "Mega Ideas" in Greece.

In 2011, amongst the ideas implemented in Portugal, the following are noteworthy:

- Possibility of downloading the confirmation of the transactions carried out trough automatic channels in PDF format;
- Expansion of the number of transactions offered on the Bank's English version website , so as to facilitate the interaction of Customers who are not familiar with the Portuguese language;

As in previous years, the "One Thousand Ideas Workshop" was held, for the purpose of distinguishing the best ideas presented in Portugal, under the theme of "Making Change Happen". Approximately 50 Employees attended the workshop and, through various training experiences and disruptive moments, were introduced to tools that encourage the sharing of innovative spirit with their peers.

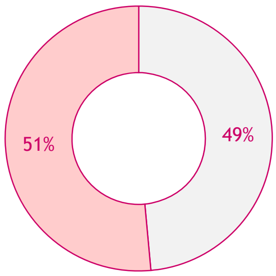
For the second time was held, in Portugal, the “Open Door” workshop, attended by 47 representatives of 19 companies and reference Entities, who shared experiences and discussed best practices within innovation.

Diversity and Social Values

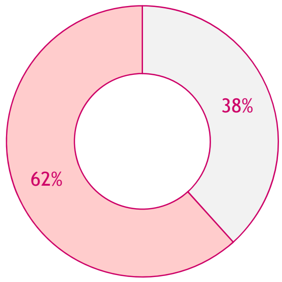
The BCP Group offers all Employees fair treatment and equal opportunities, promoting meritocracy in all phases of their professional path and defining the remuneration of the Employees in accordance with their category, professional path and degree of compliance with the established objectives, observing the salary ratio of 1:1 between men and women with equivalent positions and level of responsibility.

The principles of action of the BCP Group have established a series of values and benchmarks of action, 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 ten Global Compact Principles is reaffirmed, under which the Group recognises and supports 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.

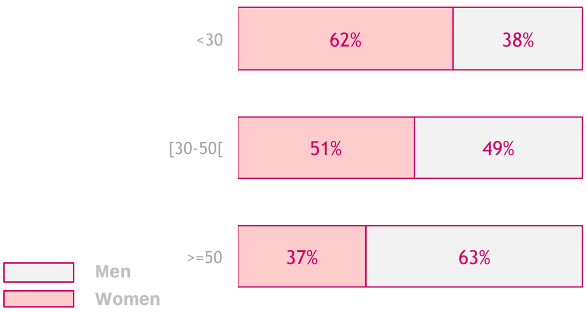
BREAKDOWN BY GENDER
Percentage



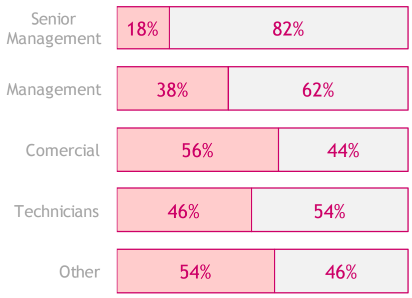
PROMOTIONS BY GENDER
Percentage



AGE BREAKDOWN BY GENDER
Percentage



PROFESSIONAL CATEGORY BY GENDER
Percentage



Millennium bcp is permanently willing to enter into dialogue with the Entities representing the Employees, reflected, in Portugal, in the monthly meetings between the Workers Committee and the Executive Board of Directors and in the participation of a representative of the Workers Committee in the Stakeholders Commission. The Bank also subscribes to the Collective Labour Agreement signed with Unions representing the Banking Sector, and provides resources and facilities for the operation of union corporate sections.

Promotion of the Quality of Life of the Employees

The BCP Group offers a series of social benefits, apart from those established in the legislation, which contribute to maintaining a suitable level of well-being of the Employees.

Under the encouragement of the academic qualification and personal development of the Employees:

- In 2011, the Bank supported, in various countries, a total of 2,636 Employees, where the average contribution to the total value of the training cost, in Portugal was 52% and in the international operations over 90%. This programme targets Employees of proven merit and potential, aimed at the achievement of licentiate degrees, post-graduations and masters, of interest for their careers and for the Group's activity;
- Support was maintained to the learning course of foreign languages, where in Portugal 468 Employees attended English classes and 9 attended Spanish classes, involving a total of 30 thousand hours of training. In Poland 9 foreigner Employees attended Polish classes and in Angola 33 Employees attended English classes;
- In Portugal, 204 Employees were supported with the status of worker-student, through the monthly attribution of a grant, whose total value stood at 34,693 euros.

In Portugal, the Employees and their respective household:

- Have access to a monthly school support allowance, attributed to the descendents of deceased Employees. In 2011, 162 young people were supported involving a total value of 342 thousand euros;
- Have access to an insurance plan, with about 20 different products, under differentiated conditions which covers insurance related to the family, assets, savings and retirement;
- Have a Branch exclusively dedicated to Employees, segmented into personalised management business units, mass market and insurance. Access to this branch, which has extended opening hours, is preferably carried out by telephone and e-mail, although there is an area for personalised attendance;
- May join the Millennium bcp Club, which organises a series of events in the area of sports, culture, voluntary work and leisure, encouraging personal initiative and participation in community life. Currently, the Club has 38,558 Members (active Employees, retired Employees and their families);
- Benefit from discounts on clothing, mobile communication, transport, travel and domestic electrical appliances, arising from conditions negotiated by Millennium with various companies.

Special reference should be made to the following benefits, provided to the Employees in Greece:

- Employees with children with special needs are given 5 extra days of holiday;
- An annual grant is attributed to Employees with over 3 children;
- Employees or children of Employees which are classified in the top 10 places in the process of admission to higher education or who are distinguished for their performance at university are attributed an award of 2,000 euros.

The social benefits of each country are applicable, in general, to all the Employees of the respective countries, whereby in Portugal, Employees with a fixed term contract do not have access to the specific conditions of mortgage loans or credit for social purposes. Employee with working hour's reduction access to transversal benefits, however, whenever these benefits are related to seniority, their value is calculated in proportion to their effective work time. This principle of proportionality is also applicable in Romania and Switzerland.

CREDIT TO EMPLOYEES (1)

Million euros

	2011		2010		2009	
	AMOUNT	EMPLOYEES	AMOUNT	EMPLOYEES	AMOUNT	EMPLOYEES
MORTGAGE						
In portfolio						
Activity in Portugal	1,003	11,460	1,036	11,735	1,063	11,973
International Activity	64	1,324	61	1,339	54	1,402
Granted in the reporting year						
Activity in Portugal	49	493	53	541	89	844
International Activity	8	220	18	295	20	339
SOCIAL PURPOSES						
In portfolio						
Activity in Portugal	17	2,562	20	3,101	23	3,746
International Activity	12	2,349	9	2,004	4	1,240
Granted in the reporting year						
Activity in Portugal	5	431	7	623	8	739
International Activity	4	897	5	944	3	873

(1) Includes active and retired Employees. Information not available for Angola in 2009. Benefits not aplicable in Switzerland.

In 2011, in Portugal, a project team was created to work specifically on the issue of balance between work and personal life with the active participation of 1,723 Employees, for an internal diagnosis through the One Thousand Ideas programme, focus groups and direct questionnaires. Also participated 15 Senior Managers who comprised the committee for the analysis and discussion of the ideas presented. While this area has not been a recent concern of Millennium bcp, the cultural, social and economic alterations that have lately changed the lifestyles of families justify a new approach to this topic which, due to the diversity of issues that it touches and distinctive implications that it generates, merits careful consideration so that the Organisation's response is as close as possible to the real needs of the Employees.

WORKING CONDITIONS

Health and safety

Millennium bcp promotes workplaces which enable Employees to develop their activity at minimum risk and with maximum productivity, giving special attention to solutions regarding light, temperature, noise, air quality, furnishings and maintenance of facilities. In order to guarantee these conditions, periodic monitoring is carried out through visits to the premises, for the purpose of detecting and correcting dysfunctions.

The Bank also ensures monitoring and guidance in healthcare, supporting, without exception, all the clinical situations of its Employees.

All Employees, active or retired, and their respective families, are covered by health plans which seek to complement the respective national health services.

In Portugal, for more serious situations, active or retired Employees and their families may have access to healthcare services at Navarra University Clinic.

HEALTH SERVICES (1)

	2011	2010	2009	Change 11/10
MEDICAL SERVICES				
Appointments held				
Activity in Portugal	31,758	34,452	33,063	-8.5%
International Activity	7,146	7,324	6,930	-2.5%
Chek-ups made				
Activity in Portugal	6,999	7,517	6,257	-7.4%
International Activity	3,473	3,895	3,095	-12.2%
HEALTH INSURANCE (PERSONS COVERED)				
Activity in Portugal (2)	40,564	41,201	41,699	-1.6%
International Activity (3)	11,877	11,487	10,613	3.3%

(1) Includes active and retired Employees. Information not available for Switzerland.

(2) Navarra University Clinic, includes Employees expatriates.

(3) Information not available for Angola in 2009.

Prevention of serious diseases

In Portugal and Mozambique, the Bank has medical units located in various parts of the country and medical staff dedicated exclusively to the Employees.

In Portugal, the Business Continuity Unit integrated in the Prevention and Safety Office is responsible for monitoring, defining and disseminating the contingency plans in coordination with the Bank's Medical Services and the local health authority, in the event of the occurrence of pandemics or other situations which might seriously and in a generalised manner affect the health of the Employees. In Greece, this responsibility is delegated to the Human Resources Department.

In Mozambique there is an awareness-raising training and monitoring programme on endemic diseases and HIV/AIDS which includes lectures and training integrated in national health programmes. In order to enable the easier dissemination of a culture of prevention and mitigation of serious diseases, training was given to a group of Employees who are currently the promoters of these matters amongst their peers.

CALCULATION CRITERIA:

Methodology used in the calculation of various social indicators presented in the table of the following two pages:

Recruitment rate	= (Number of Employees recruited) / (Total number of Employees) * 100
Mobility rate	= (Number of Employees integrated in internal mobility processes) / (Total number of Employees) * 100
Leaving rate	= (Number of Employees who left the Bank) / (Total number of Employees) * 100
Absenteeism rate[1)]	= (Total number of working days of absence) / (48*5*Total number of Employees) * 100
Lost days rate[1)]	= (Total number of working days of absence due to occupational accident or disease) / (48*5*Total number of Employees) * 100
Parental Leave[2)]	Includes analysis of absences of Employees due to birth or adoption.
Return rate $_n$	= (Number of Employees who returned to work)$_n$ / (Number of Employees who have already enjoyed parental leave)$_n$ * 100
Retention rate $_{n-(n-1)}$	= (Number of Employees who are working 12 months later)$_n$ / (Number of Employees who returned to work)$_{n-1}$ * 100

1) 48*5* Total number of Employees - potential maximum of work in the organisation per year, where 48 represents the average number of weeks of work and 5 represents the number of working days per week;

2) n – represents the reporting year (2011).

CHARACTERIZATION OF EMPLOYEES BY OPERATION AND GENDER

	UNIT.	PORTUGAL		POLAND		GREECE		ROMENIA	
		M	W	M	W	M	W	M	W
BREAKDOWN BY PROFESSIONAL CATEGORY	Number								
Executive Board		7	0	6	2	5	1	2	0
Senior Mangement		96	14	55	19	2	0	1	0
Management		735	171	353	524	20	10	13	17
Comercial		3,390	2,525	885	2,600	283	419	99	289
Technicians		1,389	822	470	707	31	18	83	181
Other		428	382	224	522	181	242	2	3
BREAKDOWN BY AGE	Number								
<30		211	352	738	1,478	59	186	75	239
[30-50[		4,010	2,785	1,150	2,504	436	498	123	250
>=50		1,824	777	105	392	27	6	2	1
BREAKDOWN BY CONTRACT TYPE	Number								
Permanent		6,037	3,900	1,548	3,562	520	688	186	427
Temporary		8	14	445	812	2	2	14	63
Trainees		0	0	0	0	0	0	0	0
EMPLOYEES WITH WORKING HOURS REDUCTION	Number	1	27	42	107	0	0	0	1
RECRUITMENT	Percentage/								
<30	Number	12.8% / 27	2.8% / 10	49.6% / 366	38.9% / 575	15.3% / 9	4.8% / 9	37.3% / 28	32.2% / 77
[30-50[		0.1% / 5	0.1% / 2	12.6% / 144	8.7% / 218	1.6% / 7	0.8% / 4	11.4% / 14	10.8% / 27
>=50		0.0% / 0	0.0% / 0	1.0% / 1	3.3% / 13	11.1% / 3	0.0% / 0	0.0% / 0	0.0% / 0
LOCAL CONTRACT									
Employees with nationality of the country	Number	6,045	3,914	1,931	4,352	512	680	196	489
Employees of EBD and Senior Management with nationality of the country	Percentage	100.0%	100.0%	86.9%	90.5%	71.4%	100.0%	0.0%	n.a.
INTERNAL MOBILITY	Percentage/								
<30	Number	25.6% / 54	31.5% / 111	7.5% / 55	4.5% / 67	8.5% / 5	4.3% / 8	1.0% / 1	2.0% / 5
[30-50[		21.3% / 856	23.2% / 645	6.1% / 70	5.3% / 132	9.2% / 40	7.0% / 35	2.0% / 2	3.0% / 8
>=50		16.7% / 305	13.5% / 105	3.9% / 4	7.2% / 28	3.7% / 1	0.0% / 0	0.0% / 0	0.0% / 0
LEAVINGS	Percentage/								
<30	Number	5.7% / 12	2.3% / 8	32.2% / 238	23.5% / 347	32.2% / 19	17.7% / 33	46.7% / 35	32.6% / 78
[30-50[		1.0% / 41	1.0% / 27	19.3% / 221	14.1% / 352	22.0% / 96	24.5% / 122	30.1% / 37	14.8% / 37
>=50		4.2% / 76	6.6% / 51	4.9% / 5	8.7% / 34	48.1% / 13	116.7% / 7	0.0% / 0	0.0% / 0
FREE ASSOCIATION	Percentage								
Employees under collective work agreements		100.0%	100.0%	n.a.	n.a.	100.0%	100.0%	n.a.	n.a.
Union syndicated employees		86.2%	85.8%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
HYGIENE AND SAFETY AT WORK (HSW)									
HSW visits	Number	247		0		256		148	
Rate of work accidents	Percentage	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Death victims	Number	0	0	0	0	0	0	0	0
EMPLOYEES APPRAISED	Percentage	97.4%	97.6%	100.0%	100.0%	95.8%	93.0%	84%	68%
DISABLED EMPLOYEES	Number	57	49	12	20	0	0	0	0
SALARIES AND REMUNERATIONS	Ratio								
Basic salary Woman/ Man									
Senior Mangement		0.9		0.9		n.a.		n.a	
Management		1.0		0.8		0.5		1.0	
Comercial		0.8		0.9		1.2		0.7	
Technicians		1.0		0.7		0.5		0.7	
Other		0.9		0.8		1.1		1.2	
Remuneration Woman/ Man	Ratio								
Senior Mangement		0.9		0.9		n.a.		n.a	
Management		1.0		0.8		0.5		1.0	
Comercial		0.8		0.9		1.2		0.6	
Technicians		0.9		0.7		0.5		0.7	
Other		0.8		0.9		1.1		0.8	
Lowest company salary and minimum national salary	Ratio	1.8	1.4	1.0	1.0	1.2	1.2	3.0	2.0
ABSENTEEISM RATE	Percentage	1.6%	2.7%	3.2%	12.5%	1.3%	2.8%	1.2%	1.6%
LOST DAYS RATE	Percentage	0.0%	0.1%	1.5%	15.4%	0.0%	0.0%	0.0%	0.0%
PARENTAL LEAVE									
Right to parental leave in 2011	Number	161	166	2	533	37	73	16	39
Who enjoyed		152	115	2	412	37	56	0	4
Who returned to work		151	115	2	363	30	48	0	4
Rate of return 2011	Percentage	99.3%	100.0%	100.0%	88.1%	81.1%	85.7%	-	100.0%
In 2010 Employees who returned to work	Number	164	178	1	427	33	106	1	11
Who were still employed 12 months after		163	178	1	365	32	103	0	10
Rate of retention 2010-2011	Percentage	99.4%	100.0%	100.0%	85.5%	97.0%	97.2%	0.0%	90.9%
SATISFACTION SURVEYS	Index points								
Overall satisfaction		76,0		65.3		70.5		65.6	
Motivation		73.3		60.0		70.4		65.7	
TOTAL OF EMPLOYEES	Number	**6,045**	**3,914**	**1,993**	**4,374**	**522**	**690**	**200**	**490**

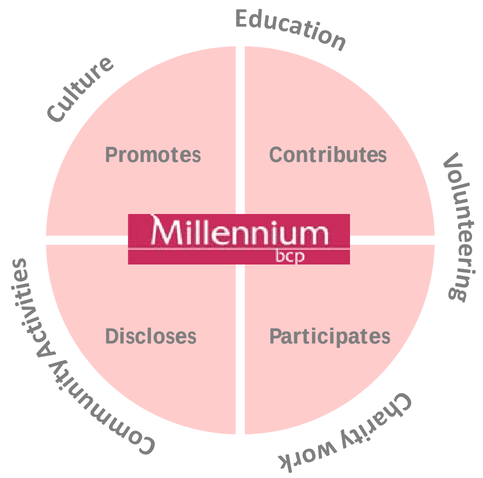
n.a. - Information not available/ not applicable

CHARACTERIZATION OF EMPLOYEES BY OPERATION AND GENDER

	UNIT.	MOZAMBIQUE		ANGOLA		SWITZERLAND		TOTAL	
		M	W	M	W	M	W	M	W
BREAKDOWN BY PROFESSIONAL CATEGORY	Number								
Executive Board		9	0	3	1	0	0	32	4
Senior Mangement		0	0	13	4	3	0	170	37
Management		95	41	17	5	9	3	1,242	771
Comercial		637	787	307	378	0	0	5,601	6,998
Technicians		229	162	78	56	0	0	2,280	1,946
Other		257	160	19	12	31	23	1,142	1,344
BREAKDOWN BY AGE	Number								
<30		541	574	246	287	9	3	1,879	3,119
[30-50[		516	493	169	157	30	21	6,434	6,708
>=50		170	83	22	12	4	2	2,154	1,273
BREAKDOWN BY CONTRACT TYPE	Number								
Permanent		1,220	1,148	206	198	43	26	9,760	9,949
Temporary		7	2	189	211	0	0	665	1,104
Trainees		0	0	42	47	0	0	42	47
EMPLOYEES WITH WORKING HOURS REDUCTION	Number	0	0	0	0	0	6	43	141
RECRUITMENT	Percentage/								
<30	Number	32.9% / 178	36.2% / 208	48.0% / 118	43.9% / 126	33.3% / 3	33.3% / 1	38.8% / 729	32.3% / 1,006
[30-50[		0.2% / 1	2.2% / 11	21.3% / 36	14.6% / 23	20.0% / 6	23.8% / 5	3.3% / 213	4.3% / 290
>=50		2.4% / 4	0.0% / 0	0.0% / 0	0.0% / 0	0.0% / 0	0.0% / 0	0.4% / 8	1.0% / 13
LOCAL CONTRACT									
Employees with nationality of the country	Number	1,202	1,148	406	449	13	13	10,305	11,045
Employees of EBD and Senior Management with nationality of the country	Percentage	78	n.a.	25.0%	80.0%	33.3%	n.a.	98.5%	99.5%
INTERNAL MOBILITY	Percentage/								
<30	Number	51.6% / 279	49.8% / 286	39.8% / 98	44.6% / 128	11.1% / 1	0.0% / 0	26.2% / 493	19.4% / 605
[30-50[		27.7% / 143	27.0% / 133	35.5% / 60	54.1% / 85	6.7% / 2	4.8% / 1	18.2% / 1.173	15.5% / 1,039
>=50		21.8% / 37	16.9% / 14	36.4% / 8	25.0% / 3	0.0% / 0	0.0% / 0	16.5% / 355	11.8% / 150
LEAVINGS	Percentage/								
<30	Number	8.5% / 46	6.1% / 35	18.3% / 45	13.6% / 39	0.0% / 0	0.0% / 0	21.0% / 395	17.3% / 540
[30-50[		7.6% / 39	4.5% / 22	11.2% / 19	14.6% / 23	26.7% / 8	23.8% / 5	7.2% / 461	8.8% / 588
>=50		8.8% / 15	20.5% / 17	4.5% / 1	16.7% / 2	25.0% / 1	0.0% / 0	5.2% / 111	8.7% / 111
FREE ASSOCIATION	Percentage								
Employees under collective work agreements		97.0%	99.7%	100.0%	100.0%	n.a.	n.a.	99.6%	99.9%
Union syndicated employees		56.0%	62.8%	10.8%	12.3%	n.a.	n.a.	77.1%	74.9%
HYGIENE AND SAFETY AT WORK (HSW)									
HSW visits	Number	n.a.		0		0		651	
Rate of work accidents	Percentage	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Death victims	Number	n.a.	n.a.	0	0	0	0	0	0
EMPLOYEES APPRAISED	Percentage	0	0	97.9%	98.9%	58.1%	50.0%	86.0%	86.8%
DISABLED EMPLOYESS	Number	n.a.	n.a.	2	0	0	0	71	69
SALARIES AND REMUNERATIONS	Ratio								
Basic salary Woman/ Man									
Senior Mangement		n.a.		0.2		n.a.		0.7	
Management		0.3		0.3		n.a.		0.8	
Comercial		1.1		1.2		n.a.		0.9	
Technicians		0.6		0.7		n.a.		0.8	
Other		0.7		1.0		n.a.		0.9	
Remuneration Woman/ Man	Ratio								
Senior Mangement		n.a.		0.2		n.a.		0.7	
Management		0.3		0.4		n.a.		0.8	
Comercial		1.1		1.1		n.a.		0.9	
Technicians		0.6		0.6		n.a.		0.8	
Other		0.7		1.0		n.a.		0.9	
Lowest company salary and minimum national salary	Ratio	0.9	0.9	4.1	5.5	n.a.	n.a.	1.6	1.4
ABSENTEEISM RATE	Percentage	n.a.	n.a.	1.1%	2.7%	5.0%	6.3%	1.7%	6.8%
LOST DAYS RATE	Percentage	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
PARENTAL LEAVE									
Right to parental leave in 2011	Number	1	77	2	39	1	3	220	930
Who enjoyed		1	77	2	38	1	3	195	705
Who returned to work		1	77	2	38	1	1	187	646
Rate of return 2011	Percentage	100.0%	100.0%	100.0%	100.0%	100,0%	33.3%	95.9%	91.6%
In 2010 Employees who returned to work	Number	3	70	1	24	2	3	205	819
Who were still employed 12 months after		3	61	1	23	1	2	201	742
Rate of retention 2010-2011	Percentage	100.0%	87.1%	100.0%	95.8%	50.0%	66.7%	98.0%	90.6%
SATISFACTION SURVEYS	Index points								
Overall satisfaction		62.8		59.0		73.4		70.8	
Motivation		63.3		59.4		74.0		68.2	
TOTAL OF EMPLOYEES	Number	**1,227**	**1,150**	**437**	**456**	**43**	**26**	**10,467**	**11,100**

n.a. - Information not available/ not applicable

INVOLVEMENT WITH THE EXTERNAL COMMUNITY



In all countries in which Millennium bcp is present, the actions developed with the communities, under the social responsibility programmes, are vast and cover areas such as education, culture, charity work, solidarity and community activities, some of which are part of volunteer programmes.

In Portugal, the Millennium bim Foundation and in Mozambique, the "More Mozambique for Me" programme developed a large number of specific social support and interaction activities. In Angola, various initiatives aimed at more vulnerable groups are supported through a partnership with Grupo Amizade.

In Portugal, the projects to be supported are selected based on their prior appraisal by the Millennium bcp Foundation, following criteria such as innovation, continuity, relevance to society, geographic and population coverage, giving priority to projects promoted by institutions of recognised merit in their area of action, which show implementation capacity and self-sustainability.

During 2011, the project for the implementation of a "Model of Analysis of Impact on Society" was continued, covering three measurements: immediate effect, change in society and benefit. Some of the projects supported by the Foundation were submitted to this model, for which impact measurement indicators were created specifically adapted to the individual characteristics and nature of each project. Although all the data required for the full reporting of the impacts are not yet available, it should be noted that more detailed information exists by the entities contacted for the effect.

The Millennium bim social responsibility programme "More Mozambique for Me" selects projects preferably aimed at supporting education and and youth sports.

Involvement with local communities is one of the vectors of the Group BCP's social policy, which is public and available for consultation on the Bank's Institutional website, and whose objective is, in a manner complementing its activity, the promotion of yet another vehicle for the economic and social development of the countries in which the Bank operates. In 2011 monetary values invested in support to local communities were distributed as follows: 33.7% for Education, 48.0% for Culture e 18.3% to charity work.

EDUCATION

Millennium bcp has fostered projects and initiatives in the area of education with the objective of supporting different types of population at different stages of their life, thus contributing to enhance the quality of individual skills.

In the current context, the encouragement of greater financial education and the strengthening of entrepreneurial skills have become extremely relevant in Portugal, whereby during 2011 the programmes of Millennium bcp were reinforced and partnerships established for their promotion:

- Creation of a new page on Facebook, the "Millennium Suggests" page, which offers: i) strategies to increase savings; ii) information on family budget management; and iii) useful information, of a general nature, on fiscal issues and taxation. This space for the sharing of experiences helps to understand the importance of saving in order to ensure a better future and assists in planning to meet future challenges. This page, which by the end of the year had over 5,000 followers, has complemented the Financial Planning Area open for the consultation of the entire population since 2010;

- Adherence to the "Sectorial Strategy for Financial Education" coordinated by the Portuguese Association of Banks, whose mission is a better and broader financial culture based on the development of training and financial information programmes common to the entire banking system, whose main objective is the increased knowledge of the population, so as to foster reciprocal benefits with lower risk to both consumers and banks;

- Participation in the "Turnaround" programme, promoted by EntreAjuda in partnership with the Portuguese Association of Banks, some of its Members and the Bank Training Institute. The objective of this programme is the dissemination, amongst Social Solidarity institutions and the technicians collaborating with them, of financial and household management instruments enabling them to offer more effective support to families in need. Millennium bcp collaborated in the preparation of contents to support the presentations on the topic of Microcredit and participates in the training actions included in the Days and Workshops of the "Turnaround" Programme;

- Participation in the panel dedicated to the topic "The evolution, current scenario and relevance of Microfinance in Portugal", in the Microfinance chair of the Lisbon MBA;

- In 2010 and 2011, Millennium bcp also maintained a partnership with Texto Editores, a publishing house of the Leya Group, for the publicising amongst the younger population of concepts related to the efficient management of money. Associated to the opening of a saving account for young persons, was offered the book "Make your Money grow". This book highlights useful concepts of financial education and literacy, representing a stimulus to knowledge-seeking for Young People who want to learn to save and manage their money. A total of 7,129 books were given;

- Support to the Endowed Chair lectured at the Economics Faculty by Professor Pedro de Santa-Clara, of Universidade Nova de Lisboa: "Millennium bcp Chair in Finance". The creation of this chair is part of the policy of internationalisation of the teaching staff of this faculty aimed at excellence in education. During the academic year of 2010-11, 160 students attended this chair.

The Millennium bcp Foundation has a specific study grant programme, for students from the Portuguese-speaking African Countries (PALOP) and Timor, which supported the grants of 34 students in 2010/2011. This programme currently has 22 students with grants for the academic year of 2011/2012, where 10 are new admissions. In view of the impact of this programme on this student community, videos were provided with the testimonials of some students, aimed not only at publicising the programme but also at demonstrating to young people that formal education can effectively change their future.

In addition to this study grant programme, the Foundation supports various other initiatives, with a view to increasing the quality of education and promoting an entrepreneurial culture:

- Continuation of the exclusive support to the Junior Achievement Portugal "Graduate Programme", whose 4th edition took place in 2011 and has changed its name to "StartUp Programme" for the academic year of 2011/2012. This project consists in the development of programmes promoting an entrepreneurial spirit amongst university students. Supervised by professors of various universities and higher education establishments (Higher Institute of Languages and Administration (ISLA), Setúbal Polytechnic Institute, Universities of Minho and Porto) and with supervisory assistance by voluntary tutors of Millennium bcp, students are challenged to form teams to create a new micro-business. This year, the national team "Flicks", of the University of Porto, won the European competition, where 14 teams participated from 10 countries, with the presentation of an innovative concept aimed at increasing the effectiveness of forest fire detection using cutting edge technology at a competitive price. This was the first national team to win the European competition, where it was distinguished with the "Intel Innovation Award". In recognition of their talent, the team members were received by the President of the Republic at a ceremony which was widely publicised in the media;

- Support to the "Make it Possible" Project, promoted by the International Association of Economics and Commercial Students (AIESEC), an initiative which covered 24 secondary schools with campaigns for the dissemination/discussion of the Millennium Development Goals promoted by the United Nations. Six weekly sessions were held conducted by 36 young volunteers from all over the world. The project also developed various street actions in several parts of the country and a photography competition on Facebook, complementing the training at schools;

- Support to the programme "New good students – Mediators for successful schooling in the 3rd cycle" of EPIS (Association of Entrepreneurs for Social Inclusion). During the academic year of 2010-2011, supervisory support was given to 4,184 students, 1,027 of whom in continuity of previous years and 3,157 were new students. The successful schooling of the 1,027 EPIS students increased from a figure of 57% in 2010 to 82% in 2011, corresponding to a further 257 new good students, with the programme having recorded its best ever results;

- Protocol with Banco Millennium Angola to support the programme of Study grants for university students, at Angolan universities in Angola, attending courses of Economics, Business Management and Administration, Accountancy, Auditing, Bank Management, Law, Computer Engineering and Computerised Management Information. Six students are being supported under this programme;

- Support to the Masters Course in Legal Economics at Eduardo Mondlane Law School in Mozambique, through the Institute for Legal Cooperation. The benefit of the support provided by the Foundation is reflected in the feasibility of the continuation of the course and in the consolidation of the academic and educational quality of the teaching staff. The existence of this academic specialisation is of enormous economic importance for Mozambique as well as for the maintenance of the Portuguese-speaking legal system;
- Support to the Institute of Medical Education for the implementation of a new teaching system to replace the traditional teaching model (exclusively through physical attendance) by a model based on the new technologies (non-physical attendance and mixed), creating a telemedicine project. The implementation of this system will enable cutting costs in the future and ensuring the continuation of the project. In 2011, the project involved 167 lecturers and 533 trainees covering a total of 176 training hours;
- Support to the programme GOS (Management of Social Organisations), developed in a partnership with AESE - Business Management School and EntreAjuda. The programme aims to improve the management undertaken by the senior staff of Private Social Solidarity Institutions (IPSS) through training actions targeting their governing bodies;
- Under the partnerships with Universities, assistance was provided to the following: i) Universidade Católica Portuguesa – Law School: support to foreign students of the Master of Laws 2010/2011; ii) Universidade Católica Portuguesa: study grants for the Lisbon MBA; and iii) Institute of Banking Law, Stock Exchange and Insurance (BBS): support to the Post-graduation in Banking Law, in collaboration with the Law School of Coimbra University.

In Mozambique, Millennium bim launched a pioneering programme in the area of financial education in 2010, the Banking Olympics, involving the participation of 20 schools of Maputo and Matola towns, for the purpose of publicising the importance of the correct use of money. This project seeks to train a new generation of consumers of financial services and instil in the younger population the importance that an efficient management of money has in their personal development and professional training. Through a competition, the students are confronted with various questions on banking concepts and procedures. The bank offered all the participants a manual on the banking system, prepared specifically to support this programme.

Millennium bim also stimulated and supported other initiatives to promote education in different areas:

- In partnership with the Police of the Republic of Mozambique (PRM), a road safety campaign was carried out, with the collaboration of agents who gave lectures at 20 schools of the province of Maputo and trained the older students, so that they could help the younger ones cross the road when entering and leaving school;
- The project "A clean city for Me", in its 5th edition, involved the participation of 3,000 students, from 20 primary and secondary schools of the cities of Maputo and Matola. This project, considered as an important contribution to the training of younger people, raises their awareness on the importance of hygiene and cleaning habits, and of the valorisation and conservation of public areas.

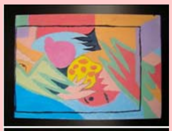
CULTURE

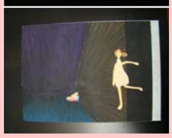
The preservation and dissemination of the Bank's heritage is one of the priorities of the Foundation which, in this area, developed various initiatives:

- Stimulation of the operations of the Archaeological Centre of Rua dos Correeiros (NARC) which, in 2011, received 9,733 visitors, 26% of whom were young people participating in school visits. In the context of the promotion of this space, the Bank joined highly visible initiatives:
  - international initiatives: "International Day of Monuments and Sites", "Museum Night" and "Museum Day";
  - national initiatives: "Museums at Night" of the Ocean Festival and "Heritage Days".
- Organisation of temporary exhibitions in the premises next to NARC:
  - "Felicitas Iulia Olisipo" exhibition – inaugurated on 24 January, which received 11,495 visitors;
  - organisation and production of the "The Sardine is Mine!" exhibition. This action was held under the Lisbon Festivities and was carried out in partnership with EGEAC. On display from 4 June to 3 September, the exhibition received 10,947 visitors.

- Continuation of the project of "Shared Art" travelling exhibitions, which organised and presented during this period:

  - "100 Years of Portuguese Art" travelling exhibition, shown at Condes Castro Guimarães Museum Library, in Cascais, from 2 April to 29 May. The exhibition is composed of a selection of Portuguese artists, whose works were produced between 1884 and 1992, covering various artistic movements: naturalist, modernist, surrealist and contemporary art;
  - "Abstraction Millennium bcp Shared Art" exhibition, at Centro Cultural Palácio do Egipto, in Oeiras, presenting to the public 74 works of Portuguese and foreign abstractionist art. The exhibition had a total of 2,755 visitors;
  - "The Impulse of Love" exhibition and respective publishing of the catalogue, showing works of various Portuguese and foreign artists, on display from 16 July to 17 September, at Edifício Chiado, in Coimbra, under the third edition of the Arts Festival, promoted by the Inês de Castro Foundation;
  - "After the Four Champions: individual paths" exhibition and respective catalogue, with works of the four artists comprising "The Four Champions" group - Ângelo de Sousa, Armando Alves, Jorge Pinheiro and José Rodrigues. The name of the group is derived from the fact that all of these artists graduated from the School of Fine Arts of Porto with the maximum final classification of 20 points. Open to the public at Palácio das Artes – Fábrica de Talentos, in Porto, from 28 July to 17 September, this exhibition received 7,250 visitors.
  - Under the travelling exhibitions, guided visits for students of the region where the exhibition is held have been organised, in partnership with the schools. School competitions were also created, aimed at fostering the individual artistic sensitivity and talent of young people, with awards for the best participants of each age bracket (where the awards have three components: a serigraph of a renowned Portuguese artist, plastic art materials for development of artistic skills and an album to encourage reading). The "Class Prize" was also launched, which consisted of the offer of a signed serigraph to the winner and a trip to Lisbon, with cultural visits and lunch, for the entire class. This year there were two more editions of this initiative. 55 children from Porto and 56 from Vila Nova de Gaia visited Lisbon on 15 and 16 June, respectively. The 15 June, relative to the "100 Years of Portuguese Art" exhibition, had approximately 250 participants in the competition and the 16 June, relative to the "Abstraction" exhibition had a total of 180 participants in the competition.





The following initiatives promoting Culture were also supported by the Foundation:

- São Carlos National Theatre: "2011 Symphonic Season" and "2011 Festival in the Square";
- National Museum of Ancient Art (MNAA): "Collecting in Portugal. Castro Pina Donation" exhibition, inaugurated on 18 May (60,657 visitors); "Dutch Splendour: Family Portrait" exhibition by Pieter de Grebber and "Cuerpos de Dolor, the image of the sacred in Spanish sculpture (1500-1750)" exhibition, which presented the golden centuries of Spanish sculpture. As a whole, counting all its exhibitions, both temporary and permanent, the museum received a total of 114,791 visitors;
- National Museum of Contemporary Art - Chiado Museum (MNAC): "Summer Nights" - presentation of intimate musical concerts in the museum garden during the months of July and August - this year the initiative received 3,594 visitors. Under the centenary commemorations of the Museum, support was also given to the exhibition named "100 Years of Chiado - Nineteenth Century Portuguese Art (1850-1910)". The museum's exhibitions as a whole received 43,348 visitors;
- "Eduardo Nery Collection": protocol between the Institute of Housing and Urban Rehabilitation (IHRU,I.P.) and the Millennium bcp Foundation with a view to the conservation of this artist's collection under the SIPA project (Information System for Architectural Heritage), which promoted the technical treatment, preservation, material conservation, digitalisation and publicising of the plastic artist's collection;
- Lisbon City Hall – Cultural Walks: a project aimed at the mutual knowledge and coexistence of the different cultures resident in Lisbon, through street displays, accessible to the public in general, illustrating traditions and their cultural aspects and artistic characteristics.

The Millennium bcp Foundation also launched a page on Facebook, aimed at disseminating the most important initiatives and expanding socio-cultural opportunities to an increasingly larger and more diversified number of people and institutions. This page had 901 followers by the end of the year.

VOLUNTARY WORK AND COMMUNITY ACTIVITIES

Millennium promotes corporate voluntary actions, particularly in the area of education:

- In Portugal, Millennium bcp supports the Aprender a Empreender association - Junior Achievement Portugal (JA Portugal) since 2006. In 2011 Millennium bcp was distinguished with the voluntary work of the year award in the University category and participant award of the year. During the academic year of 2010/2011, this partnership was expanded to the Autonomous Region of Madeira and participated for the first time in the "Banks in Action" and "Innovation Challenge" programmes. Over this period, 161 volunteers from Millennium bcp, in 286 hours of voluntary work, helped young people to assume the entrepreneurial spirit as an attitude for life through the following Programmes: "The Family" (1st year), "The Community" (2nd year), "Economy for Success" (9th year), "Banks in Action" (10th year), "Innovation Challenge" (10th and 11th years), "The Company" (12th year) and "Graduate Programme" (University students). This participation represented an increase of 23% in the number of volunteers enrolled, with Millennium bcp having been the second company contributing with the highest number of volunteers.
- Also in Greece, the Bank is one of founding members of the Junior Achievement - Young Entrepreneurship Union (SEN) and in 2011 participated in three schools, with three volunteers, in the "Banks in Action" programme. In recognition of Bank's support to the programme, the Millennium bank head of Communication was elected to the Supervisory Committee of the programme of volunteers and was appointed by the Hellenic Banking Institute (HBA) as coordinator of the production of the new school material to be used in 2012 for the "Banks in Action" programme.
- Under the 3rd edition of the "Secure Internet Day" programme, an initiative promoted by Microsoft, actions were conducted in 70 schools in Portugal, to raise awareness amongst children, parents and teachers on more secure and responsible use of the Internet. Approximately 9,500 people benefited from these actions, involving a total of 156 volunteers, 41 of whom were from Millennium bcp.

In Mozambique, Millennium bim has a corporate voluntary work project, "Responsible Millennium bim", through which Employees of the bank participated in actions of social and community interest, contributing to the improved quality of life and well-being of the community.

Over the year of 2011, Employees developed activities with the community in various operations:

- In Portugal, a group of the Direct Banking Department was present in one of the Lisbon warehouses for the separation of the food collected at supermarkets during the collection campaign of the Food Bank. In this action, the Employees were supported by the collaboration of their families, with a total of 50 people having participated;
- With the support of the Millennium bcp Foundation, 50 Employees of Coimbra participated in an action promoted by Cáritas Diocesana of Coimbra. The initiative sought to improve and assist ten social support institutions in the district of Coimbra, through the contribution of a large number of volunteers in a variety of actions: painting, handiwork, cleaning of areas, visits to children, the elderly and medical patients;
- In the province of Maputo, 30 Employees of Millennium bim participated in an action aimed at the rehabilitation of various areas of the facilities of Maguaza Reception Centre;
- In Romania, 12 Employees participated in the project promoted by the Habitat for Humanity Foundation, to assist people in need. During this second action under the partnership, a house for a family of blind people was built in a city, 120 km from Bucharest. The volunteers participated in the construction work under the supervision of a team of experienced workers, who also joined the action.

In Portugal, under various training programmes, the Employees were also invited to participate in projects involving the remodelling of facilities, which required team spirit and cohesion in their implementation:

- Included in the Leadership Training, 46 Employees of the Credit Department, in two days with a total 12 working hours, remodelled 13 rooms of the home for the elderly, Lar de Santo António in the city of Santarém: painting, furniture assembly and decoration;
- At the closing of the Grow Together Forum, the 43 Employees of the seven project teams were involved in an action for 8 hours, aimed at the remodelling of the children's area of Casa do Povo da Freguesia Freiria (peoples' meeting house of the parish of Freiria), near Torres Vedras;
- Integrated in the training bank of the Investment Banking Department, 43 Employees for 6 hours, remodelled the 2nd floor of Obra do Ardina with intervention in the dormitories, study and social rooms and bathroom.

Through formal partnerships or invitation to Employee participation, during 2011, a variety of different goods were donated to Institutions which work, directly or indirectly, with the population:

- In Portugal, a protocol was signed with Entreajuda establishing the donation of electrical and electronic appliances which are subsequently given by this Entity to Social Solidarity Institutions with which it has an agreement and whose activity it follows. It was also donated 355 pieces of furniture and 76 computer equipment units to several Social Solidarity Institutions (IPSS);
- In Greece, Bank Millennium donated computer equipment, software, printers and faxes to primary and secondary schools and to municipal clubs promoting culture;
- Under the "Child's smile - TO HAMOGELO TOU PAIDOU" programme, aimed at children who were victims of abuse or abandoned, to which Bank Millennium in Greece has provided support for 4 years, the Employees were invited to participate in the "Employee Volunteer Network" campaign, through the offer of clothes, food and toys;
- In Angola, integrated in the support to the NGO "Grupo Amizade - Happy Child Programme", the Employees participated in the campaign to collect food, educational material, toys and clothes;
- In Mozambique, Millennium bim offered books and school material to Nhanguco Primary School and its 500 students, and computers to the Netia Mission for the opening of a computer room.

Charity work

In Portugal, Millennium bcp continues to support the Food Bank against Hunger, continuing a partnership which began in 1992. In 2011, this support was expressed in the payment of the production costs of the 2,813 thousand bags used in the food collection campaigns and in a monetary donation reflected in the acquisition of 18.4 tons of tuna fish.

In Portugal, the Millennium bcp Foundation supported a variety of institutions and initiatives in the area of social action, as well as projects addressing situations of social and economic vulnerability, disabled people, and actions in the area of health, in particular:

- Support to the undertaking of research on the existing IPSS in Portugal, promoted by the National Confederation of Social Solidarity Institutions and to be carried out by Consulting Network Portugal (survey, characterisation, analysis and diagnosis) - whose ultimate objective is the promotion of the sustainability of the IPSS and correspondence of their work with the social needs of the Portuguese population;
- Support to Porto City Hall through the provision of meals to young students from economically vulnerable family environments, over the period of the Christmas holidays of the academic year of 2010/2011. This support enabled the provision of 3,950 meals to 866 students;
- Support to Irmandade da Misericórdia e São Roque in the provision of meals to 170 people;
- Support to Cadin (Child Development Support Centre) - 2nd International Congress "Neurodevelopment: The pieces of the puzzle", held from 24 to 27 March 2011 at Estoril Congress Centre, which was attended by 700 participants. The Foundation's support was used for the payment of a simultaneous interpreter during the three days of the Congress;
- Support to PAV – Ponto de Apoio à Vida, namely to pregnant women in difficult socio-economic circumstances. During 2011, the External Attendance Office was used by 283 recent mothers. The donation attributed by the Foundation was applied in the rehabilitation works of the building which was then used by the respective External Attendance Office, in addition to being the head office of the Institution. With this change of premises, PAV not only improved the conditions of reception of the mothers using the Institution,

but also increased its response capacity to the growing number of requests that have been received and are reflected in approximately 2,000 visits/year;

- Support to the Portuguese Association of Asperger Syndrome (APSA), for the "Casa Grande" project, namely in the construction of a Support Centre in a building provided by Lisbon City Hall, which foresees the creation of a social business, with services for the community (laundry, reprographics, cafeteria with an outdoor area, vegetable garden and biological orchard, etc.), for the temporary employment of people with Asperger Syndrome and including various services specifically for people with Asperger Syndrome and their families. The structure, apart from receiving this specific population will be open to the community in general, offering the double benefit of creating an occupation for people with Asperger Syndrome and restoring a property in Lisboa, up until now closed and vacant, for the use of the rest of the population. The expected benefit of this support will be embodied in the creation of new knowledge on the issue as a facilitator of the integration in society of individuals of the target group, in the creation of new skills and attitudes in people with Asperger Syndrome, and in the improvement of the quality of their life through social and professional skills training programmes;
- Collaboration of the Lisbon MBA, of Universidade Nova de Lisboa (UNL) and Universidade Católica (UC), with the Portuguese Association of Asperger Syndrome in the Project Analysis preparation. The Foundation, seeking to maximise the benefit of its support to APSA, UNL, UC, and also in a perspective of multiplying knowledge and sharing experiences, mediated the partnership between these entities. The proposal consisted of the production of a Sustainability Project by the students of the "Project" course of the Lisbon MBA, for implementation at APSA. The study, already concluded, was based on the analysis of the planned activities for "Casa Grande", presenting proposals for the sustainable development of its different aspects;

In Angola, BMA signed a protocol with Cáritas and the Evangelisation and Cultures Foundation (FEC), under the Integrated Mother and Child Health Care Programme of the Catholic Church in Angola. The objective of this programme is the improvement of the quality of life and access to primary health care, in particular in the area of health and consequent reduction of maternal and child mortality in Angola. The diagnosis of mother and child health of the subsystem of the Catholic Church is planned for the 18 Provinces and its total budget is close to 180,000 USD (10,000 USD per Province). During the last quarter of the year, under this protocol, mother and child health diagnoses were carried out in the network of health units of the Province of Kwanza Sul and in the diocese of Caxito.

Every year, on the Day of the African Child, Banco Millennium Angola in partnership with the NGO Grupo Amizade, which supports the "Happy Child Programme" situated in Luanda, Madres Medical Centre in the Municipality of Kilamba Kiaxi, promotes a joint action with the children. The objective of this group is the reduction of poverty by promoting education and offering health care, and currently supports 350 children up to the age of 14 years old.

In 2011, the Vice Chairman of the Executive Committee, Hermenegilda Benge, accompanied by 20 Employees of the BMA, visited the premises of the "Happy Child Programme" during a morning and gave a donation of 1.5 million kwanzas, the result achieved with the "Anniversary Deposit", where for every one thousand USD invested by the Customers, one USD reverted in favour of the "Happy Child Programme".

Environmental Performance

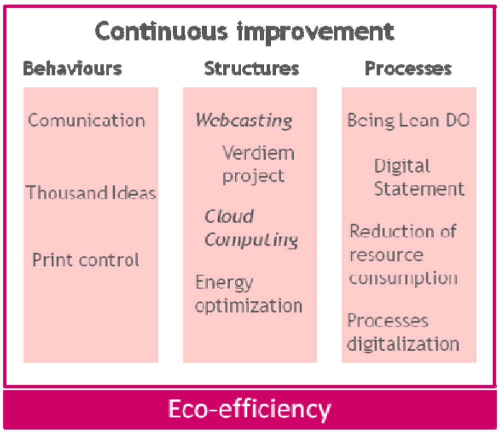
Eco-efficiency in the Bank's operations

The efficiency of the Bank's operations, focused on cost containment, constitutes one of the pillars of the Bank's strategic vision announced in July 2011.

For 2011 it is important to highlight the action plan associated to the increased efficiency of consumption with environmental impact, such as energy, water, materials and computer equipment, based on three lines of action, namely:

- Involvement of the Employees in the promotion of a change of behaviour;
- Investment in the Bank's equipment and infrastructures;
- Continuous improvement of processes.

The reduction of resources consumption with environmental impact enables the Bank to achieve higher levels of eco-efficiency, lowering costs and, simultaneously, decreasing its ecological footprint.



Involvement of the Employees in the promotion of a behaviour change

The pursuit of higher efficiency levels is only achievable through the involvement of the Employees, in the diagnosis of inefficiencies, in the search for minor and major solutions and, finally, in compliance with the implemented policies and practices.

In 2011, the Bank endeavoured to communicate all its structural practices and projects, which require the involvement of the Employees, through: i) newsletters; ii) communication adapted to the target groups of the initiatives; iii) dissemination through the Bank's Intranet; iv) campaigns on Millennium tv; and v) informative panels and posters.

In Portugal, the Bank controls and provides its Employees with information to enable the control of printing, by department, by branch and by Employee. The objective of this initiative is to raise the awareness of the Employees on the need to minimise the number of printouts so as to reduce the wear of equipment and consumption of paper. The reduction of the number of printouts will contribute to the Bank's achievement of its objective of reducing paper consumption by 3%.

All the operations promoted internal campaigns aimed at raising the awareness and involvement of the Employees:

- In Portugal, through the One Thousand Ideas programme, the Bank organised two challenges for the search for eco-efficient solutions: Green DAP (Procurement and Logistics Department) and Green IT (IT Department). In the "Green IT" Challenge 3,420 Employees visited the site, 295 Employees participated through the submission of ideas and 400 Employees voted or commented on the proposed ideas. In the "Green DAP" Challenge 2,177 Employees visited the site, 281 Employees participated through the submission of ideas and close to 500 Employees voted or commented on the ideas. The two challenges resulted in six ideas which received the number of votes required to pass on to the construction phase;
- In Greece, Switzerland and Romania, posters and notices recommending the adoption of responsible behaviour in the consumption of resources were positioned in key places for the Employees;
- In Poland, an awareness-raising campaign was developed aimed at electrical energy saving, amongst Customers and Employees. The Bank also participated in the "Earth Hour" initiative, promoted by WWF Poland. The participation in this programme was communicated through the internal portals, Customer bank statements and newsletters.

Green IT Programme

Placed within the Group's strategy of organisational awareness-raising, the "Green IT" programme, begun in 2010, and which went through a phase of consolidation and expansion to Angola and Mozambique in 2011, seeks to notify the Employees on a series of ecological topics and foster a progressive change of behaviour.

In 2011, the project targeting the objectives of higher eco-efficiency in operations encouraged the involvement of the Organisation in initiatives aimed at consolidating cultural and behavioural change and implementing best practice. This programme is based on three essential pillars:

- Communication: development of a structured communication plan, a determinant factor in the commitment of all Employees to the appropriate use of resources, supported by the following means: regular newsletters and follow-ups; specific communication for target groups outside the IT Department; regular dissemination of information through the internal portals; internal television campaigns; merchandising and static information; One Thousand Ideas – Green IT Challenge; IT portal – Green area;
- Green IT specific activities: composed of specific actions, developed under the reference framework of the programme (Verdiem project, confirmed printing and webcasting, reported in this chapter);
- Green IT Stamp: embodiment of the environmental aspect of the activities or projects included in the provision of IT services, through a distinctive mark which, according to the defined criteria, ensures an effective contribution to reducing/controlling the Group's ecological footprint.

Investment in the Bank's equipment and infrastructures

The investment in the renewal of infrastructures and change of equipment has enabled the Bank to modernise its premises and equipment and increase its efficiency and sophistication in the use of resources. This investment is based on rigorous cost/benefit analyses of the initiatives to be implemented. The analysis takes into consideration the level of reduction of consumption with environmental impact and the respective reduction of costs arising from the investment undertaken.

Millennium bcp monitors all the implemented initiatives, with periodic internal analyses of the effective reductions achieved, which are supervised, in the area of energy and water, by external specialists.

In 2011, the focus on decreased energy consumption was reflected in terms of the implementation of measures concerning the Bank's equipment and infrastructures, in particular:

- Analyses of the applicability of renewable energy, including solar thermal and photovoltaic panels;
- Continuation of the programme of replacement of halogen lamps by LED lamps, in the buildings at Tagus Park and Palácio Atlântico, in Portugal, and in 65 branches in Poland. This investment will enable an estimated annual saving of 50% when compared to the previous equipment, for the Portuguese case;
- Alteration of the lighting time through movement detectors, which ensures more efficient use and higher guaranteed satisfaction for users;
- Verdiem Project: the correct management of computer equipment and the efficient use of its standby and off-mode functions contribute to increase its durability and reduce energy consumption. In 2011, a pilot-project was launched whose objective was ensuring the implementation of an effective solution for the management of computer equipment when not in use. The results of the pilot showed that there is an effective saving of about 33% of energy consumption in the equipment monitored and controlled by this tool, and hence, in 2012, Millennium bcp will expand the initiative to all the equipment, in Portugal;
- Provision of webcasting tools: with the evolution of technology and permanent availability of network connection, there are increasingly more alternatives to work meetings. The Bank has progressively implemented tools enabling the replacement of physically attended meetings by virtual meetings, which reduces travel. Videoconferences and other online collaboration platforms, such as webcasting and conference calls, are currently a reality at the Bank, available to most Employees. In 2011, new webex licenses (videoconference) were provided, which enabled reducing the need for the physical movement/travel of Employees to internal and external meetings. As a result, 262 videoconferences were carried out, with an average participation of 13 Employees per videoconference;
- Computer Cloud: with the emergence of the offer of Cloud services, replacing the use of physical servers, the Bank decided to place its system development environment in these services. Through this acquisition,

the Bank achieved the following outcomes: i) release of technicians from the management tasks of the approximately 220 servers of the development environment; ii) significant increase in the speed and simplicity of the procurement of servers for the development environment; iii) optimisation of the use of the servers of the development environment; and iv) reduction of the occupation of the technical centres and respective energy consumption.

Continuous improvement of processes

The continuous improvement of the Bank's processes and activities has enabled the increased efficiency of operations and consequent reduction in the consumption of resources such as paper, computer equipment and water, electricity and fuel consumption requirements.

In order to achieve these objectives, Millennium bcp invests: i) in continuous improvement programmes based on the Employees; ii) in the development of computer applications that facilitate processes and practices; and iii) in the introduction of management policies that lead to alterations in the Bank's mode of operation.

In this context and with the objective of reducing paper consumption in Portugal, enhancing the sophistication of processes using information technologies, the following initiatives were promoted:

- Pilot project requiring local confirmation at the printer of larger work, aimed at preventing waste. In view of the results that were achieved, this functionality will be extended to the entire Bank in Portugal, during the first semester of 2012;
- Dematerialisation of documents in the processes of internal circulation of information;
- Consolidation of the dematerialisation process under the new process for the opening of a current account;
- Encouragement of Company and Corporate Customer adherence to batch collection through the Bank's website, reducing the circulation of paper and increasing convenience, speed and security for Customers.

Digital Statement and Debit/Credit Note Service

Millennium bcp has assumed the responsibility and challenge to contribute to the reduction of paper through the existing mechanisms for the issue of statements (Current Account and Credit Cards) and debit/credit notes in digital format. As a result of this situation and the major focus on communication and commercial promotion, there was an increase of 17% in the digital documents of Individual Customers and 10% of Company Customers, relative to 2010, representing a total number of 584,941 Customers with digital statements at the end of 2011. During 2011, various actions were developed encouraging adherence to the Digital Statement Service, in particular:

- Campaign carried out in partnership with Portugal Telecom aimed at adherence to the digital statement of Millennium bcp and, simultaneously, adherence to the direct debit and digital document service of TMN, MEO and SAPO customers;
- Campaign concerning the Blue Credit Cards of American Express where, through a partnership established with the only national supplier of bicycles, Customers qualified to win one of the 20 electric bicycles that were offered;
- Simplification of the adherence process, which, as a whole, resulted in an increase of 21% in the number of adherents, making a total 30,670 Card Accounts with Autonomous Digital Statements;
- Provision, to Customers, of debit/credit notes in digital format together with the respective movements in the current account, when consulted through the Bank's website. In 2011, of the total number of debit/credit notes issued by the Bank 90% were in digital format.

In order to reduce energy requirements, Millennium bcp, introduced new rules, without affecting the quality of the service provided, namely:

- Concentration of services, with differentiated business hours at Tagus Park, contributing to reduce energy consumption by 11,100 kW per year;
- At the branches :i) reduction of the hours of inside lighting after closing hours, in Portugal and Poland; and ii) reduction of the hours of illumination of the exterior sign and merchandising of branch windows by one hour, in Portugal;
- Reduction of the operation of heating, ventilation and air conditioning (HVAC) systems of the branches; and ii)buildings in Portugal, respecting the heating and cooling requirements in branches and buildings, which

led to an estimated reduction of energy consumption of 37,500 kW and gas consumption of 3,800 m3, in Portugal.

The introduction of these rules, whose investment requirement was small, will enable an estimated average saving of approximately 840,000 kW per year.

The increased efficiency in Employee's travel, whether for internal and external meetings or between home and work, allows the Bank to reduce operating costs and decreased environmental impact arising from fossil fuel consumption. In Portugal, after the creation of a specific structure responsible for travel policy management and control, the following initiatives were carried out:

- Reduction of the motor power of the available vehicles in the vehicle fleet, enabling increased efficiency in fuel consumption and consequent CO_2 emissions. This measure complemented the introduction of hybrid cars in the Bank's vehicle fleet;
- Strengthening of the guidelines, whenever possible, namely concerning travel inside national territory, for the replacement of air travel by train travel;
- Encouragement of the use of videoconferences whenever necessary and possible;
- Maintenance of the collective transport service for Employees, provided for travel between home and work.

In Poland, internal guidelines were established aimed at reducing Employee travel. In this context, the use of air travel was limited. Furthermore, the Bank replaced training courses with physical attendance by e-learning courses, enabling a reduction in the need for Employee travel.

"Being a Lean DO" (Operations Department)

The difficult balance of operational excellence requires deliberate and consistent action, involving all the Employees. Based on this premise, Millennium bcp implemented a programme focused on the continuous improvement of processes, increased quality and cost-cutting: the "Being a Lean DO" programme. The objectives of the project are the optimisation of processes, through higher productivity and service levels, mitigating operating risk, and dissemination of a culture based on continuous improvement.

The "Being a Lean DO" project influenced the activity of approximately 500 Employees of the Bank, through 40 Employees who played the role of engines of change. In 2012, the project will be replicated in other departments, for the purpose of disseminating the system and culture of improvement implemented in the Operations Department.

Examples of solutions implemented following the identified opportunities:

Identified problems	Solutions
In credit contracting processes the documentation which arrives from the branches by e-mail is printed for validation of information.	Creation of a digital file in a locally developed application, whereby the validation of the documents is carried out on the screen and the daily file is extinguished, enabling the saving of 189,000 sheets of paper per year.
Daily automatic printouts of tables relative to the management of incidents with cheques.	The automatic printing of tables was stopped and the maintenance of the availability of the tables in the supporting computer application was changed from three months to one year, enabling the saving of 126,000 sheets of paper per year.
All the applications received at the branches by e-mail, requesting the closing of Customer accounts, are printed so as to complete the process and subsequently filed at a central level.	Recording in an Excel file, which enables automating the closing process. The application received by e-mail is no longer printed, and it is also no longer necessary to record the coordinates in a physical file, which is now digital, enabling the saving of approximately 63,000 sheets of paper.

MONITORING AND MITIGATION OF ENVIRONMENTAL IMPACTS

Within consumptions per Employee, during 2011, there was an increase in the environmental efficiency in almost all Millennium Group's operations regarding CO_2 emissions, paper, plastic and cartridge and tonners. Electricity consumption stabilised and water consumption had a slight increase of 2.3% when compared to 2010, which strengthens the importance and need of keeping, in 2012, the action plan of consumption reduction, with the objective of continuous efficiency improvement.

MAIN ENVIRONMENTAL IMPACTS OF THE MILLEENNIUM GROUP (1)

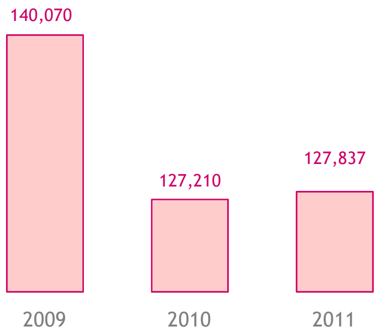
INDICATORS	Unit.	2011	2010	2009	Change % 11/10
Consumption by Employee:					
Ink cartridges and toners	kg	1.7	1.9	1.9	-10.5%
Paper	kg	59.7	63.7	51.8	-6.3%
Plastic (2)	kg	3.8	4.4	6.5	-13.6%
Water (Human consumption) (3)	m^3	18.0	17.6	16.8	2.3%
Electricity (4)	MWh	6.8	6.8	7.4	0.0%
Total Greenhouse Gas emission	tCO_2eq	3.6	4.0	4.6	-10.0%

(1) Includes Portugal, Poland, Greece, Romenia and Mozambique.
(2) Includes Romenia in 2010. Excludes Mozambique and Greece in 2010 and 2011.
(3) Excludes irrigation water and cooling towers.
(4) Includes cogeneration power plant.

Energy and Emissions

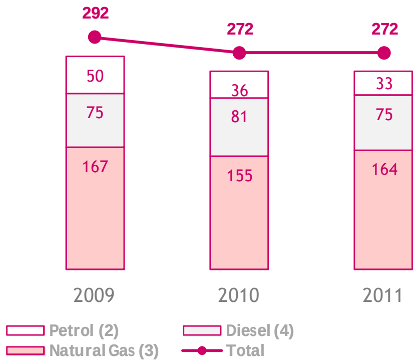
In overall terms, during 2011, electricity consumption increased by 0.5% compared to 2010 due to an increase in electricity consumption in Poland of 12.8%, not offset by a reduction of 8.4% in Portugal, 3.5% in Greece and 4.3% in Romania. The Bank intends in 2012 to maintain the involvement of employees in projects aimed to decrease the absolute consumption of electricity, by 6% in Portugal.

ELECTRICITY CONSUMPTION (1)
MWh



(1) Includes Portugal, Poland, Greece, Romenia and Mozambique.

DIRECT ENERGY CONSUMPTION (1)
TJ



(1) Includes Portugal, Poland, Greece, Romenia and Mozambique.
(2) Does not include automobile fleet consumption for Greece in 2011.
(3) Does not include Greece, Romania, and Mozambique.
(4) Does not include Greece.

The total direct energy didn't changed compared to 2010, with a reduction of 7.4% in diesel and 8.3% in gasoline consumption, and an increase in natural gas consumption of 5.8%. The increase in natural gas consumption of Millennium bcp is explained by the increase of 5.3% in Portugal.

Millennium bcp has a natural gas cogeneration unit since 1995, installed in the Tagus Park complex. This cogeneration unit partially supplies the energy needs of Millennium's buildings in Tagus Park, simultaneously enabling the heating of the water used in the buildings' climate control system. The self-production of energy stabilised in relation to 2010, having increased by 0.7% and continuing to represent 15% of the total electricity consumption of the Bank in Portugal.

TAGUS PARK COGENERATION POWER PLANT

	Unit.	2011	2010	2009	Change % 11/10
Natural gas consumed	1000 m^3	3,892	3,695	3,321	5.3%
Electricity produced					
Consumed	MWh	12,248	12,276	12,075	-0.2%
Sold	MWh	486	367	371	32.4%
Total	MWh	12,734	12,643	12,446	0.7%
Total of electricity from the public network	MWh	72,128	78,760	81,596	-8.4%
Self-production consumed / total consumed	%	15%	14%	13%	8.5%

Consolidated CO_2 emissions fell by 9%, due to a decrease of emissions arising from the consumption of electricity and heat and the reduction of emission factors of the national energy mix. On the other hand, the travel policy in Portugal and Poland's guidelines in order to reduce the employees travelling allowed a reduction of 8.5% in automobile fleet emissions and 32.4% in air travel emissions.

GREENHOUSE GAS EMISSIONS (GHG) (1)

tCO_2eq

	2011	2010	2009	Change % 11/10
DIRECT GREENHOUSE GAS EMISSIONS - SCOPE 1				
Automobile fleet (2)	7,446	8,135	8,875	-8.5%
AVAC	322	607	1,351	-47.0%
Electricity and heat (3)	9,861	9,287	9,960	6.2%
TOTAL	17,629	18,029	20,186	-2.2%
INDIRECT EMISSIONS - SCOPE 2				
Acquired electricity and heat	55,755	62,370	75,147	-10.6%
INDIRECT EMISSIONS - SCOPE 3 (4)				
Air travel	796	1,177	186	-32.4%
Train travel	167	153	63	9.2%
Home-work-home travel of the Employees (5)	8	7	32	14.3%
TOTAL	971	1,337	281	-27.4%
TOTAL	**74,355**	**81,736**	**95,614**	**-9.0%**

(1) Includes Portugal, Poland, Greece, Romenia and Mozambique.
(2) Does not include Greece.
(3) Does not include Greece in 2009.
(4) Does not include Greece and Mozambique.
(5) Values calculated for Portugal.

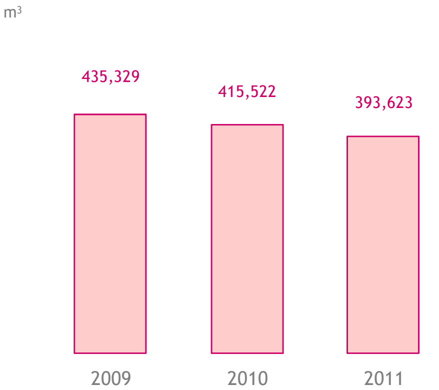
Water

Global water consumption has followed the downward trend registered in previous years, decreasing 5.3% compared to 2010, due to the reduction of 63.4% water consumption to irrigation and cooling towers, in Portugal.

In 2011, international operations recorded a consumption of 185,303 m^3, which represents an absolute decrease of 5.1% relative to 2010, contributing significantly to this reduction Poland (43%) and Romania (36%).

In 2011, 208,320 m^3 of water were consumed in Portugal, which represented an absolute decrease of 5.4% relative to 2010. This evolution reflects the investment made in 2010, with the installation of water-saving aerators and recurrent environmental awareness-raising, through the Bank's main channels of communication. Also contributing to this reduction was the completion of the process of

WATER CONSUMPTION (1)



(1) Includes Portugal, Poland, Greece, Romenia and Mozambique.

adaptation of the frequency of the irrigation to the minimum needs of the plant species in Tagus Park and the introduction of an automatic timer which enables avoiding irrigation when there are high levels of humidity.

In Portugal, the Bank continues to use rainwater for irrigation, having managed to increase this portion by approximately 89% in 2011.

WATER CONSUMPTION

Activity in Portugal m³

	2011	2010	2009	Change % 11/10
From the public network	202,384	217,109	246,323	-6.8%
Reuse of rainwater [1]	5,936	3,136	11,428	89.3%
TOTAL	**208,320**	**220,245**	**257,751**	**-5.4%**

[1] It was not possible to monitor the amount of rainwater captured during the 12 months of 2011 due to a mafunction of the meter system for reuse rainwater.

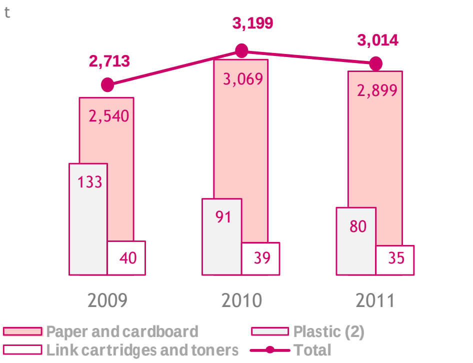
Materials and waste

The materials consumption reduced by 5.8% due to a reduction of 5.5% in paper and cardboard consumption and of 12.1% in plastic consumption.

In Portugal the consumption of materials decreased 6.5% and in international activity the largest contributor was Greece (21.0%).

The production of waste is a consequence of the consumption of paper, issued and recovered cards, plastic, ink cartridges, toners and obsolete computer equipment. In this context, the responsibility of Millennium bcp is, in the first place, to reduce the consumption of resources and, subsequently, ensure the correct sending of the waste that is produced to an appropriate final destination.

CONSUMPTION OF MATERIALS [1]



[1] Includes Portugal, Poland, Greece, Romenia and Mozambique.
[2] Includes Romenia in 2010. Not includes Mozambique and Greece in 2010 and 2011.

Under the "Office Printing" project, Millennium bcp contracts out the entire management of printers, toners and ink cartridges. This process was transferred to a service provider which ensures the responsible and efficient management of these materials, as well as the suitable recovery of the waste.

WASTE PRODUCED BY THE MILLENNIUM GROUP t

	Paper and cardboard			Plastic			Ink cartridges and toners		
	2011	2010	2009	2011	2010	2009	2011	2010	2009
Activity in Portugal	661.1	657.5	1,178.0	65.1	62.6	65.9	26.0	27.2	20.8
International activity [1]	703.2	274.4	666.0	14.9	15.0	1.6	3.8	1.0	1.2
TOTAL	**1,364.3**	**931.9**	**1,844.0**	**80.0**	**77.6**	**67.5**	**29.8**	**28.2**	**22.0**

[1] Poland, Romania, Greece and Mozambique.

In Portugal, within the responsible consumption of materials and treatment of waste:

- The objective of the Bank is to reduce paper consumption by 3% in 2012;
- All the paper purchased is certified in accordance with the requirements of the FSC (Forestry Stewardship Council), contributing to sustainability in the supply and availability of paper in the long term;
- The Bank tries to recover the obsolete cards from customers, which, in 2011, represented about 5% of all cards issued;
- For paper and plastics, are made unscheduled visits to the indicated companies for verification of the process of waste disposal and treatment.

Entrajuda Protocol

In 2011, Millennium bcp signed a protocol with Entrajuda with the objective of facilitating the donation of electrical and electronic equipment at the end of its useful life, in accordance with the standards of use of the Bank.

Entrajuda is a private social solidarity institution whose mission is the provision of social support to other institutions in terms of organisation and management, with the objective of improving their performance and efficiency for the benefit of vulnerable people.

Under the protocol signed with Millennium bcp, Entrajuda is responsible for separating the obsolete equipment from the equipment that may still be useful, donating the equipment which meets the minimum requirements for new use and correctly disposing the electrical and electronic waste.

CALCULATION CRITERIA USED IN THE ENVIRONMENTAL INDICATORS

Water consumption: extrapolation/estimate for operations under analyses. In 2010, the estimate was based on the specific summer and winter consumption of "typical premises" consuming water at the Bank. The calculations of water consumption in all other locations were based on estimates derived from the analysis of financial data or meters.

Consumption of paper, cardboard and plastics: the estimated total was based on the weight of the products which are most consumed, on the total values recorded by the bursar and on the plastic consumption of the bank cards issued for 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 filing and Customers.

Waste plastic: the quantity of waste produced was estimated from the consumption of water bottles and plastic articles from the bursar, which are not normally used in filing or for Customers.

CO_2 emissions arising from electricity consumption (scope 2): the estimated values are based on the electricity consumption of Millennium bcp. For Portugal was used the national emission factor of the national major supplier, provided by the Energy Services Regulatory Entity, available publicly at www.erse.pt. For the international activity, were used the emission factors of the Greenhouse Gas Protocol of 2008 (GHG Protocol) and the data relative to the national energy mix of 2007 published by Eurostat.

CO_2 emissions arising from air and train travel: the emission factors for air, bus and train travel used were provided by the Greenhouse Gas Protocol. For air travel, the estimation method incorporated the Radiative Forcing Index (RFI), calculated by the IPCC, which explains the significant increase in greenhouse gases in view of the multiplication of the emissions by 1.9 from 2009 to 2010, a factor which is intended to reflect the global impact of air travel on climate change.

CO_2emissions resulting from the consumption of liquid fuels and natural gas: the emission factors for liquid fuels and natural gas used were provided by the Greenhouse Gas Protocol.

Corporate Boards

At the end of 2011, the Corporate Bodies of the Bank consisted of:

Board of the General Meeting

Chairman:	António Manuel da Rocha e Menezes Cordeiro
Vice-Chairman:	Manuel António de Castro Portugal Carneiro da Frada
Company Secretary:	Ana Isabel dos Santos de Pina Cabral

Executive Board of Directors

Chairman:	Carlos Jorge Ramalho dos Santos Ferreira
Vice-Chairmen [1]:	Vítor Manuel Lopes Fernandes
	António Manuel Palma Ramalho
Members:	Luís Maria França de Castro Pereira Coutinho
	Miguel Maya Dias Pinheiro
	José Jacinto Iglésias Soares
	Rui Manuel da Silva Teixeira

Supervisory Board

Chairman:	António Vitor Martins Monteiro
Vice-Chairmen:	Manuel Domingos Vicente
	Maria Leonor C. Pizarro Beleza de Mendonça Tavares
Members:	Álvaro Roque de Pinho Bissaia Barreto
	António Henriques Pinho Cardão
	António Luís Guerra Nunes Mexia
	António Manuel Costeira Faustino
	Carlos José da Silva
	Daniel Bessa Fernandes Coelho
	João Manuel de Matos Loureiro
	José Guilherme Xavier de Basto
	José Vieira dos Reis
	Josep Oliu Creus
	Luís de Mello Champalimaud
	Manuel Alfredo da Cunha José de Mello
	Pansy Catalina Ho Chiu King
	Thomaz de Mello Paes de Vasconcellos
	Vasco Esteves Fraga

(1) On 20 June 2011, following his acceptance of taking office in the Government of the Republic of Portugal as Minister of Health, Paulo José de Ribeiro Moita de Macedo resigned from the position of Vice-Chairman of the Executive Board of Directors, as well as all other corporate positions held in the Group or in representation of the Group. The areas under his responsibility were redistributed amongst the other Directors.

Statutory Auditor

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

Effective:	Ana Cristina Soares Valente Dourado (ROC number 1011)
Alternate:	João Albino Cordeiro Augusto (ROC number 632)

Remuneration and Welfare Board

Chairman:	José Manuel Rodrigues Berardo
Members:	António Victor Martins Monteiro
	Luís de Mello Champalimaud
	Manuel Pinto Barbosa

In the General Meeting of Shareholders of Banco Comercial Portuguese, S.A. on February 28, 2012 it was approved the alteration and restructuring of the articles of association of the company, which was consolidated in the adoption of an one-tier management and supervision model, composed by a Board of Directors, an Audit Committee and Statutory Auditor, as well as the creation of an International Strategic Board. In this General Meeting were elected the members of the new corporate bodies for the term of office 2012-2014:

Board of Directors

Chairman:	António Vitor Martins Monteiro
Vice-Chairmen:	Carlos José da Silva
	Nuno Manuel da Silva Amado
	Pedro Maria Calainho Teixeira Duarte
Members:	António Luís Guerra Nunes Mexia
	João Bernardo Bastos Mendes Resende
	António Manuel Costeira Faustino
	Álvaro Roque de Pinho Bissaia Barreto
	António Henriques de Pinho Cardão
	César Paxi Manuel João Pedro
	José Jacinto Iglésias Soares
	André Luiz Gomes
	João Manuel de Matos Loureiro
	José Guilherme Xavier de Basto
	Jaime de Macedo Santos Bastos
	Maria da Conceição Mota Soares de Oliveira Callé Lucas
	Miguel de Campos Pereira de Bragança
	Miguel Maya Dias Pinheiro
	Luís Maria França de Castro Pereira Coutinho
	Rui Manuel da Silva Teixeira

Executive Committee

Chairman:	Nuno Manuel da Silva Amado
Vice-Chairmen:	Miguel Maya Dias Pinheiro
	Miguel de Campos Pereira de Bragança
Members:	José Jacinto Iglésias Soares
	Maria da Conceição Mota Soares de Oliveira Callé Lucas
	Luís Maria França de Castro Pereira Coutinho
	Rui Manuel da Silva Teixeira

Audit Committee

Chairman:	João Manuel de Matos Loureiro
Members:	José Guilherme Xavier de Basto
	Jaime de Macedo Santos Bastos

Remuneration and Welfare Board

Chairman:	Baptista Muhongo Sumbe
Members:	Manuel Soares Pinto Barbosa
	José Manuel Archer Galvão Teles
	José Luciano Vaz Marcos

International Strategic Board

Chairman:	Carlos Jorge Ramalho dos Santos Ferreira
Members:	Francisco Lemos José Maria
	Josep Oliu Creus

CHANGES IN CORPORATE GOVERNANCE

On 18 April 2011, Banco Comercial Português, S.A. held its Annual General Meeting, where the following deliberations were of importance, with impact on Corporate Governance, for the three year period 2011-2013:

- Election of the Board of the General Meeting;
- Election of the Remuneration and Welfare Board;
- Election of the Supervisory Board;
- Election of the Executive Board of Directors, with the appointment of José Jacinto Iglésias Soares and Rui Manuel da Silva Teixeira as new members of the Executive Board of Directors, following the termination of office of José João Guilherme and Nélson Ricardo Bessa Machado;
- Election of the Statutory Auditor and respective alternate.

Following the change in the composition of the Executive Board of Directors approved at the General Meeting of Shareholders held on 18 April 2011, there was a redefinition of the areas of responsibility of each Director as well as the direct reporting and Alternate Directors in each of the abovementioned areas of responsibility. On 20 June 2011, following his acceptance of taking office in the Government of the Republic of Portugal as Minister of Health, Paulo José de Ribeiro Moita de Macedo resigned from the position of Vice-Chairman of the Executive Board of Directors, as well as all other corporate positions held in the Group or in representation of the Group. Consequently, the Executive Board of Directors redistributed his areas of responsibility amongst the other Directors. On 7 September 2011, Banco Comercial Português disclosed that, following the meetings of the Executive Board of Directors and Supervisory Board held on that same day, António Ramalho had been appointed Vice-Chairman of the Executive Board of Directors of BCP.

In November 2011, the Executive Board of Directors approved the new composition of the Coordination Committees, Sub-commissions and Commissions directly under it. This alteration represented an improvement on the previous Corporate Governance model adopted in May 2011 following the beginning of the current term of office of the mandate of the Executive Board of Directors. The coordination committees were reorganised, and relative to 31 December 2011, were the following: Retail, Companies, Asset Management & Private Banking, European Business, and Banking Processes and Services. The monitoring of the activity of the previous Corporate & Investment Banking segment was transferred to the Companies Committee. Regarding the foreign Business in Africa (Mozambique and Angola) and Other International Business (Macao/China) were thus assumed directly by the Millennium bcp Directors responsible for these operations, since it was considered that the particularities of these markets warrant individualised treatment and, consequently, that they would not benefit from integration into coordination committees. The Committees directly under the Executive Board of Directors were also reviewed, with the creation of the Credit Risk Sub-commission.

In May 2011, the commissions directly under the Supervisory Board were also reviewed, with the Audit Commission having been maintained, the Corporate Governance Commission distinguished and three new Commissions created: the Risk Assessment Commission, the Nominations Commission and the Ethics and Deontology Commission.

Following the adoption of an one-tier management and supervision model, approved on the General Meeting of Shareholders of Banco Comercial Portuguese, S.A. on February 28, 2012, and the creation of an Executive Committee, there was a redefinition of the areas of responsibility of each Director as well as the direct reporting and Alternate Directors in each areas of responsibility.

Board of Directors

António Monteiro	
Support Office of the Board of Directors	(NA)
Company Secretary's Office	(NA)
Millennium bcp Foundation	(NA)
Client Ombudsman	(NA)

Comissão Executiva

Nuno Amado (NA)	
Office of the Chairman of the Exec.Committee	(MM)
Communication Department	(MM)
Staff Management Support Department	(MM)
Audit Department (*)	(IS)

Miguel Maya (MM)	
Credit Department	(MB)
Specialized Credit Department	(MB)
Standardised Recovery Department	(MB)
Specialized Recovery Department	(MB)
Corporate Department II	(MB)
Risk Office	(MB)
Rating Department	(MB)
Litigations Department	(MB)
Real Estate Business Department	(MB)
Tax Advisory Services - Investment Banking	(MB)

Miguel Bragança (MB)	
Treasury & Markets Department	(MM)
Assets and Liabilities Management Department	(MM)
International Department	(MM)
Planning & Budget Control Department	(MM)
Accounting & Consolidation Department	(MM)
Investors Relations Department	(MM)
Tax Advisory Department	(MM)
Management Information Department	(MM)
Financial Holding Department	(MM)

Rui Manuel Teixeira (RMT)	
Retail Banking	(LPC)
Companies Banking	(LPC)
Madeira and Azores Regional Departments	(LPC)
Marketing Department	(LPC)
Network Support Department	(LPC)
Direct Banking	(LPC)
Cards Departments	(LPC)

Luís Pereira Coutinho (LPC)	
Private Banking Department	(RMT)
Banque Privée BCP (Switzerland)	(RMT)
Bank Millennium (Poland)	(RMT)
Millennium Bank (Greece)	(RMT)
Banca Millennium (Romania)	(RMT)
Banque BCP (France)	(RMT)
Banque BCP (Luxembourg)	(RMT)
FBSU - Foreign Business Support Unit	(RMT)
ActivoBank	(RMT)

Conceição Lucas (CL)	
Corporate Department I	(IS)
Investment Banking Department	(IS)
Millennium bim	(IS)
Millennium Angola	(IS)
Desk Orient	(IS)
Millennium bcp Gestão de Ativos	(IS)
Research Office	(IS)
Millenniumbcp Ageas	(IS)

Iglésias Soares (IS)	
IT Department	(CL)
Operations Department	(CL)
Administrative & Logistis Department	(CL)
Quality Department	(CL)
Prevention & Safety Office	(CL)
Legal Department	(CL)
General Secretariat	(CL)
Microcredit Department	(CL)
Compliance Office	(CL)

( ) Alternate Member
(*) Direct Responsible (Iglésias Soares)
Project M (Rui Manuel Teixeira)

In March 2012, the Executive Committee approved the new composition of the Coordination Committees, Sub-commissions and Commissions directly under it. The composition of the Coordination Committees is the following:

Coordination Committees of Networks and Special Functions

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 Committee.

Retail

- **EC Members**

  Miguel Bragança
  Rui Manuel Teixeira
  Conceição Lucas

- **Coordinator Directors**

  Retail Banking
  Direct Banking
  Marketing Department (Secretary)
  Cards Department
  Network Support Department
  Communication Department
  Management Information Department
  Standardized Recovery Department
  Real Estate Business Department (by invitation)
  Private Banking (by invitation)
  Staff Management Support Department (by invitation)
  Insurance (by invitation)

Companies

- **EC Members**

  Miguel Maya
  Miguel Bragança
  Conceição Lucas
  Rui Manuel Teixeira

- **Coordinator Directors**

  Companies Banking
  Corporate Department I
  Corporate Department II
  Investment Banking Department
  Specialized Credit Department
  Real Estate Business Department
  Marketing Department (Secretary)
  Management Information Department
  Specialized Recovery Department
  Staff Management Support Department (by invitation)

Business in Europe

- **EC Members**

  Luís Pereira Coutinho
  Iglésias Soares

- **Responsible for the Operations**

  Poland
  Greece
  Romania
  FBSU (Secretary)

Processes and Banking Services

- **EC Members**

  Luís Pereira Coutinho
  Iglésias Soares
  Rui Manuel Teixeira

- **Coordinator Directors**

  IT Department
  Operations Department (Secretary)
  Administrative & Logistics Department
  Quality Department
  Prevention and Safety Office
  Staff Management Support Department
  Planning & Budget Control

Human Resources

- **EC Members**

  Nuno Amado
  Miguel Bragança
  Iglésias Soares

- **Coordinator Directors**

  Staff Management Support Department (Secretary)
  Other first lines in function of the topics

Main Events in 2011

January

- Launch of an Institutional Campaign whose central figure was José Mourinho. This campaign highlighted values and principles that are common to Mourinho and Millennium bcp: leadership, consistency, solidity and success. Summarising the entire message in the claim "our work, our passion", this campaign marked a new phase of the Bank's Communication strategy, reinforcing its underlying values and consolidating its positioning as a leading Bank.
- Signing of a sponsorship contract between American Express, through its exclusive partner in Portugal, Millennium bcp, and Casa da Música, in Porto.
- Participation of Millennium bcp Microcredit in a conference organised by the Pro Bono Committee of Vieira de Almeida & Associados (VdA), dedicated to the topic: "Action to Combat Poverty and Social Exclusion - the Role of the Law".
- Launch, by Millennium bank in Greece together with the insurance partner Interamerican S.A., of a new bancassurance programme to cover "Personal Property", seeking to create a product which meets the needs of mass market Customers.
- Inauguration of Escolinha do Quiduxo, situated in Bairro do Khongolote, in Mozambique. This initiative falls under the Social Responsibility Programme "More Mozambique for Me" of Millennium bim. Millennium bim support was given to the construction and provision of equipment of the "little school" created by Associação Comunitária pela Criança Sã.
- Closing of the exhibition "Bones Containing History", shown from 19 February 2010 to 19 January 2011 which received a total of 20,409 visitors, representing a number which had never as yet been achieved by an exhibition at the Archaeological Centre of Rua dos Correeiros (NARC).
- Inauguration of the exhibition "Felicitas Ivlia Olisipo – City of a Global Empire", a display of archaeological remains of amphorae characteristic of the cosmopolitan Lisbon of the Roman Empire, at Rua Augusta, in Lisbon, at the same facility which exhibited "Bones Containing History".
- Through its Social Responsibility programme "More Mozambique for Me", Millennium bim supported the launch of a recycling project designed for the city of Maputo, by the Mozambican Recycling Association (AMOR). The project operates through the implementation of a system of selective collection of urban waste and creation of three centres of purchase of recyclable material in the city.

February

- Participation in the European Annual Forum of BAFT-IFSA (Bankers Association for Finance and Trade + International Financial Services Association).
- European Microfinance Board Meeting held in Lisbon, where Millennium bcp Microcredit hosted the meeting.
- Partnership of AESE - Business Management School, ENTRAJUDA and the Millennium bcp Foundation for the joint organisation of yet another Social Organisations Management programme, a fine-tuning programme targeting senior staff of institutions of the social sector, sponsored by Millennium bcp.
- Celebration, in partnership with Microsoft Portugal, of the "Secure Internet Day", involving 156 volunteers from the Bank, Microsoft and EPIS, who visited 71 educational establishments to convey notions on Internet security and promote ethical conduct and secure behaviour online, to children of the 1st and 2nd cycles, young people at secondary school and their respective parents.
- Inauguration of the exhibition "Abstraction Millennium bcp Shared Art", displaying 74 works of Portuguese and foreign abstractionist art.
- Launch in Poland of a new access channel to the bank, Mobile banking, through a safe and transparent system which enables having the Bank always on hand.
- Inclusion of Bank Millennium, in Poland, in the "Respect Index", the first Central and Eastern European index of socially responsible companies.
- Launch of a new product, completely innovative on the Mozambican market - NetSh@p, targeted at Companies and Sole Proprietorships (ENIs), consisting of a concept of business through the Internet.

Millennium bim offers an electronic payment platform enabling totally secure sales online at all stages, including payment.

- Partnership between Millennium bim and Vodacom, defining areas of cooperation and partnerships, for the full use of joint synergies which will enable offering Mobile Banking technological solutions and the holding of various joint commercial promotion actions.
- Launch of a new business line for Affluent Customers with exclusive products and services, including a dedicated network of branches and managers in Romania.
- Launch of the University account in Angola, with special conditions, namely access to a credit line with a subsidised interest rate and the offer of a voucher of the value of 5,000 kwanzas, to be used in bookshops and electronics stores.
- Millennium bcp Microcredit attended an initiative organised by AIRV (Business Association of the Region of Viseu), with which it has a Partnership Protocol, for the promotion of entrepreneurism in the region.

March

- Celebration of the 1st anniversary of ActivoBank with the opening of the 5th branch, in Vasco da Gama Shopping Centre in Lisbon.
- Launch of the Millennium Movement, an initiative promoted by the newspaper Expresso and Millennium bcp aimed at anticipating comments on topics of major importance to the country, thus creating a public debate on the main pillars of society: Business, Democracy, Consumption and Cities. At the launch of this initiative, the keynote speaker was Malcolm Gladwell, considered by the magazine Time as one of the most influential persons of the twenty-first century.
- Renewal of the contents of Millennium TV open to Employees and Customers through a partnership established with Económico TV, of Diário Económico.
- Launch of a new version of the App Millennium application, for the iPad tablet, adding to the Millennium bcp offer of mobile banking applications, which currently covers iPhone and iPod Touch, BlackBerry, Java and Android smartphones and equipment.
- Organisation of the "Prestige Training" by Millennium bank, in Greece, a meeting led by the head of Marketing of the Greek operation which was held in Athens and attended by over 80 Employees of this business segment. Topics such as Prestige philosophy, the sales flow process or, for example, exclusive products and services were amongst the topics debated in the session.
- Holding of "Millennium/Forbes Prestige" meetings, an initiative organised by the Millennium operation in Poland and the magazine Forbes. Bank senior staff and various other guests participate in the meetings, where the economic situation of the country was discussed in the format of a debate, covering in particular the trends of Polish investment in the medium-long term.
- Election of Médis as a Trusted Brand 2011 in the Health Insurance category. This award is attributed by the readers of "Selections from Reader's Digest", and is of particular significance since it is the direct result of consumer voting.
- Disclosure by the company Brand Finance, under the second edition of the Brand Valuation Forum, of the ranking of the 50 Most Valuable Portuguese Brands, where Millennium bcp is recognised as a leading private bank in the banking sector (8th position of the overall ranking), with a brand value of 502 million euros.
- Launch of the "New Family Saving Account" in Greece, under the motto "Every month, more", with the offer of supermarket vouchers of up to 20 euros for accounts with a balance above 1500 euros.
- Launch by Millennium bim of the product "Family Saving Plan", whose main objective is the creation of saving habits.
- Launch, in Poland of Eko Energy, a Loan/Leasing line for the purpose of funding latest generation solutions in the area of energy saving technologies and renewable energy. The credit line arises under the Polish Programme of Sustainable Energy Financing (PolSEFF), enabling the implementation of projects of Polish small and medium-sized enterprises in the area of energy efficiency.
- Participation in the Reuters/TSF Conference on the role of the banking sector in the economy, in the context of the crisis. Millennium bcp was represented by the Chairman of the Bank, Carlos Santos Ferreira. The conference was attended by representatives of the five largest banks in Portugal.
- The Millennium bcp Foundation supported the 4th edition of GOS (Management of Social Organisations), a Fine-tuning Programme targeting senior staff of Institutions of the Social Sector (IPSS, NGOs, Misericórdias

and other non-profit making entities) with the objective of improving the decision-making capacity and use of management tools of the trainees.

- Under the commemorations of the 100th anniversary of Lisbon University - Ulis2011, "100 lessons" were ministered, where Carlos Santos Ferreira, Chairman of Millennium bcp was the speaker of the lecture "A view of the Banking Sector" included in the 1st Cycle of Lectures.
- Participation of Millennium bcp Microcredit in an information session, at the Association of Municipalities of Beja, attended by approximately 24 entities of the public sector which, directly or indirectly, are involved in different municipal social areas.
- Following the announcement of the placing of the rating under "Credit Watch Negative" on 1 December 2010, and immediately after the resignation of the Prime Minister, on 25 March 2011, S&P downgraded the long term rating of the Portuguese Republic by two notches, from "A-" to "BBB". Subsequently, on 28 March 2011, S&P downgraded the long term rating of Banco Comercial Português, S.A., also by two notches, from "BBB+" to "BBB-". The short term rating was revised from "A-2" to "A-3". Both the long and short term rating remained under observation with negative implications ("Credit Watch Negative"), reflecting the possibility of further downgrades of the Portuguese Republic and respective indirect impact on BCP's credit risk.

APRIL

- Holding of the Annual General Meeting of Millennium bcp on 18 April 2011, in Porto, which was attended by shareholders representing 53.39% of the share capital. Particular note should be made of the following deliberations: (1) Approval of the management report, balance sheet, and individual and consolidated accounts relative to the financial year of 2010; (2) Approval of the proposed appropriation of profit for the year; (3) Approval of the new Articles of Association, enabling Millennium bcp to adjust and harmonise its Memorandum and Articles of Association to the changes which have been made to the Commercial Companies Code and Securities Market Code; and (4) Approval of an operation to increase the share capital, of a value which might vary between 1.12 and 1.37 billion euros. The General Meeting also elected the new governing bodies of the Bank and a new Board of Directors, which will include two new members: Rui Manuel Teixeira and José Iglésias Soares.
- Launch of the "Millennium Suggests" page on Facebook, offering techniques for saving and family budget management, shared experiences and useful information, of a general nature, on taxation.
- Sponsorship of the 5th Annual Conference on Risk, Financial and Treasury Management, organised by Eurofinance, in Lisbon.
- Following the downgrading of the long term rating of the Portuguese Republic by three notches, from "A-" to "BBB-", on 5 April 2011 Fitch announced the downgrading of the long term rating of Banco Comercial Português, S.A. by two notches, from "BBB+" to "BBB-", while the short term rating was revised from "F2" to "F3".
- Millennium bcp Microcredit participated in the Seminar "Contributions to Innovation", organised by CLDS - Local Social Development Centre of Famões.
- Participation of Millennium bcp Microcredit, at the invitation of the Algarve Unit of the Paulo Freire Portugal Institute, in a seminar at Algarve University, dedicated to the topic "Microcredit and Entrepreneurism - A Social Responsibility".
- Association of Millennium bcp to the International Day of Monuments and Sites, through the evening opening of the museum area of the Archaeological Centre of Rua dos Correeiros (NARC).
- The Millennium Foundation sponsored the exhibition "100 Years of Portuguese Art", at Condes Castro Guimarães Museum Library, in Cascais.
- Support, through the Millennium bcp Foundation, of the "Make it possible" project. A project which brought 36 young volunteers from all over the world to Portugal aimed at raising the awareness of Portuguese youth on the "Millennium Development Objectives", promoted by the United Nations.
- Following the downgrading of the long term rating of the Portuguese Republic from "A3" to "Baa1", on 6 April 2011 Moody's announced its downgrading of the long term rating of Banco Comercial Português, S.A. (BCP) from "A3" to "Baa3-", while the short term rating was revised from "P-2" to "P-3". The BFSR (Bank Financial Strength Rating) was revised from "D+" to "D". The ratings remained under observation for a possible downgrade.

May

- Decision to activate the legally established process for the concession of State backing for debt issuance, pursuant to Law number 60-A/2008, of 20 October, whereby the respective request for approval was submitted to the Bank of Portugal for State backing of financing through the issue of non-subordinated securities of the value of 1.75 billion euros, whose spread would be determined in accordance with market conditions, and with a maturity period of up to 3 years.
- Presence of Millennium bcp, represented by the Deputy Chairman Paulo Macedo, at the "Portuguese Day", an event held at the New York Stock Exchange.
- Holding of the annual edition of the "One Thousand Ideas Workshop", for the purpose of awarding the best participations of 2010.
- Organisation of the 2nd edition of the "Open Doors" Workshop under the "One Thousand Ideas" Programme, for the exchange of experiences and sharing of best practices in innovation. This event was attended by 16 companies and two universities which were invited to share and debate initiatives in the area of innovation.
- Participation in the I Forum on "Human Resources and Training in the Banking Sector", at the invitation of the Bank Training Institute.
- Establishment of a protocol of patronage support of the Millennium bcp Foundation to the SIPA Project (Information System for Architectural Heritage) for the safekeeping and valorisation of the collected works of the artist Eduardo Nery, in partnership with the Housing and Urban Rehabilitation Institute.
- Association of Millennium bcp to the publishing house LeYa for the preparation of the book "Make Your Money Grow", which highlights useful concepts of financial education.
- Holding of the "Regional Forum of Companies" by Millennium Bank, in Poland, with the objective of building mutual relations between institutions and stimulating the exchange of experiences between entrepreneurs, representatives of local authorities and the sector. This Forum is a platform for the discussion of opportunities and barriers in regional development, in the financing and development of companies.
- Millennium bcp and the Millennium bcp Foundation together with Caritas Diocesana de Coimbra organised voluntary action which was attended by about 50 Employees who contributed not only to the renewal of the different physical facilities of the Institution, but also to the accompaniment of its users who, for one day received a different and entertaining visit.
- In the context of the International Day of Disabled Persons, Millennium bcp Microcredit awarded the prize of 5,000 euros to the best business project, related to focus on offering accessibility to disabled persons.
- Participation of Millennium bcp Microcredit in the workshop "Ideas, Projects and Investments", at the invitation of the Technology and Management Higher Education School of Guarda Polytechnic Institute.
- Association to the campaign, in supermarkets and shopping areas, promoted by the Food Bank, with the offer of bags for the collection of food.

June

- Successful completion of the share capital increase from 4,694,600,000 euros to 6,064,999,986 euros, involving the following components: i) 120,400,000 euros, through incorporation of issue premium reserves, through the issue of 206,518,010 new ordinary shares, book-entry and registered without nominal value; ii) 990,147,000 euros, through entries in kind of 990,147 subordinated perpetual securities with conditional interest, through the issue of 1,584,235,200 new ordinary shares, book-entry and registered without nominal value; iii) 259,852,986 euros, through increased share capital reserved to shareholders, upon exercise of their preemptive right.
- Holding of the Exceptional General Meeting of Shareholders of Millennium bcp on 27 June 2011, which was attended by shareholders representing 50.48% of the share capital. The following deliberations were taken: (1) Approval of the amendment of article 5 of the memorandum and articles of association, through addition of a new number 6, concerning processes of concession of State guarantees pursuant to Law number 60-A/2008, of 20 October; (2) Approval of the suppression of the preemptive right of shareholders in any increase or increases of share capital, namely through preferred shares, to be deliberated by the Executive Board of directors under the legal system of State guarantees quoted in the previous point.
- Resignation of Paulo José de Ribeiro Moita de Macedo from the position of Deputy Chairman of the Executive Board of Directors, as well as all other corporate positions held in the Group or in representation of the Group, following his acceptance of taking office in the Government of the Republic of Portugal as Minister of Health.

- Establishment of a Protocol of partnership between Millennium bcp Microcredit and Lisbon Polytechnic Institute with the objective of identifying, developing and cultivating an entrepreneurial spirit amongst the students, leading them to follow the choice of creation of self-employment.
- Launch of the Millennium bcp Foundation page on Facebook, for the purpose of ensuring that followers of the Foundation's activities are kept informed and its publicising to a younger public, which uses social networks as one of its main sources of information.
- Inauguration of the exhibition "The Sardine is mine!", under the 2011 Lisbon Festivities, at the Archaeological Centre of Rua dos Correeiros (NARC) in Lisbon, displaying a selection of 300 portrays of sardines from the total of 2080 which participated in the 11 Lisbon Festivities Sardine competition, launched under the city festivities by EGEAC.
- Support in Angola to the "Happy Child Programme", a partnership with Grupo Amizade. The support involved a donation of 1 million and five hundred thousand kwanzas, presented on the Day of the African Child.
- Support to MAE (Ministry of State Administration), through Millennium bim, in the context of the launch of the National Campaign for the Promotion of Saving, which was attended by the President of the Republic of Mozambique.
- Participation of Millennium bcp Microcredit in Invista - II Employment, Training and Entrepreneurism Fair, in Paredes, organised by the Local Social Development Contract of Paredes.
- In the context of the World Children's Day, millenniumbcp.pt launched a campaign targeted at the younger public - "Draw your Savings" - with the objective of encouraging younger Customers to reflect on their saving habits through drawing.
- The rating agency DBRS began covering the rating of BCP, with the attribution, on 14 June 2011, of a long term rating of "BBB (high)" and a short term rating of "R-2 (high)", both with negative trends. DBRS also attributed an intrinsic assessment of BCP of "BBB".
- On 15 June 2011, the rating agency Standard & Poor's announced that the ratings of BCP were no longer under observation with negative implications (Negative Credit Watch). S&P announced the maintenance of the long term rating of BCP at "BBB-" and short term rating at "A-3", with negative outlook. At the same time, S&P revised its intrinsic assessment of BCP (stand-alone credit profile) from "BBB-" to "BB+".

JULY

- Appointment of António Ramalho as Deputy Chairman of the Executive Board of Directors of BCP.
- Appointment of Dimitrios Romossios as Chief Executive Officer of Millennium bank in Greece.
- Launch of a new informative section dedicated to Sustainability in the Institutional area of the website millenniumbcp.pt, aimed at all stakeholders of the Bank.
- Distinction in the European competition, of the initiative Junior Achievement Portugal - Graduate Programme, sponsored exclusively by Millennium bcp. The winning team, "Flicks", developed an innovative concept for more effective detection of forest fires, using cutting edge technology at a competitive price with a varied range of applications.
- Launch of an ecological campaign - Blue by American Express and Digital Statement: Cycling and helping the environment. Subscription of the card and adherence to the digital statement qualified Customers to a raffle of electric bicycles of the Portuguese brand Órbita.
- Sharing of Millennium bcp's art collection, through the exhibition "The Impulse of Love in the Millennium bcp Collection", open to the public at the Municipal Museum, Edifício Chiado, in Coimbra.
- Inauguration in Palácio das Artes – Fábrica de Talentos, in Porto, of the exhibition "After the four champions: individual paths", in homage of the recognised plastic artists Ângelo de Sousa, Armando Alves, Jorge Pinheiro and José Rodrigues, organised by Millennium bcp.
- Participation of Millennium bcp Microcredit in the "II Education, Training and Employment Fair of Caldas da Rainha", at the invitation of Local Social Development Contract of the city.
- Presence of Millennium Angola at Filda 2011 (Luanda International Fair), dedicated to the topic "Challenges of the Attraction of Investment".
- Millennium bcp Microcredit attended the 8th Annual Conference of the European Microfinance Network (EMN) held in Amsterdam.

- Following the downgrade of the rating of the Portuguese Republic by four notches, from "Baa1" to "Ba2", the agency Moody's Investors Service reduced the ratings attributed to the debt backed by the Portuguese State of four Portuguese banks on 7 July 2011. The rating attributed to BCP debt backed by the State was reduced from "Baa1" to "Ba2". Also as a consequence of the downgrading of the long term rating of the Republic of Portugal, on 15 July Moody's also revised its rating of various Portuguese banks, announcing that the rating of BCP had been downgraded by one notch, from "Baa3/P-3" to "Ba1/NP", remaining under observation for possible further downgrade.

AUGUST

- Renewal of the Quality Certificate, under ISO 9001:2008, attributed by Bureau Veritas Certification. In addition to the 34 processes that are already certified, Millennium bcp obtained the certification of a further five: Interbank Money Market - Trading, Confirmation and Registration of Operations; Custody and Events/Income; Loan Account - CLS; Current Accounts and Contracted Overdrafts; and Bank Guarantees, Sureties and Guaranties.
- Millennium bcp provides financial support to the activities of UNICRI (UN Interregional Crime and Justice Research Institute), an institution entrusted with offering support to governmental, non-governmental and inter-governmental organisations for the formulation and implementation of successful policies and practices in the areas of crime prevention and criminal justice.
- Following a challenge launched by Millennium bcp Microcredit, the Office of Support to Entrepreneurs of the Municipality of Caminha, in partnership with the Employment and Vocational Training Institute (IEFP), organised the II Seminar «Enterprising Caminha».
- Launch of the "Millennium GO!" page on Facebook to promote the product. A dynamic page which includes pastimes with various prizes, tickets to the cinema, nights in youth hostels, discounts for mobile telephones, amongst others.
- Establishments of Partnership protocols between the Millennium bcp Microcredit network and the Social Security Institute, Beta-i - Association for the Promotion of Innovation and Entrepreneurism, the Higher Institute of Accountancy and Administration of Lisbon and Faro City Hall, with the objective of stimulating and supporting initiative capacity and entrepreneurial spirit.

SEPTEMBER

- Signing of a partnership agreement with Banco Privado Atlântico, S.A. for the constitution of a bank in Brazil, with a view to exploring opportunities in the Brazilian market, namely in the areas of corporate finance and trade finance, through partnerships.
- Launch of an offer of exchange targeting holders of perpetual debt instruments and preferred shares, under the proactive management of the funding and own funds structure of the Group, corresponding to one of the initiatives aimed at achieving a regulatory Core Tier I ratio of 9% in 2011.
- Banco Millennium Angola signed a Cooperation Protocol with the Federation of Female Entrepreneurs of Angola (FMEA), to support the business activity of national small and medium-sized female entrepreneurs.
- Millennium bcp Microcredit and Alandroal City Hall established a partnership with the objective of simplifying the procedures of access to microcredit and boost entrepreneurial activity in the region.
- Association of Millennium bcp, through the Millennium bcp Foundation, to the European Heritage Days, an initiative of the Council of Europe and European Union, coordinated in Portugal by IGESPAR, dedicated to the topic of "Urban Heritage and Landscape".
- Participation of Millennium bcp Microcredit in the competition of ideas "Poliempreende", coordinated by Lisbon Polytechnic Institute, embodied in the donation of the 2nd National Award, of the value of 5,000 euros.
- Millennium bcp Microcredit ad the Social Security Institute established a Partnership protocol with a view to the creation of micro-enterprises and self-employment, under the Local Social Development Contract Programme (CLDS).

October

- Disclosure of the results achieved in the exchange operation targeting holders of perpetual debt instruments and preferred shares, on 7 October, with the offer having recorded an overall adherence level of approximately 75% of the issues covered.
- Official certification by the SEI (Software Engineering Institute) of Millennium's IT Development Process at maturity level 2 of Capability Maturity Model Integration (CMMI), in recognition of its consistency, predictability and quality.
- Launch in Angola, of a promotional campaign with a series of products and services of exclusive subscription by women.
- Under the partnership between Millennium bcp and AESE – Management and Business Schools for the preparation of relevant case studies in the financial world, the first plenary training session was held for the discussion of the "Clear Skies Ahead" case.
- Millennium bcp was the sponsor of the 2011 Stock Exchange Forum, an event organised by NYSE Euronext Lisbon, held at Palácio da Bolsa, in Porto.
- Banco Millennium Angola and Banco Privado Atlântico, during the award-giving ceremony of the Microcredit Awards in Luanda, formalised a cooperation protocol on microcredit, under its strategic partnership.
- Following the downgrade of the rating of Portugal from "BBB+" to "BBB-" and the placing of the ratings of Portuguese banks under "Rating Watch Negative", Fitch announced, on 7 October, having maintained the main ratings for the BCP, namely the long term rating ("BBB-/F3"), keeping the outlook under "Rating Watch Negative".
- On 7 October, the rating agency Moody's announced the completion of its process of revision of the ratings of Portuguese banks initiated on 15 July 2011, after the downgrade of the rating of the Republic of Portugal from "Baa1" to "Ba2". In this context, the rating of the debt of Banco Comercial Português, S.A. (BCP) was downgraded from "Ba1/NP" to "Ba3/NP" and the Stand-alone rating from "Ba2" to "B1". The ratings continued with a "Negative" outlook.
- Following the revision of the rating of Portugal from "BBB(High)" to "BBB", on 20 October the rating agency DBRS announced the confirmation or revision of the ratings attributed to Portuguese banks. In this context, the long term rating of BCP fell from "BBB (high)" to "BBB", maintaining a "Negative Trend" (identical to that of the Republic of Portugal) and the short term rating was confirmed as "R-2 (high)" with "Negative trend".

November

- Strengthening of the strategy of proximity to the Customers of ActivoBank through the opening of eight new branches, in Lisbon, Gaia (2), Cascais, Leiria, Braga, Aveiro, Coimbra and Arrábida.
- "Gold Award" attributed to Millennium bcp, in the category "Financial Services and Insurance" of the 2011 Effectiveness Awards, for the case study/advertisement "Mourinho - Passion".
- Commemoration of the 6th anniversary of the Microcredit autonomous network of Millennium bcp, a pioneer and leader in Portugal whose objective is the creation of self-employment in an autonomous and proactive manner. During these six years of activity, 3,371 new jobs were created and the Microcredit unit has provided advisory services to approximately 2,184 projects of micro entrepreneurs, corresponding to funding of 18 million euros, in a process which includes support to the preparation of the Business Plan and continuous follow-up over the entire duration of the financing contract.
- Sponsorship of the congress of the Portuguese Business Confederation (CIP). Amongst the different panels comprising the programme, particular note should be made of the Business Financing panel, which was attended by the senior directors of the largest banking institutions, amongst which António Ramalho, Deputy Chairman of Millennium bcp.
- Millennium bcp was distinguished by Engagement Rating 2011 as one of the most transparent Portuguese companies, in communication with its Stakeholders on matters of sustainability.
- The Millennium bcp Foundation and the Lisbon Architecture Triennial signed a protocol with a view to the attribution of the Career award, aimed at distinguishing an Architect whose work has become publicly recognised, as well as the attribution of the Universities Competition Award, targeting Architecture and Landscape Design schools of Portugal and abroad.

- Millennium bcp, as a historic partner of the National Museum of Ancient Art, offered the public the opportunity to participate in a special programme of guided visits to temporary exhibitions and works of art kept at the museum, on what was named "Millennium bcp Open Day".
- Launch of the 1st edition of the Real Estate Millennium Encounters in Leiria. A clear focus on the strategic promotion of the real estate business amongst local partners through an innovative forum in Banking.
- Following the downgrade of the long term rating of the Portuguese Republic from "BBB-" to "BB+", on 25 November Fitch announced that it had revised the ratings of various Portuguese banks. In this context, the long term rating of Banco Comercial Português, S.A. (BCP) was downgraded from "BBB-" to "BB+" and removed from "Rating Watch Negative" and placed under negative Outlook, while the short term rating was revised from "F3" to "B" and removed from "Rating Watch Negative".

December

- Disclosure by the Bank of Portugal of the first overall results of the Special Inspections Programme (SIP) included in the measures and actions agreed by the Portuguese authorities in relation to the financial system, under the Economic and Financial Assistance Programme established with the IMF/EU/ECB last May. This Inspections Programme covered the eight largest Portuguese banking groups, including the Banco Comercial Português Group, for the purpose of validating, as at 30 June 2011, the data on credit risk used in the assessment of their financial solidity, through an independent assessment of their loan portfolios and adequacy of their risk management policies and procedures, as well as the confirmation of the calculation of the capital requirements for credit risk. The exercise was incident on loans of the value of 55.4 billion euros, covering 72% of the total portfolio. This assessment concluded that it was necessary to strengthen the impairment value recorded in the Group's consolidated accounts by 381 million euros. This amount corresponds to 0.7% of the total value of the loans analysed and 16.0% of the impairment value of the portfolio covered by the analysis.
- Disclosure of the results by the European Banking Authority (EBA) and by the Bank of Portugal relative to the capital exercise proposed by the EBA. The capital exercise conducted by the EBA in close collaboration with the Bank of Portugal led to the identification of a capital requirement at BCP of 2,130 million euros which should be covered by the end of June 2012. BCP shall ensure that the Core Tier I ratio of 9% will be achieved by the end of June 2012, and for this purpose submitted a plan to the Bank of Portugal, establishing a series of actions to be developed. The data disclosed did not include the operation of exchange of preferred shares for senior and subordinated debt, concluded on 13 October 2011, which led to increased own funds (Core Tier I) by 405 million euros. Thus, the overall amount of the requirements identified for the BCP Group stands at 1,725 million euros.
- Expansion of the geographical coverage of Banco Millennium to all of the 18 Provinces of Angola, after the inauguration of the N'dalatando branch in the Province of Kwanza Norte, thus offering its Customers access to 61 branches all over the country.
- Distinction with maximum rating (AAA) of an independent and innovative study, conducted by Universidade Católica Portuguesa at the request of AEM (Association of Companies Issuing Listed Securities), on the level of compliance with the recommendations in force relative to corporate governance in Portugal.
- The Millennium Movement, an initiative promoted by the newspaper Expresso and Millennium bcp, held its closing session on 6 December. The Millennium Movement represented a major national initiative in the search of answers, revelation of paths and trends for the future of real impact on the life of the Portuguese people. The movement took place throughout 2011 and invited all Portuguese people to participate with their ideas and projects for the future of the country in four key areas: Democracy, Business, Cities and Consumption.
- Participation of Millennium bcp Microcredit in the workshop «Entrepreneurism and Creation of Self-Employment», promoted by Loulé City Hall and held in Quarteira Local Government Centre.
- Sponsorship of the Global Investment Challenge (GIC), a competition open to the public in general, enabling a simulated experience of investment on the Stock Exchange and promoting increased knowledge on its mechanisms and operation, organised by the Expresso and Simuladores e Modelos de Gestão (SDG).
- Launch of the 2nd Edition of the Microcredit for Disabled Micro-Entrepreneurs Award.
- Presentation by a group of students of the Lisbon MBA, of the sustainability project to the Portuguese Association of Asperger Syndrome, a project launched and supported by the Millennium bcp Foundation.
- Under yet another solidarity action, volunteers from the Bank improved the condition of Casa do Ardina, in Lisbon.

- Support to the food collection campaign of the Food Bank, through the donation of plastic bags and the participation of about 50 volunteers from the Direct Banking Department, in the separation of food in the Lisbon warehouse.
- Opening of the Annual Jewellery Exhibition, entitled "Trials" for a display of articles of the authorship of various members of the Millennium bcp Club.
- Joint sponsorship with American Express of a Christmas concert at Casa da Música, to close the year, dedicated to the topic of United States of America.
- Following the revision of the rating criteria for Portuguese banks, Standard & Poor's (S&P) announced that it had revised the rating of various Portuguese banks. In this context, the long term rating of Banco Comercial Português, S.A. (BCP) was downgraded from "BBB-" to "BB", while the short term rating was revised from "A-3" to "B" and removed from "Rating Watch Negative".

FINANCIAL STATEMENTS

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 31 December, 2011, 2010 and 1 January 2010

	2011	2010	1 jan 2010
		(Thousands of Euros)	
Assets			
Cash and deposits at central banks	2.115.945	1.484.262	2.244.724
Loans and advances to credit institutions			
Repayable on demand	1.577.410	1.259.025	839.552
Other loans and advances	2.913.015	2.343.972	2.025.834
Loans and advances to customers	68.045.535	73.905.406	75.191.116
Financial assets held for trading	2.145.330	5.136.299	3.356.929
Financial assets available for sale	4.774.114	2.573.064	2.698.636
Assets with repurchase agreement	495	13.858	50.866
Hedging derivatives	495.879	476.674	465.848
Financial assets held to maturity	5.160.180	6.744.673	2.027.354
Investments in associated companies	305.075	395.906	437.846
Non current assets held for sale	1.104.650	996.772	1.343.163
Investment property	560.567	404.734	429.856
Property and equipment	624.599	617.240	645.818
Goodwill and intangible assets	251.266	400.802	534.995
Current tax assets	52.828	33.946	24.774
Deferred tax assets	1.564.538	975.676	790.914
Other assets	1.790.650	784.446	1.134.132
	93.482.076	98.546.755	94.242.357
Liabilities			
Amounts owed to credit institutions	17.723.419	20.076.556	10.305.672
Amounts owed to customers	47.516.110	45.609.115	46.307.233
Debt securities	16.236.202	18.137.390	19.953.227
Financial liabilities held for trading	1.478.680	1.176.451	1.072.324
Other financial liabilities at fair value through profit and loss	2.578.990	4.038.239	6.345.583
Hedging derivatives	508.032	346.473	75.483
Non current liabilities held for sale	-	-	435.832
Provisions for liabilities and charges	246.100	235.333	233.120
Subordinated debt	1.146.543	2.039.174	2.231.714
Current income tax liabilities	24.037	11.960	10.795
Deferred income tax liabilities	2.385	344	416
Other liabilities	1.647.208	1.264.119	1.358.210
Total Liabilities	89.107.706	92.935.154	88.329.609
Equity			
Share capital	6.065.000	4.694.600	4.694.600
Treasury stock	(11.422)	(81.938)	(85.548)
Share premium	71.722	192.122	192.122
Preference shares	171.175	1.000.000	1.000.000
Other capital instruments	9.853	1.000.000	1.000.000
Fair value reserves	(389.460)	(166.361)	93.760
Reserves and retained earnings	(1.241.490)	(1.868.780)	(1.326.491)
Profit for the year attributable to Shareholders	(848.623)	344.457	-
Total Equity attributable to Shareholders of the Bank	3.826.755	5.114.100	5.568.443
Non-controlling interests	547.615	497.501	344.305
Total Equity	4.374.370	5.611.601	5.912.748
	93.482.076	98.546.755	94.242.357

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the years ended 31 December, 2011 and 2010

	2011	2010
	(Thousands of Euros)	
Interest income	4.060.136	3.477.058
Interest expense	(2.480.862)	(1.960.223)
Net interest income	1.579.274	1.516.835
Dividends from equity instruments	1.379	35.906
Net fees and commission income	789.372	811.581
Net gains / losses arising from trading and hedging activities	204.379	367.280
Net gains / losses arising from available for sale financial assets	3.253	72.087
Other operating income	(22.793)	17.476
	2.554.864	2.821.165
Other net income from non banking activity	26.974	16.550
Total operating income	2.581.838	2.837.715
Staff costs	953.649	831.168
Other administrative costs	584.459	601.845
Depreciation	96.110	110.231
Operating costs	1.634.218	1.543.244
Operating profit before provisions and impairments	947.620	1.294.471
Loans impairment	(1.331.910)	(713.256)
Other financial assets impairment	(549.850)	(10.180)
Other assets impairment	(128.565)	(71.115)
Goodwill impairment	(160.649)	(147.130)
Other provisions	13.979	635
Operating profit	(1.209.375)	353.425
Share of profit of associates under the equity method	14.620	67.661
Gains / (losses) from the sale of subsidiaries and other assets	(26.872)	(2.978)
Profit before income tax	(1.221.627)	418.108
Income tax		
Current	(66.857)	(54.158)
Deferred	525.714	39.814
Profit after income tax	(762.770)	403.764
Attributable to:		
Shareholders of the Bank	(848.623)	344.457
Non-controlling interests	85.853	59.307
Profit for the year	(762.770)	403.764
Earnings per share (in euros)		
Basic	(0,07)	0,05
Diluted	(0,07)	0,05

PROPOSAL FOR THE APPROPRIATION OF PROFIT OF BANCO COMERCIAL PORTUGUÊS, S.A.

CONSIDERING:

- The severe domestic and international macroeconomic environment wherein Banco Comercial Português, S.A has been operating;
- The several extraordinary factors that strongly influenced its net income in 2011, particularly the recognition of the impairment of the Greek public debt securities, the depreciation registered by the Portuguese public debt securities, the effect caused by the partial transfer into the Social Security Regime of the liabilities with pensions of retired employees and pensioners and the increase of provisions for credit impairments;
- The combined effect of those factors and their significant magnitude led Banco Comercial Português, S.A. to register, in 2011, losses amounting to 468,526,835.71 euros,

WE DO HEREBY PROPOSE:

In accordance with article 66 (5) (f) and for purposes of article 376 (1) (b) both of the Companies Code, and article 54 of the Bank's Articles of Association, that the losses recorded in the 2011 individual balance sheet, amounting to 468,526,835.71 euros, be transferred to Retained Earnings.

Lisbon, 23 April 2012

THE BOARD OF DIRECTORS

ANNEXES

Methodological Note

Millennium bcp has published, since 2004, annually and in a systematic manner, Sustainability Reports (Social Responsibility Report in 2004). In 2010, the Bank decided to integrate the Sustainability Report and Annual Report, so as to reflect the alignment of the sustainable development and social responsibility policies in the strategy and business of Millennium bcp, a methodology which has been maintained for the reporting of the activity relative to 2011, summarised in this report.

The scope of the reporting of social and environmental indicators is international and covers the following operations: Portugal, Poland, Greece, Romania, Mozambique, Angola and Switzerland. Millennium bcp defines the contents to be reported in order to meet the expectations of its Stakeholders, assessed through the materiality tests conducted annually and the continuous feedback received from the interaction through the regular communication channels. Most of the quantitative indicators show historical data of the last three years - 2009, 2010 and 2011. Some data is not directly comparable with the Reports of 2010 and 2009, due to: i) the inclusion of the reporting of Switzerland and Angola in 2010; and ii) adjustments arising from version 3.1 of the Global Reporting Initiative (GRI).

This report was prepared in accordance with the guidelines established by the GRI, version 3.1., for level A+ and respective supplement of the financial sector, the principles of inclusion, materiality and compliance with Standard AA1000APS (2008) and verified by an external entity in conformity with the principles defined by the International Standard on Assurance Engagements 3000.

Millennium bcp discloses on its Institutional website detailed information on its business concerning Sustainability, and, therefore, advises its consultation for further information on this issue.

Calculation methodology used in the social and environmental indicators

The calculation criteria used in the social and environmental indicators were included at the end of the chapters "Involvement with the Internal Community" and "Environmental Performance", page 189 and 206, respectively.

Level of application of GRI guidelines

		C	C+	B	B+	A	A+
Mandatory	Self declared						✓
Optional	3rd party checked						✓
	GRI checked						✓

The table of GRI indicators and correspondence with the Global Compact Principles are available for consultation at the Bank's institutional website.

Contacts

Further clarification on social and environmental data may be requested through the following e-mail address:

semprremelhor@millenniumbcp.pt

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Banco Comercial Português S.A** has presented its report "2011 Annual Report" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 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 G3.1 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, March 14th 2012

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

A+ GRI REPORT GRI CHECKED

The "+" has been added to this Application Level because **Banco Comercial Português S.A** has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

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 March 6th 2012. GRI explicitly excludes the statement being applied to any later changes to such material.*

VERIFICATION REPORT

KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A.
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Independent Limited Assurance Report

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 2011.

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 "Methodology notes" of the chapter "Annexes" of 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 the applicable ethical requirements, including independency requirements, and that the work is planned and performed to obtain limited assurance if nothing came to our attention that causes us to conclude that the sustainability information included in Annual Report for the year ended 31 December 2011, is not free of material misstatement.

Scope

4. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of 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 stakeholders groups;

KPMG

- Interviews with senior management and relevant staff at group level and selected business unit level concerning sustainability strategy and policies for material issues applied, and the implementation of these across the business areas;
- Interviews with relevant staff, at 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 conclude if 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. Consequently, it does not allow us to obtain the assurance that we would become aware of all the important matters that can be identified in an audit or a in a work of reasonable assurance. As such, we do not express an audit opinion or a conclusion of reasonable assurance of reliability.

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 2011 is not presented fairly, in all material respects with:

   - The alignment of Millennium bcp with the principles of inclusiveness, materiality and response of AA1000APS (2008); and
   - The compliance with the Sustainability Reporting Guidelines (G3) of the Global Reporting Initiative (GRI) as described in "Methodology notes" in the "Annexes" of 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 reporting to Millennium bcp those matters for which we were engaged 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, 27 February 2012

Ana Cristina Dourado

KPMG & Associados,
Sociedade de Revisores Oficiais de Contas, S.A. (nr. 189)
Represented by
Ana Cristina Soares Valente Dourado (ROC nr. 1011)

Compliance with the Recommendations of the Financial Stability Forum and European Banking Authority regarding the Transparency of Information and Valuation of Assets

		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).	*2011 Annual Report (Management Report) – Millennium Group, pages 11-13; Internal Organization Model, pages 25-28; Segmental Reporting pages 91-142*
2.	Description of strategies and objectives.	*2011 Annual Report (Management Report) –Strategy, pages 40-41*
3.	Description of importance of activities and contribution to businees (including a discussion in quantitative terms).	*2011 Annual Report (Management Report) – Segmental Reporting, pages 89-142; (Notes to Financial Statements) – Segmental Reporting*
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.	*2011 Annual Report (Management Report) – Risk Management, pages 143-164; (Notes to Financial Statements) – Financial assets held for trading and available for sale; Hedging Derivatives; Assets held to maturity*
5.	Description of the role and the extent of involvement of the institution, i.e. Commitments and obligations.	
II.	**Risks and risk management**	
6.	Description of the nature and extent of risks incurred in relation to the activities and instruments.	*2011 Annual Report (Management Report) – Risk Management, pages 143-164; (Notes to Financial Statements) - Net gains (losses) arising from trading and hedging activities; Net gains (losses) arising from available for sale financial assets; Risk Management*
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; (In the current crisis, particular attention should be givven to liquidity risk.)	*2011 Annual Report (Management Report) – Risk Management, pages 143-164; (Notes to Financial Statements) – Risk Management*
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.	*2011 Annual Report (Management Report) – Financial Review, pages 51-77; (Notes to Financial Statements) - Net gains (losses) arising from trading and hedging activities; Net gains (losses) arising from available for sale financial assets*

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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).	*2011 Annual Report (Management Report) –Exposure to activities and products affected by the recent financial crisis, page 165*
10. Description of the reasons and factors responsible for the impact incurred.	*2011 Annual Report (Management Report) – Economic and Financial Environment, pages 51-77*
11. Comparison of (i) impacts between (relevant) periods and of (ii) income statement balances before and after the impact of the crisis.	*2011 Annual Report (Management Report) – Financial Review, pages 51-77*
12. Distinction of write-downs between realised and unrealised amounts.	*2011 Annual Report (Management Report) – Risk Management, pages 143-164; (Notes to Financial Statements) - Net gains (losses) arising from trading and hedging activities; Net gains (losses) arising from available for sale financial assets; Fair Value Reserves, other reserves and Retained Earnings*
13. Description of the influence of the crisis had on the firm's share price.	*2011 Annual Report (Management Report) – BCP Share, pages 42-49*
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.	*2011 Annual Report (Management Report) – Risk Management, pages 143-164; (Notes to Financial Statements) - Fair Value Reserves, other reserves and Retained Earnings*
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.	*2011 Annual Report (Management Report) – Financial Review, pages 51-77; (Notes to Financial Statements) – Fair Value*
IV Exposure levels and types	
16. Nominal amount (or amortised cost) and fair values of outstanding exposures.	*2011 Annual Report (Management Report) – Exposure to activities and products affected by the recent financial crisis, page 165; (Notes to Financial Statements) - Financial assets held for trading and available for sale; Hedging Derivatives; Assets held to maturity*
17. Information on credit protection (e.g. through credit default swaps) and its effect on exposures.	*2011 Annual Report (Management Report) – Exposure to activities and products affected by the recent financial crisis, page 165*

	Page
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.	*2011 Annual Report (Management Report) – Exposure to activities and products affected by the recent financial crisis, page 165*
19. Movements shedules of exposures between relevant reporting periods and the underlying reasons (sales, disposals, purchases, etc.).	*2011 Annual Report (Management Report) – Exposure to activities and products affected by the recent financial crisis, page 165*
20. Discussion of exposures that have not been consolidated (or that have been recognised in the course of the crisis) and the related reasons.	*2011 Annual Report (Management Report) – Exposure to activities and products affected by the recent financial crisis, page 165*
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.	*2011 Annual Report (Management Report) – Exposure to activities and products affected by the recent financial crisis, page 165*
V. Accounting policies and valuation issues	
22. Classification of the transactions and structured products for accounting purposes and the related accouting tratment;	*2011 Annual Report (Management Report) – Exposure to activities and products affected by the recent financial crisis, page 165; (Notes to Financial Statements) - Fair Value Reserves, other reserves and Retained Earnings; Fair Value*

	Page
23. Consolidation of SPEs and other vehicles (suce as VIEs) and a reconciliation of these of the structured products affected by the sub-prime crisis;	*2011 Annual Report (Management Report) – Exposure to activities and products affected by the recent financial crisis, page 165; (Notes to Financial Statements) – Accouting 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).	*2011 Annual Report (Management Report) – Risk Management pages 143-164; (Notes to Financial Statements) – Financial assets held for trading and available for sale; Hedging Derivatives; Assets held to maturity; Fair Value Reserves, other reserves and Retained Earnings; Fair Value*
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; – stress scenarios.	*2011 Annual Report (Management Report) – Risk Management pages 143-164; (Notes to Financial Statements) – Fair Value; Risk Management*
VI. Other disclosure aspects	
26. Description of disclosure.	*2011 Annual Report (Management Report) – Risk Management pages 143-164; (Notes to Financial Statements) – Fair Value; Risk Management*

2011 Annual Report
Volume I

www.millenniumbcp.pt

Banco Comercial Português, S.A.,
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