ANNUAL REPORT 2012

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Statement pursuant to article 8 of CMVM Regulation number 5/2008 of the

ANNUAL REPORT FOR 2012

BANCO COMERCIAL PORTUGUÊS, S.A.

Public Company
Head Office: Praça D. João I, 28, 4000-295 Porto

Share Capital of 3,500,000,000 euros

Registered at Porto Commercial Registry, under the same registration and tax identification number 501 525 882

The Annual Report 2012 is a translation of the Relatório e Contas de 2012 document delivered by Banco Comercial Português, S.A. to the Portuguese Securities and Market Commission (CMVM), in accordance with Portuguese law.

The sole purpose of this English version is to facilitate consultation of the document by English speaking Shareholders, Investors and other Stakeholders, and, in case of any doubt or contradiction between the documents, the Portuguese version of the Relatório e Contas de 2012 prevails.

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

Millennium bcp

INDEX

Banco Comercial Português, S.A.

INFORMATION ON THE BCP GROUP

KEY INDICATORS

Million euros

	'12	'11	'10	'09	'08	CHAN. % '12/'11
BALANCE SHEET						
Total assets	**89,744**	93,482	98,547	95,550	94,424	-4.0%
Loans and advances to customers (net) [(1)]	**62,618**	68,046	73,905	74,789	74,295	-8.0%
Total customer funds [(1)]	**68,547**	65,530	67,596	66,516	65,325	4.6%
Balance sheet customer funds [(1)]	**55,768**	53,060	51,342	50,507	50,858	5.1%
Customer deposits [(1)]	**49,390**	47,516	45,609	45,822	44,084	3.9%
Loans to customers, net/Customer deposits [(2)]	**127.8%**	144.8%	163.6%	164.1%	169.3%	
Loans to customers, net/Customer deposits [(3)]	**128.7%**	143.4%	-	-	-	
Shareholders' equity and subordinated debt	**7,671**	4,973	7,153	9,108	8,559	54.2%
PROFITABILITY						
Net operating revenues	**2,180.6**	2,569.6	2,902.4	2,522.3	2,872.8	-15.1%
Operating costs	**1,458.6**	1,634.2	1,543.2	1,540.3	1,670.8	-10.7%
Impairment and Provisions	**2,037.0**	2,157.0	941.1	686.5	860.0	-5.6%
Income tax						
Current	**81.7**	66.9	54.2	65.6	44.0	
Deferred	**(259.5)**	(525.7)	(39.8)	(19.4)	40.0	
Non-controlling interests	**81.8**	85.9	59.3	24.1	56.8	-4.7%
Net income attributable to Shareholders of the Bank	**(1,219.1)**	(848.6)	344.5	225.2	201.2	
Return on average shareholders' equity (ROE)	**-35.4%**	-22.0%	9.8%	4.6%	4.5%	
Income before tax and non-controlling interests/Average equity [(2)]	**-32.6%**	-28.0%	10.6%	5.7%	7.1%	
Return on average total assets (ROA)	**-1.3%**	-0.8%	0.4%	0.3%	0.3%	
Income before tax and non-controlling interests/Average net assets [(2)]	**-1.4%**	-1.3%	0.4%	0.3%	0.4%	
Net interest margin	**1.2%**	1.7%	1.7%	1.6%	2.1%	
Net operating revenues/Average net assets [(2)]	**2.4%**	2.6%	3.0%	2.7%	3.1%	
Cost to income [(2)] [(4)]	**66.6%**	58.6%	54.1%	62.9%	58.5%	
Cost to income – activity in Portugal [(4)]	**69.1%**	60.2%	48.0%	59.2%	54.0%	
Staff costs/Net operating revenues [(2)] [(4)]	**37.2%**	32.1%	29.0%	35.2%	32.2%	
CREDIT QUALITY						
Overdue loans (> 90 days)/Total loans	**6.2%**	4.5%	3.0%	2.3%	0.9%	
Overdue loans (> 90 days) + doubtful loans/Total loans [(2)]	**8.1%**	6.2%	4.5%	3.4%	1.5%	
Overdue loans (> 90 days) + doubtful loans, net/ Total loans, net [(2)]	**1.9%**	1.4%	1.2%	0.6%	-0.4%	
Credit at risk/Total loans [(2)]	**13.1%**	10.1%	7.1%	6.0%	3.5%	
Credit at risk, net/Total loans, net [(2)]	**7.2%**	5.5%	4.0%	3.3%	1.6%	
Total impairment/Overdue loans (> 90 days)	**101.6%**	109.1%	109.4%	119.0%	211.6%	
Cost of risk	**252 b.p.**	186 b.p.	93 b.p.	72 b.p.	71 b.p.	
CAPITAL [(*)]						
Own funds	**6,773**	5,263	6,116	7,541	7,057	
Risk weighted assets	**53,271**	55,455	59,564	65,769	67,426	
Core Tier I [(2)]	**12.4%**	9.3%	6.7%	6.4%	5.8%	
Core Tier I ratio EBA	**9.8%**	-	-	-	-	
Tier I [(2)]	**11.7%**	8.6%	9.2%	9.3%	7.1%	
Total [(2)]	**12.7%**	9.5%	10.3%	11.5%	10.5%	
BCP SHARE						
Market capitalisation (ordinary shares)	**1,478**	980	2,732	3,967	3,826	50.8%
Adjusted basic and diluted earnings per share (euros)	**(0.100)**	(0.053)	0.035	0.023	0.023	
Market values per share (euros) [(5)]						
High	**0.141**	0.393	0.558	0.643	1.58	-64.1%
Low	**0.047**	0.063	0.332	0.333	0.41	-24.7%
Close	**0.075**	0.088	0.353	0.505	0.49	-14.4%

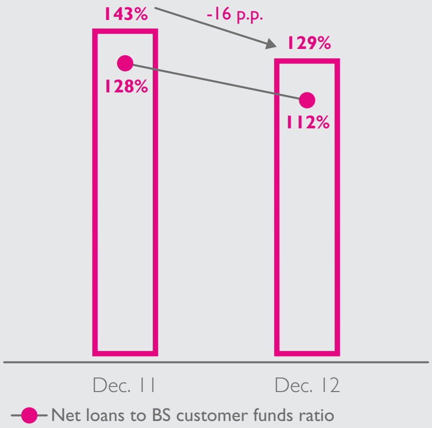
(1) Adjusted from companies partially sold – Millennium bank Turkey (2008) and Millennium bcpbank USA (2008 to 2009).
(2) According to Instruction nr. 16/2004 from the Bank of Portugal, in the current version.
(3) Calculated in accordance with the definition from the Bank of Portugal.
(4) Excludes the impact of specific items.
(5) Market value per share adjusted from the capital increase.
(*) Capital ratios based on the IRB approach in 2012, 2011 and 2010 and in accordance with the Standard approach in 2009 and in 2008 (detailed information in the chapter "Capital").

	UNIT	'12	'11	'10	'09	CHAN. % '12/'11
CUSTOMERS						
TOTAL OF CUSTOMERS	Thousands	**5,523**	5,384	5,163	5,008	2.6%
Interest paid on deposits and interbank funding	Million euros	**1,774**	1,758	1,166	1,330	0.9%
Claims registered	Number	**81,146**	74,638	75,934	101,531	8.7%
Claims resolved	Percentage	**94.1%**	98.5%	99.0%	100.9%	
ACESSIBILITIES (1)						
Branches	Number	**1,699**	1,722	1,744	1,774	-1.3%
Activity in Portugal		**839**	885	892	911	-5.2%
International activity		**860**	837	852	863	2.7%
Branches opened on Saturday		**131**	148	74	25	-11.5%
Branches with access conditions to people with reduced mobility (2)		**1,031**	1,015	1,142	624	1.6%
Internet	Users number	**1,303,603**	1,204,624	1,112,317	963,905	8.2%
Call Centre	Users number	**257,963**	276,315	287,184	562,578	-6.6%
Mobile banking	Users number	**221,475**	165,636	163,645	71,109	33.7%
ATM	Number	**3,658**	3,708	3,904	3,885	-1.3%
EMPLOYEES						
PORTUGAL EMPLOYEES	Number	**8,982**	9,959	10,146	10,298	-9.8%
INTERNATIONAL EMPLOYEES (3)	Number	**11,383**	11,549	11,224	10,987	-1.4%
LABOUR INDICATORS (4)						
Breakdown by professional category	Number					
Executive Committee		**34**	36	42	33	-5.6%
Senior Management		**175**	207	206	203	-15.5%
Management		**1,981**	2,013	2,019	1,900	-1.6%
Commercial		**11,966**	12,599	12,288	11,947	-5.0%
Technicians		**4,040**	4,226	4,156	3,903	-4.4%
Other		**2,223**	2,486	2,586	2,665	-10.6%
Breakdown by age	Number					
< 30		**4,335**	4,998	4,992	5,250	-13.3%
[30-50[		**12,716**	13,142	13,178	12,687	-3.2%
≥ 50		**3,368**	3,427	3,127	2,714	-1.7%
Average age	Years	**36**	35	35	34	3.3%
Breakdown by contract type	Number					
Permanent		**18,906**	19,709	19,531	19,291	-4.1%
Temporary		**1,272**	1,769	1,706	1,360	-28.1%
Trainees		**241**	89	60	n.a.	170.8%
Employees with working hours reduction	Number	**157**	184	171	142	-14.7%
Recruitment rate	Percentage	**7.2%**	10.5%	9.6%	6.0%	
Internal mobility rate	Percentage	**24.9%**	17.7%	15.2%	25.6%	
Leaving rate	Percentage	**13.1%**	10.2%	9.1%	10.3%	
Free association (5)	Percentage					
Employees under Collective Work Agreements		**99.7%**	99.7%	99.9%	99.9%	
Union syndicated Employees		**76.2%**	76.2%	79.3%	83.4%	
Hygiene and safety at work (HSW)						
HSW visits	Number	**621**	655	673	462	-5.2%
Injury rate	Percentage	**0.0%**	0.0%	0.0%	0.0%	
Death victims	Number	**0**	0	0	0	
Absenteeism rate	Percentage	**3.5%**	4.3%	4.5%	3.8%	
Lowest Company salary and minimum national salary	Ratio	**1.7**	1.5	1.4	1.4	
ENVIRONMENT (6)						
Greenhouse gas emissions	tCO_2eq	**80,072**	74,356	81,736	95,614	7.7%
Electricity consumption (7)	MWh	**122,209**	127,837	127,210	140,070	-4.4%
Production of waste (8)	t	**1,553**	1,474	1,038	1,934	5.3%
Water	m^3	**402,414**	393,623	415,522	435,329	2.2%
SUPPLIERS						
Time of payment and time contractually agreed, in Portugal	Ratio	**1**	1	1	1	0.0%
Purchase from local suppliers	Percentage	**90.6%**	90.7%	90.5%	92.4%	
DONATIONS	Million euros	**3.4**	3.2	3.8	2.4	5.2%

(1) Does not include Angola in 2009 for Internet, Call Centre and 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).
(4) Employees information (not FTE) for: Portugal, Poland, Romania, 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.
(6) Does not include Angola.
(7) Electricity consumption of the network. Does not include the electricity consumption of central cogeneration in Portugal.
(8) Does not include Mozambique.
n.a. – Information not available.
In 2009, the number was adjust due to Turkey and USA companies partially sold.

MAIN HIGHLIGHTS

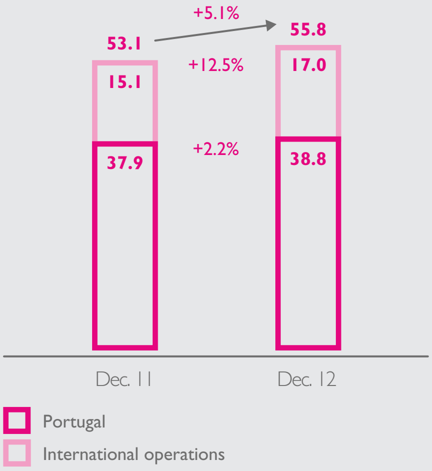
LOAN-TO-DEPOSIT RATIO (*)



(*) Calculated with net loans and customer deposits (according to BoP criteria).

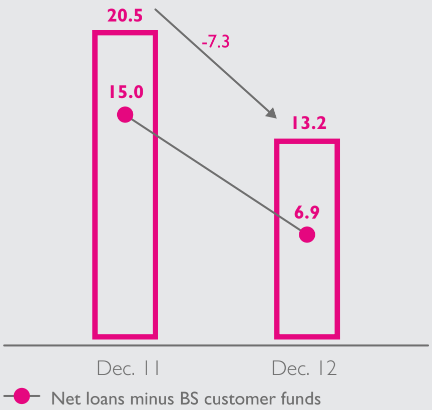
BALANCE SHEET CUSTOMER FUNDS

Billion euros



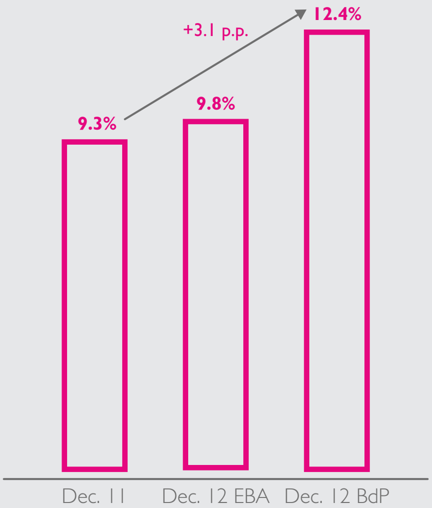
COMMERCIAL GAP (*)

Billion euros



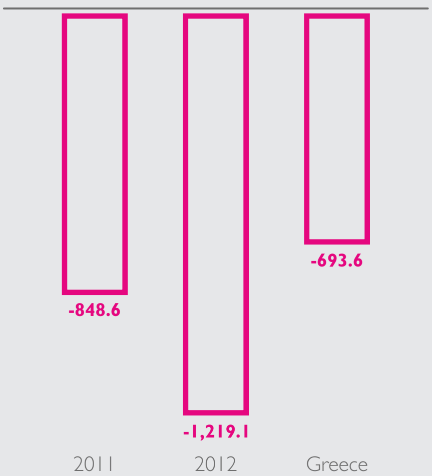
(*) Calculated with net loans and customer deposits.

CORE TIER I



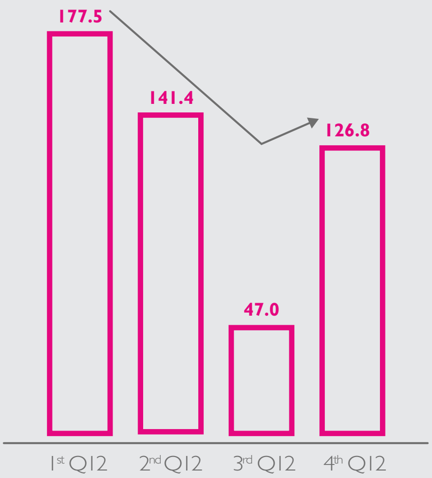
NET INCOME

Million euros



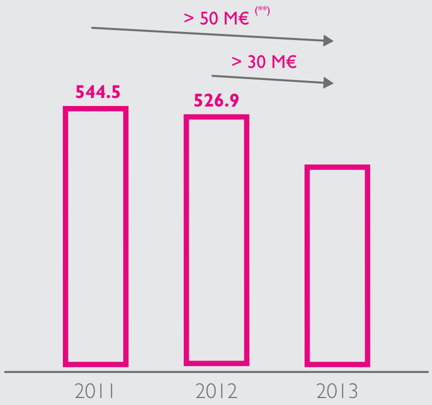
NET INTEREST INCOME IN PORTUGAL

Million euros



STAFF COSTS IN PORTUGAL (*)

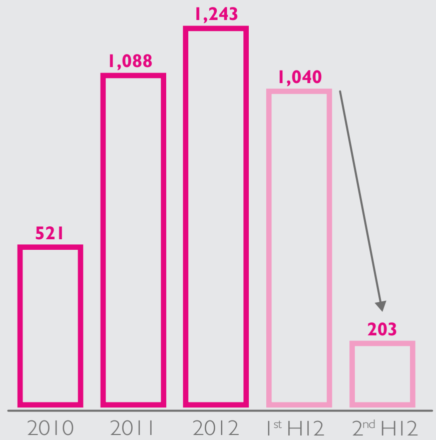
Million euros



(*) Excluding specific items.
(**) Versus the target of 30 million euros, presented during capital increase.

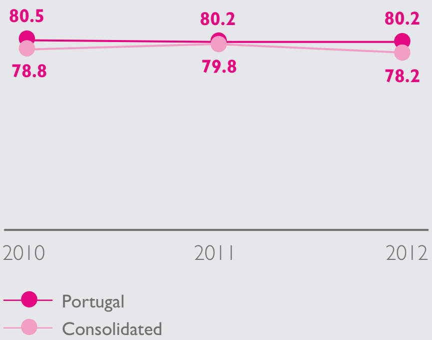
NEW ENTRIES IN TOTAL PAST DUE LOANS IN PORTUGAL

Million euros



OVERALL CUSTOMERS SATISFACTION (1)

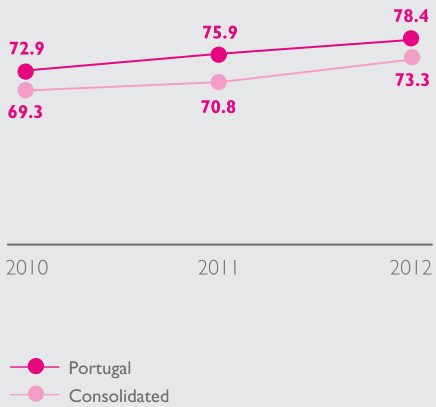
Index points



(1) Information not available for: Romania, Mozambique and Angola in 2010; Mozambique in 2011; Greece and Angola in 2012.

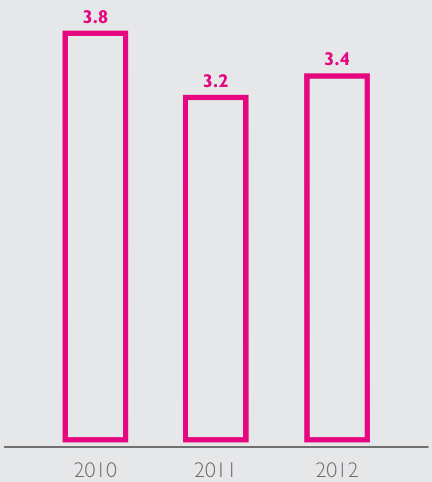
OVERALL EMPLOYEES SATISFACTION

Index points



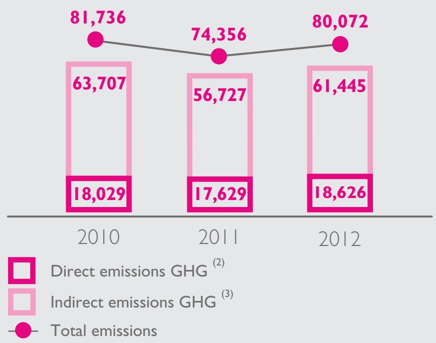
DONATIONS

Million euros



GHG EMISSIONS (1)

tCO_2eq



(1) Does not include Angola.
(2) Does not include the emissions for automobile fleet for Greece in 2011 and 2012. Does not include natural gas consumption and respective emissions for Mozambique and Greece.
(3) Does not include emissions for 3 scope from Greece, Mozambique and Angola. Includes emissions from home-work-home travel of the Employees calculated for Portugal.

António Monteiro
Chairman of the Board of Directors

Nuno Amado
Chairman of the Executive Committee

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

BACKGROUND

In 2012, the activity of banks in Portugal was constrained by the worsening of the sovereign debt crisis in the euro area and by the entry into force of the Economic and Financial Assistance Programme agreed, in May 2011, between the Portuguese State, the International Monetary Fund, the European Union and the European Central Bank. The recessive climate created resulted in the decrease of the disposable income of households and in the increase of unemployment and credit delinquency, generating deflationary pressures in the Portuguese economy.

Within this context, 2012 was a crucial year in the life of Banco Comercial Português, which demonstrated its capacity to sustain itself as a privately-owned Bank and with management autonomy.

FUNDING AND CAPITAL PLAN

The Funding and Capital Plan presented to the Bank of Portugal, within the scope of the Bank's access to public investment, and approved at the General Meeting of Shareholders held on 25 June 2012, resulted from the new regulatory requirements, in terms of minimum capital requirements, namely from the Bank of Portugal and the European Banking Authority (EBA). However, Banco Comercial Português chose to adopt even more stringent criteria to create a temporary capital buffer.

The increase in the share capital of Banco Comercial Português involved two components: i) public investment, consisting of hybrid instruments in the amount of 3 billion euros, qualifying as Core Tier I, subscribed by the Portuguese State, at the end of June, and ii) private investment, through a rights issue amounting to 500 million euros, at the price of 0.04 euros per share, which was completed at the start of October 2012.

The Plan consists of three key phases: in the first phase, covering the 2012-2013 period, in a challenging economic context, the priorities will be strengthening the balance sheet structure, seeking to achieve comfortable capital ratios, reinforcing the liquidity position and improving the quality of the balance sheet. The main objectives of the second phase, covering the 2014-2015 period, will be the preservation of the strategic position in Portugal, the recovery of profitability, optimisation of capital allocation and a focus on international operations, namely the continued development of the business in Poland, Mozambique and Angola. Lastly, in the third phase, covering the 2016-2017 period, the Plan provides for sustained growth of results and a better balance between the contribution of the domestic component and that of the international component.

Through the Funding and Capital Plan and the 2012-2017 Strategic Programme in progress, Millennium bcp will succeed in strengthening its solvency and liquidity positions and recover its profitability, thus laying the necessary foundations to meet future challenges.

However, at present, the recapitalisation of Portuguese banks and the demanding deleveraging process, agreed under the Economic and Finance Assistance Programme, performed in a particularly adverse macroeconomic and financial environment, have contributed to the deterioration of the profitability and efficiency indicators.

2012 FINANCIAL YEAR

Banco Comercial Português complied with the relevant regulatory requirements, having reported a Core Tier I ratio of 9.7% in June 2012 and of 9.8% in December 2012, according to the criteria of EBA. Adjusted for the values of 31 December 2012, the sovereign buffer would be zero euros, implying a ratio of 11.4%, according to the criteria of EBA. The Bank also achieved a Core Tier I ratio of 12.4% in December 2012, according to the criteria of the Bank of Portugal.

The commercial gap decreased by 7.3 billion euros relative to December 2011, with the loan-to-deposit ratio (according to the criteria of the Bank of Portugal) declining to 129% and the ratio of net loans and advances to on balance sheet customer funds which fell to 112%, at the end of 2012. It is worth highlighting the 5.1% increase in balance sheet customer funds relative to the end of 2011, with growth of deposits in Portugal and the evolution of credit in line with the liquidity plan, having decreased 6.5% relative to the end of 2011.

The consolidated net income of Millennium bcp was negative by 1,219.1 million euros in 2012, compared with the loss of 848.6 million euros in 2011. This result was penalised by impairments for estimated losses and for the loss generated by the operation in Greece, in a total amount of 693.6 million euros. It was also constrained by impairments and provisions in the activity in Portugal, in the amount of 1,236.0 million euros, with the incorporation of the reinforcement needs detected in 2012 within the scope of the On-site Inspections Programme (OIP) coordinated by the Bank of Portugal, in the amount of 290 million euros.

In addition to these negative factors, there is the adverse impact on the net interest margin of the liability management operations of 2011 and the hybrid instruments subscribed by the Portuguese State, as well as the commission costs for the issuance of debt securities guaranteed by the Portuguese State and a component of costs related to the restructuring programme and early retirements.

The aim of the restructuring programme in progress is the structural adjustment of the institution, with particular emphasis on the non-commercial areas and the administrative reorganisation in line with the new business model and current economic environment. In 2012, the number of Employees decreased in net terms by 977, corresponding to 619 terminations by mutual agreement, 191 through early retirement and a current reduction of 199, at a total cost already reflected in the accounts of 2012 of 69.3 million euros. As a result of this process, we expect future annual savings of more than 30 million euros.

Administrative costs fell 3.3% in 2012, in spite of a significant reduction in costs over the last few years (-22.2% over the 2007-2011 period). The Bank expects to achieve savings of 70 million euros annually in the medium-term, namely through organisational simplification, process reengineering, redesign of the Bank's IT strategy and the resizing of the commercial network.

It is also important to point out the favourable performances of Bank Millennium in Poland, Millennium bim in Mozambique and Banco Millennium Angola, which together reported a positive net result of 236 million euros. In Poland, the new strategic initiatives are aligned with the Bank's sustainability assumptions. These assumptions include: a high capital base, comfortable levels of liquidity, strict risk management, ongoing cost control and optimisation of processes. In Mozambique and Angola, the Bank continues its expansion plan, confident that these operations have a high growth margin, given the GDP growth prospects in these countries and their low rate of banking penetration.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

The creation of social value, sustained by a culture of rigour intrinsic to the activity developed, continued to be one of our transversal priorities, with the objective of contributing to the economic and social development of the countries in which the Bank operates and interacting in a balanced manner with all our Stakeholders.

In a particularly adverse context, numerous initiatives were undertaken, within the scope of social responsibility, among which the following are particularly noteworthy: the dissemination of culture undertaken by the Millennium bcp Foundation, with the majority of cultural resources belonging to the Bank, and the extension of its support to scientific studies; the "More Mozambique For Me" programme which has been developing a social welfare project to promote education among young people with the participation of civil society, over the last six years; the involvement of many Employees, in all of the Bank's operations, in community initiatives that have contributed to the improvement of many people's living standards; and the microcredit operation, in Portugal, which continues to support and reward entrepreneurs with viable projects, having supported 2,534 projects that helped to create 3,798 jobs over its seven years of activity as an autonomous network.

MEDIUM-TERM PROSPECTS

At the end of the year, the sentiment in international markets improved, stemming from the efforts to minimise the sovereign debt crisis in the euro area, which led to a drop in public debt interest rates, allowing some Portuguese financial institutions and the Portuguese Republic to access the international funding market. This, in turn, increased the confidence of investors in European listed banks. Nonetheless, the next few years, coinciding with the public investment horizon and the execution of the Strategic Plan, will not be any less challenging for the Bank. Our success will depend not only on the sound execution of the Plan but also on the recognition by the markets of the efforts undertaken by Portugal to meet the targets set forth in the Economic and Financial Assistance Programme.

The year of 2013 is a pivotal year for our Bank. In spite of the context of uncertainty associated to the compensatory measures required by the European Commission within the scope of approval of the restructuring plans of banks that resorted to state investment, we believe that the current conditions set out in the Recapitalisation Plan are balanced, since they take into account exogenous and transitory factors that justify resorting to state investment, the management model and the investment strategy of the Bank to strengthen its solvency.

The Bank also faces the requirement of having to repay the state investment. The Recapitalisation Plan presented to the Bank of Portugal foresees the repayment of the hybrid instruments progressively, from 2014 onwards, and prior to the maximum period of five years. Compliance with the targets of the Plan shall be achieved through the internal generation of results and the reduction of the risk-weighted assets portfolio, through deleveraging, optimisation and extension of the IRB to other loan portfolios, namely Poland.

With the strengthening of the capital and liquidity position and the simplification of the organisation, the Bank is better prepared to face future challenges and support the economy, in particular companies with good risk operating in tradable goods sectors.

With the commitment of all the Stakeholders, in particular the more than 5 million Customers, the approximately 190 thousand Shareholders and the more than 20 thousand Employees, the Bank will execute its 2012-2017 Strategic Plan and create conditions to strengthen its leadership position in the national financial sector.

Nuno Amado
Chairman of the Executive Committee
Deputy Chairman of the Board
of Directors

António Monteiro
Chairman of the Board
of Directors

EXECUTIVE COMMITTEE

Iglésias Soares

Luís Pereira Coutinho

Miguel Maya

Nuno Amado | Miguel Bragança | Conceição Lucas | Rui Manuel Teixeira

MILLENNIUM GROUP

Banco Comercial Português, S.A. (BCP, Millennium bcp or Bank) is the largest Portuguese private bank. 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. The Bank occupies a prominent position in Africa, through its banking operations in Mozambique and Angola, and in Europe, through its banking operations in Poland, Greece, Romania and Switzerland. Since 2010, the Bank has operated in Macao, through an on-shore branch, and has signed 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. In 2011, the Bank formalised a license application for the opening of an official branch in the Popular Republic of China. The Bank also has a presence in the Cayman Islands, through BCP Bank & Trust, with a type B license. Particular reference should be made to the signing, in 2011, of the partnership agreement, with Banco Privado Atlântico for the constitution/acquisition of a bank in Brazil, aiming to explore opportunities in the Brazilian market, namely in the areas of corporate and trade finance, through partnerships.

VISION, MISSION AND HISTORY 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 an annual growth of turnover above 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 and cost management.

The Bank's mission is to create value for Customers through 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 its strategic autonomy and corporate identity.

FOUNDATION AND ORGANIC GROWTH TO BECOME A RELEVANT PLAYER	DEVELOPMENT IN PORTUGAL THROUGH ACQUISITIONS AND PARTNERSHIPS	INTERNATIONALISATION AND CREATION OF A SINGLE BRAND	RESTRUCTURING PROCESS INVOLVING THE DIVESTURE IN NON-STRATEGIC ASSETS
• **1985:** Incorporation • **1989:** Launch of NovaRede • **Until 1994:** Organic growth, reaching a market share of approximately 8% in loans and deposits	• **1995:** Acquisition of Banco Português do Atlântico, S.A. • **2000**: Acquisition of Banco Pinto & Sotto Mayor from CGD and incorporation of José Mello Group (Banco Mello and Império) • **2004:** Agreement with CGD Group and Fortis (Ageas) for the insurance business	• **1993:** Beginning of the presence in the East • **1995:** Beginning of the presence in Mozambique • **1998**: Partnership agreement with BBG (Poland) • **1999:** Set up of a greenfield operation in Greece • **2000:** Integration of the insurance operation into Eureko • **2003:** Change of Poland operation's denomination to Bank Millennium • **2006:** – Adoption of the single brand Millennium – BMA incorporation • **2007:** Beginning of the activity in Romania • **2008:** Strategic partnership agreement with Sonangol and BPA • **2010:** Transformation of Macao branch from off-shore to on-shore	• **2005:** – Sale of Crédilar – Sale of BCM and maintenance of an off-shore branch in Macao – Divesture in the insurance activity, following the partnership agreement with Ageas for the bancassurance activity • **2006:** – Sale of the financial holding of 50.001% in Interbanco – Conclusion of the sale of 80.1% of the share capital of the Banque BCP France and Luxembourg • **2010:** Sale of 95% of Millennium bank AS in Turkey and sale agreement for the entire branch network and the deposit basis of Millennium bcpbank in USA

BUSINESS MODEL

NATURE OF THE OPERATIONS AND MAIN ACTIVITIES

The Group provides a wide variety of banking services and financial activities in Portugal and internationally, where it holds a prominent position in the African markets, through countries with which it maintains a historical and cultural affinity (Mozambique and Angola), and has an important presence in Europe through its operations in Poland, Greece, Romania and Switzerland. All the operations develop their activity under the Millennium brand. Always attentive to the challenges imposed in an increasingly global market, the Group also ensures its presence in the five continents of the world through representation offices and/or commercial protocols.

The Bank provides a vast range of financial products and services: current accounts, instruments of payment, saving and investment products, private banking, asset management and investment banking, as well as mortgage loans, consumer credit, commercial banking, leasing, factoring and insurance, among others. The back-office operations for the distribution network are integrated, in order to benefit from economies of scale.

In Portugal, Millennium bcp has the second largest distribution network, focused on Retail, where it provides services to its Customers in a segmented manner. The operations of the subsidiaries generally provide their products through the Millennium bcp distribution networks, offering a wide range of products and services, with special emphasis on asset management and insurance.

DISTINCTIVE FACTORS AND SUSTAINABILITY OF THE BUSINESS MODEL

LARGEST PRIVATE BANKING INSTITUTION

Millennium bcp is the largest private banking institution in Portugal, with a leadership position and particular strength in various financial products, services and market segments, based on a strong and significant brand franchise.

The activity in the domestic market focuses on Retail Banking, which is segmented in order to best serve the Customers's interests, both through a value proposal based on innovation and speed aimed at Mass-market Customers, and through the innovation and personalised management of service targeting Prestige and Business Customers. The Retail Network also has a bank aimed specifically at Customers who are young in spirit, intensive users of new communication technologies and prefer a banking relationship based on simplicity, offering innovative products and services.

The Bank also 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 concept of banking, based on the ActivoBank platform.

At the end of 2012, the Bank was supported by the second largest banking distribution network of the country (839 branches), serving over 2.3 million Customers, and held the position of second bank (first private bank) in terms of market share both concerning loans to customers (19.1%) and customer deposits (18.1%).

RESILIENCE AND SUSTAINABILITY OF THE BUSINESS MODEL

The generalisation of the liquidity and credit crises, which began in 2007, has brought new challenges to the financial system. The aggravation of the sovereign debt crisis has required additional effort from national banks in order to overcome the adversities.

Millennium bcp, in particular, has proven its robustness by successfully exceeding the successive requirements on matters of capital and liquidity. The Bank's solidity is based on a time-tested and distinguished business model, confirmed through its performance indicators and external recognition (where we highlight the impressive number of awards received and high levels of Customer satisfaction).

The State's underwriting of hybrid instruments that qualify as Core Tier I capital to the total value of 3 billion euros, concluded on 29 June 2012, and the share capital increase to the value of 500 million euros, completed in October 2012, enabled the Bank to achieve more comfortable capital ratios. For the three-year period of 2013-2015, the goals of Millennium bcp consist of the recovery of profitability in Portugal and the continued development of the business in Poland, Mozambique and Angola.

The capacity of resilience of the business model is essentially based on the Bank's concentration on Retail Banking, by nature more stable and less volatile, in relation to the reduced weight of financial operations. The resilience of net operating revenues, even in the current context of the financial crisis, and high efficiency levels, which have been strengthened progressively since 2008, are the result of a continued strategy based on cost reduction.

FOCUS ON THE CUSTOMER

Under the motto "We seek to see the world through our Customers' eyes, because we aspire to meet all their needs and contribute to the fulfilment of their dreams", Millennium bcp has chosen Focus on the Customer as one of its strategic pillars, and this is a critical factor for the Bank's success.

The Bank has strengthened its commitment to Customers as one of its strategic priorities since 2009, having implemented a set of initiatives in this context, in particular: i) programmes of enhancing proximity to the Customer base, through an increased number of contacts and regular monitoring of their activity, enabling the identification of new business opportunities and detection of any signs of potential default which allow the Bank to take preventive action, and ii) programmes aimed at attracting of Customers in the main international operations.

At the same time, Millennium bcp has promoted the information sharing with its Customers, through a variety of events, where the Millennium Meetings have been of special importance, both for Individual and Corporate Customers.

The recognition shown by the Customers has been visible. In 2012, Millennium bcp was distinguished as the Consumer Choice in Portugal, by CONSUMERCHOICE – Consumer Satisfaction Assessment Centre, thus becoming the first brand to achieve this award in the Banking category.

With a view to the continuous and permanent search to improve Customer service, and because it believes that the confidence of its Customers is the most valuable asset, the Bank regularly monitors customer satisfaction, through studies of measurement of the quality of the service provided.

During 2012, were sent 804,255 questionnaires by postal and electronic mail, with an overall response rate of 8.4%. The in-depth diagnosis carried out amongst Customers of the Retail Network has enabled the identification of "trust" and "quality of service" as the attributes clearly highlighted by Customers as the main reason for the choice of their primary Bank.

The monitoring of Retail Customer satisfaction with the global offer and service rendered has enabled the conclusion that the high levels of satisfaction have been maintained based on the strengthening of Customer relations, support and information/financial advisory services, as well as the suitability of the offer.

BANK LEADER IN INNOVATION

Since its incorporation, BCP has built a reputation based on dynamism, innovation, competitiveness, profitability and financial strenght. The Bank is considered a benchmark in several market segments in Portugal and an institution with an international reputation in the distribution of financial products and services. BCP was the first bank in Portugal to introduce several concepts and innovative products, including direct marketing methods, design of branches based on the Customers' profile, salary accounts, smaller and more efficient branches (NovaRede), telephone banking (through Banco 7, which, subsequently, became the first online platform in Portugal health insurance (Médis) and Seguro Directo insurance, and was the first Portuguese bank with a website dedicated to companies.

In view of the importance of innovation, as a distinguishing factor of excellence relative to the competition, BCP was also a pioneer in the launch of a new banking concept, supported by the ActivoBank platform, based on the simplicity of Customer service, convenience, transparency and presence of emerging distribution and communication channels (e.g. Mobile Banking). ActivoBank has been recognised by the international financial community and distinguished with the attribution of awards such as "Best Consumer Internet Bank 2012 in Europe" and "Best in Mobile Banking", given by *Global Finance* magazine, amongst others, and was short-listed as one of the five finalists, amongst 200 candidates, for the Global Banking Innovation Awards in the category Disruptive Innovation, promoted by the BAI. ActivoBank was also distinguished by *World Finance* magazine as "Best Commercial Bank" in Portugal, in the World Finance Banking Awards 2012.

The persistent search for new solutions, as long as new means better, is a commitment that reaches across the organisation. The Employees are involved in this process through an internal programme of improvement, "Mil Ideas", based on the recognition of the Employees as a creative force generating ideas of value and focusing on a culture of innovation.

ACTIVOBANK: A NEW BANK CONCEPT

ActivoBank by Millennium

DISTINCTIVE FACTORS

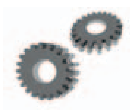
Channels

- Branches with extended hours
- Access via smartphones
- Support application for investments for iPhones

Offer

ActivoBank simplifies

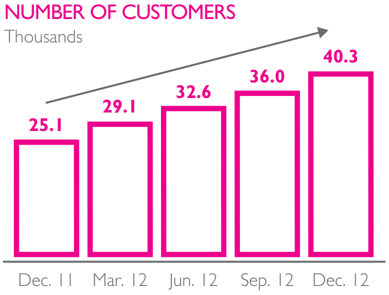
Operative



Account opening in 20 minutes, with all instruments of payments

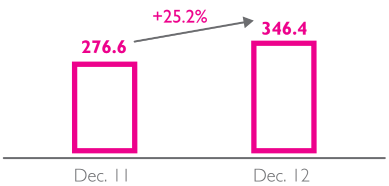
NUMBER OF CUSTOMERS

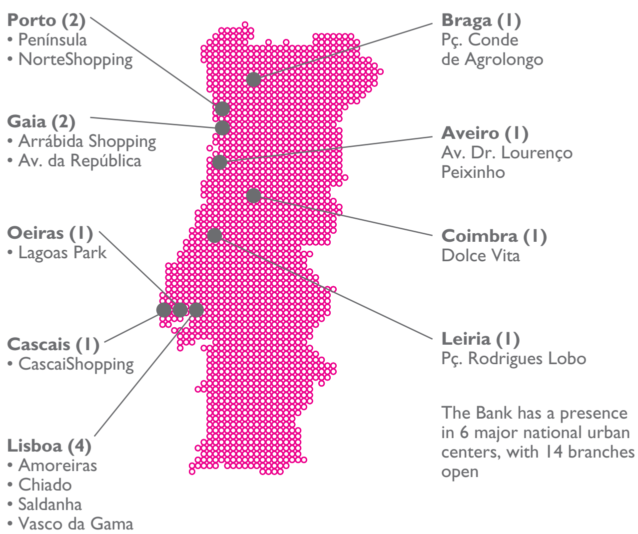
Thousands



CUSTOMERS DEPOSITS

Million euros





TECHNOLOGY

During 2012, the Bank developed a set of structural projects and initiatives in the different areas of the Information Technology Department, with the aim of continuing a process of continuous improvement of operating and application efficiency, service levels, optimisation of costs and timely adaptation to business requirements.

For this purpose, consistent with the reference framework established by the Bank, some critical areas of action were defined, in particular the new segmentation of Customers, renewal of the website for Individual Customers, in accordance with a new strategy and commercial approach, the upgrade of the commercial monitoring platform (iPAC) and support system extended to all products of Trade Finance activity (IMEX) and the provision of new functionalities in terms of Trade Finance and e-invoicing, on the Internet channels.

THE MILLENNIUM BRAND

The Millennium brand is a base for the global offer of the Bank and a fundamental part of its commercial strategy, with direct impact on net income, leading to the positioning of Millennium bcp in the mind of its Customers, projecting credibility, strengthening the relation of trust in the Bank and creating feelings of loyalty, boosting the value of the brand.

The Millennium brand reflects also 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, where Innovation, Modernity/Youth, Dynamism and Quality have a particular importance, according to independent research conducted by Marktest (BASEF) and Grupo Consultores (brandScore).

The main strategic guidelines of Millennium bcp's business involves the areas of attraction of Customers and business, in particular customer funds, and were conveyed during 2012, through the launch of a series of advertising campaigns which aligned the commercial discourse with the key values of the Bank. The communication process focused on a sustainable and coherent message, based on the premise of perfect harmony between the intended institutional positioning and the defined business objectives.

Major campaigns

This strategy was supported by a specific offer of solutions and products. In this context, special note should be made of the institutional campaign personified by José Mourinho, to which the "Special One Top Term Deposit" was linked. Based on José Mourinho's testimonial on strategic concepts for the Bank, such as Savings, the Family and Portugal, this campaign was constructed around and inspired by the statement "We believe" as a manifestation of a common belief, transversal to Millennium bcp and to society itself.

The perfect harmonisation between current event and communication was also present in the main initiatives launched during this period, particularly in the "Olympic Deposit" campaign, which reinforced Bank's status as the Official Bank of the Portuguese Olympic Committee, and in the strategic campaigns at a commercial level such as "Vantagem Ordenado" (Salary Advantage), "Cliente Frequente" (Frequent Customer), "Millennium GO!" and "Rendimento Mensal" (Monthly Income).

It is also important to highlight Millennium bcp's focus on innovative actions, such as the "M Imóveis" (Real Estate Properties) project, whose communication strategy enabled significant commercial leverage and the presentation of tactical initiatives, such as the "25 Euro Gift Voucher", launched at the beginning of December, for the Christmas period.

The good results and success of the communication that has been developed were reflected not only in the different awards received – including the bronze award for the category of Financial Services and Insurance of the Communication Effectiveness Awards for the "Rock in Rio Lisboa 2012" campaign – but also, in the distinction as Consumer Choice in the Banking category, with special reference to Service, Pricing of products and services and Conditions offered and, also, in the Bank's recognition as a Superbrand 2012.

The reputation of Millennium bcp in 2012 was consolidated, with the Bank having been awarded, once again, a position of special importance amongst the private banks operating in Portugal, being considered the Banking leader in Top of Mind and Total Spontaneous Recall, according to the latest data from independent studies by Marktest (BASEF).

Sponsorships

During 2012, Millennium bcp continued its policy of association with major events and entities which, due to their scale and positioning in the market, are fundamental for the presence of the brand with the general public. In this context, we highlight the Bank's continued association with Rock in Rio Lisboa, which, in celebrating its fifth edition, was once again supported by Millennium bcp as its main sponsor. This event is considered to be the most important and widely known music festival held in Portugal, with a total recall of 97% amongst the population. During the 2012 edition, the festival received over 350 thousand visitors, strengthening the perception of Millennium bcp as the dominant banking brand in the music field, having been referred to by 77% of the people questioned in the study conducted by Grupo Consultores (brandScore).

Particular note should also be made of the signing of the protocol with the Portuguese Olympic Committee (COP) for the Portuguese participation in the London 2012 Olympic Games, with Millennium bcp having become the Official Bank of the COP and Portuguese olympic team. The association of the brand to the olympic athletes embodies the value of work, ambition, passion and spirit of victory.

Social networks

Following its mission to add value to its Customer and other Stakeholders, Millennium bcp actively entered the social networks in May 2010, and now has several dozens of thousands of "followers", in particular on Facebook, whose higher number of visitors and ongoing activity support a communication strategy based on the immediacy and proximity to target groups, with disclosure of information of general interest in the context of the activity of each area.

During 2012, the presence of Millennium bcp in the social networks was consolidated through a concerted and integrated communication strategy, involving internal and external resources which, through the monitoring of various platforms and constant active participation, increased the number of "followers" and interactions with the different areas. From social responsibility to products, involving entertainment and support to Customers, Millennium bcp's action in the social networks is a benchmark of good practices and success which is expected to grow in 2013, covering new challenges.

FREQUENT CUSTOMER

January 2012

MONTHLY INCOME DEPOSIT

February 2012

SALARY ADVANTAGE

February 2012

SPECIAL ONE TOP DEPOSIT

April 2012

MILLENNIUM GO!

July 2012

OLYMPIC DEPOSIT

July 2012

SHARE CAPITAL INCREASE

September 2012

SOMA+ DEPOSIT

October 2012

COMPETITIVE POSITIONING

Millennium bcp is the largest national private banking institution, with the second largest branch network in Portugal (839) and expanding in the countries where it operates, especially in African affinity markets.

Based on the motto "We seek to see the world through our Customers' eyes", the Bank provides a vast range of banking products and services, concentrated on Retail, through which it provides universal banking services and, additionally, remote banking channels (telephone and Internet banking services), operating as distribution points.

Its mission of ensuring excellence, quality service and innovation are values which make the Bank distinctive and differentiated from the competition. Accompanying the changes in consumer preference for digital banking, the creation of ActivoBank represents a privileged way of serving a group of urban Customers, who are young at heart, intensive users of new communication technologies and value simplicity, transparency, trust, innovation and accessibility in banking relations.

Operations in Portugal currently account for 75% of total assets, 74% of total loans and advances to customers and 66% of total customer deposits. The Bank has 2.3 million Customers in Portugal and market shares of 19.1% and 18.1% for loans and advances to customers and customer deposits, respectively.

Millennium bcp is present in the five main continents of the world through its banking operations, representation offices and/or commercial protocols, corresponding to approximately 5.5 million Customers in 2012. All the operations develop their activity under the Millennium brand.

Millennium bcp continues to pursue the plans of expansion of its operations in Africa. Millennium bim, a universal bank, has been operating in Mozambique since 1995, where it is the leading bank, with over 1 million Customers, 33.1% of loans and advances to customers and 30.6% of deposits. Millennium bim is a highly reputable brand in the Mozambican market, associated with innovation, with major penetration in terms of electronic banking and exceptional capacity in the attraction of new Customers. The bank is also a reference in terms of profitability.

Banco Millennium Angola (BMA) was constituted on 3 April 2006 via transformation of the local branch into a bank under Angolan law. Benefiting from the strong image of the Millennium bcp brand, BMA presents distinctive characteristics, such as innovation and dynamic communication, availability and convenience. In Angola, the Group aspires, with the investment in progress, to become a reference player in the banking sector in the medium-term. BMA also aspires to become an important partner for companies of the oil sector, through the constitution of a specific corporate centre, provision of financial support to these companies and trade finance operations. By the end of 2012, the bank had a market share of 3.0% in loans and advances to customers and 2.8% in deposits.

Special mention should also be made to the awarding of a variety of distinctions during 2012, by several renowned entities in recognition of the operations of Millennium bcp in these regions. Millennium bim was distinguished by *World Finance* magazine as the "Best Banking Group in Mozambique", for the third consecutive year; awarded "Best Bank in Mozambique" by the publications *Global Finance* and *emeafinance*, and received the distinction of "Bank of the Year in Mozambique" by the magazine *The Banker*. BMA, meanwhile, was considered the "Best Bank with Majority Foreign Capital" by *emeafinance*.

In Poland, Bank Millennium has a well distributed network of branches, supported on modern multichannel infrastructure, reference service quality, high recognition of the brand, a robust capital base, comfortable liquidity and solid risk management and control. By the end of 2012, Bank Millennium had market share of 4.8% in loans and advances to customers and 5.1% in deposits.

In Greece, Banco Comercial Português, S.A. (BCP) signed, on 22 April, definitive agreements with Piraeus Bank regarding: i) the sale of the entire share capital of Millennium bank (Greece) (MBG) and ii) the investment by BCP in the forthcoming capital increase of Piraeus Bank.

The signing of these agreements marks the successful conclusion of the negotiations between BCP and Piraeus Bank, following the announcement, on 6 February 2013, that the parties had entered into exclusive discussions.

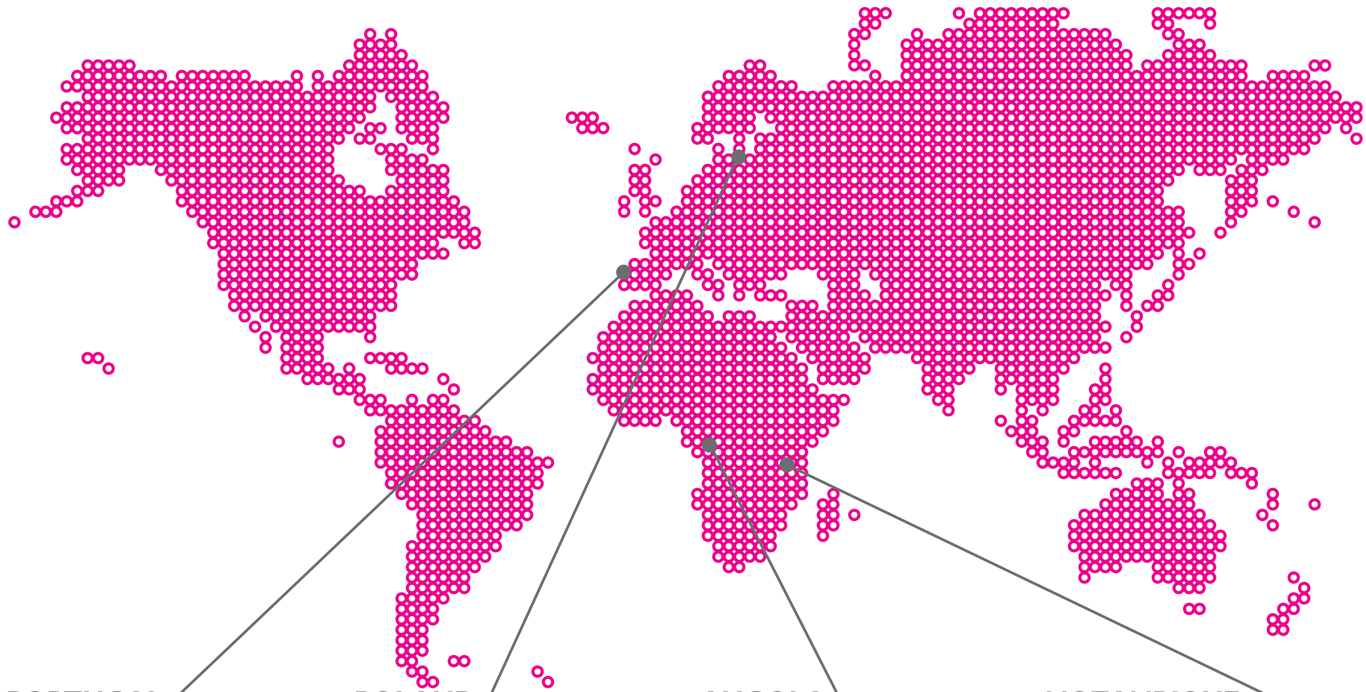
This agreement falls within the framework that has been defined by the Bank of Greece and the Hellenic Financial Stability Fund (HFSF) aiming at the restructuring of the Greek banking system and strengthening its financial stability. The terms and conditions of the transactions have been approved by the HFSF.

The transactions are expected to be consummated in the second quarter of 2013, subject in particular to the obtaining of final regulatory approvals.

In Romania, the Group is present through a greenfield operation launched in October 2007. Banca Millennium is a bank of national scope providing a wide range of innovative financial products to Individuals and Companies, supported by a network of 65 branches, which includes 7 corporate centres.

The Group has an operation in Switzerland since 2003, corresponding to a private banking platform offering personalised and quality services to Customers of the Group with high net worth, comprising asset management solutions, based on rigorous research and its profound knowledge of financial markets, underpinned by a robust commitment to risk management and an efficient IT platform.

The Group has also been present in the East since 1993, but it was only in 2010 that the activity of the existing branch in Macao was expanded, through the attribution of a full license (on-shore), aimed at establishing an international platform for business operations involving Europe, China and Portuguese-speaking Africa.



PORTUGAL

Market share	
Loans	19.1%
Deposits	18.1%
Total assets	67,459 M €
Employees	8,982
Branches	839

Best Bank in Portugal
emeafinance

Consumer's Choice 2012
CONSUMERCHOICE (*)

Bank of the Year
Marketeer Magazine

Best Online Banking Website
PC Guia

Best Consumer Internet Bank in Portugal, Best Integrated Consumer Bank Site, Best in Mobile Banking, Best in Social Media and Best Website Design in Europe
Global Finance

Best Commercial Bank
World Finance

Finalist of Global Banking Innovation Awards in Disruptive Innovation
BAI and FINACLE

Brands of Excellence 2012, in Health Insurance
Selecções do Reader's Digest

POLAND

Market share	
Loans	4.8%
Deposits	5.1%
Total assets	12,895 M €
Employees	6,001
Branches	447

Best Consumer Internet Bank, Best Online Deposit, Credit and Investment Product Offerings in Poland
Global Finance

Best and Friendliest Internet Bank
Newsweek

Best Bank for Companies
Forbes magazine

ANGOLA

Market share	
Loans	3.0%
Deposits	2.8%
Total assets	1,375 M €
Employees	1,027
Branches	76

Best Foreign Bank in Angola
emeafinance

MOZAMBIQUE

Market share	
Loans	33.1%
Deposits	30.6%
Total assets	1,872 M €
Employees	2,444
Branches	151

Best Banking Group in Mozambique
World Finance

Best Bank in Mozambique
Global Finance

Best Bank in Mozambique
emeafinance

Bank of the Year in Mozambique
The Banker

(*) Evaluation of Consumer's Satisfaction Office

MILLENNIUM NETWORK

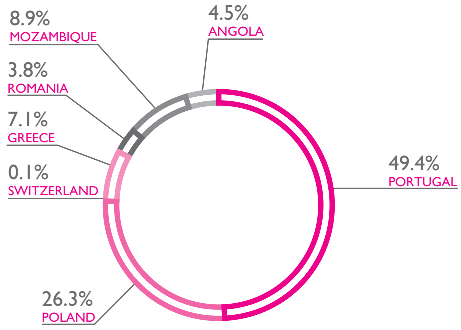
DISTRIBUTION NETWORK

NUMBER OF BRANCHES

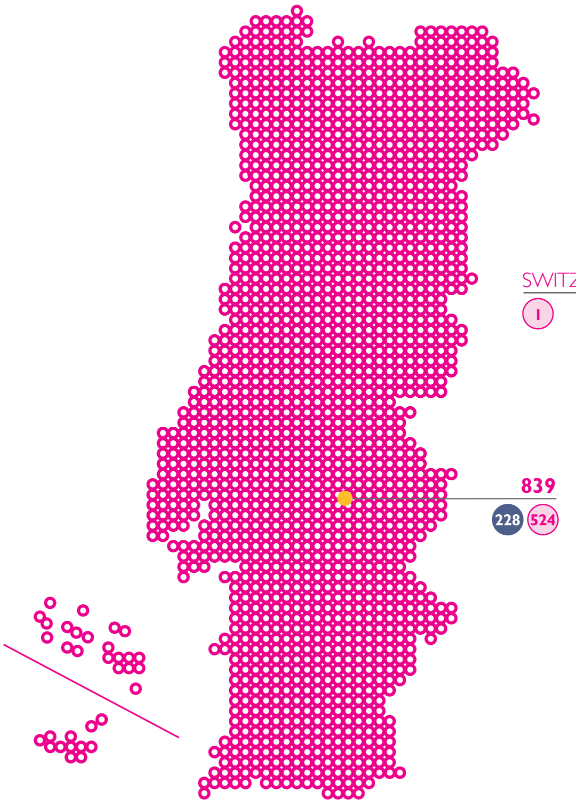
	'12	'11	'10	CHAN. %'12/'11
TOTAL IN PORTUGAL	839	885	892	-5.2%
POLAND	447	451	458	-0.9%
SWITZERLAND	1	1	1	0.0%
GREECE	120	120	155	0.0%
ROMANIA	65	66	74	-1.5%
MOZAMBIQUE	151	138	125	9.4%
ANGOLA	76	61	39	24.6%
TOTAL OF INTERNATIONAL OPERATIONS	860	837	852	2.7%
TOTAL	**1,699**	**1,722**	**1,744**	**-1.3%**

1,699 MILLENNIUM BRANCHES

BRANCHES BREAKDOWN

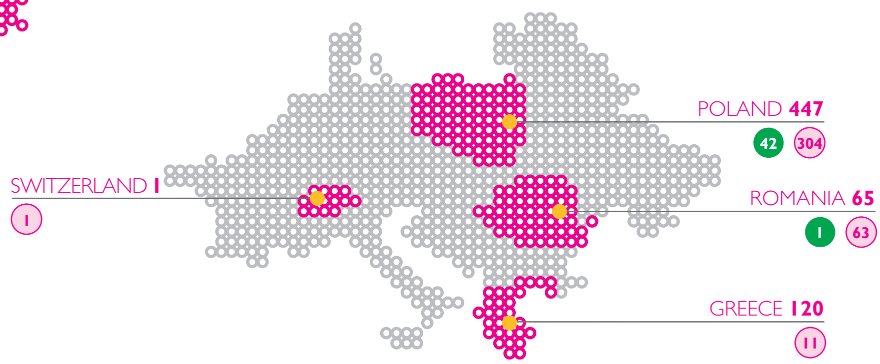


PORTUGAL

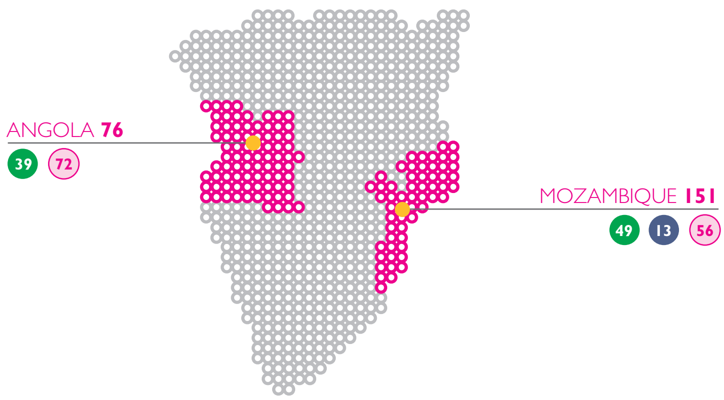


INTERNATIONAL

POLAND, SWITZERLAND, GREECE AND ROMANIA



ANGOLA AND MOZAMBIQUE



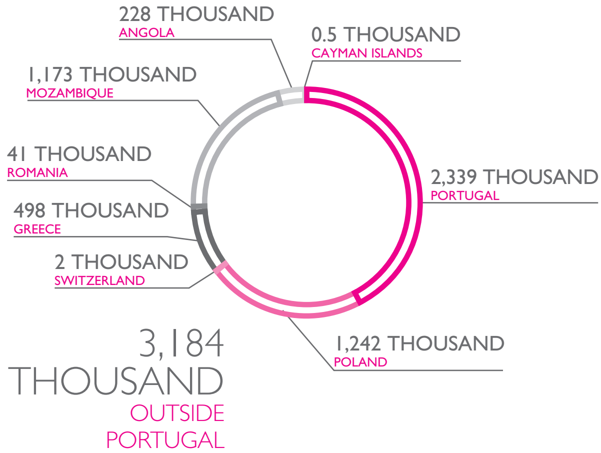
TOTAL OF BRANCHES
BRANCHES OPENED ON SATURDAY
BRANCHES WITH DIFFERENTIATED SCHEDULE
BRANCHES WITH ACCESS CONDITIONS TO PEOPLE WITH REDUCED MOBILITY

REMOTE CHANNELS AND SELF-BANKING

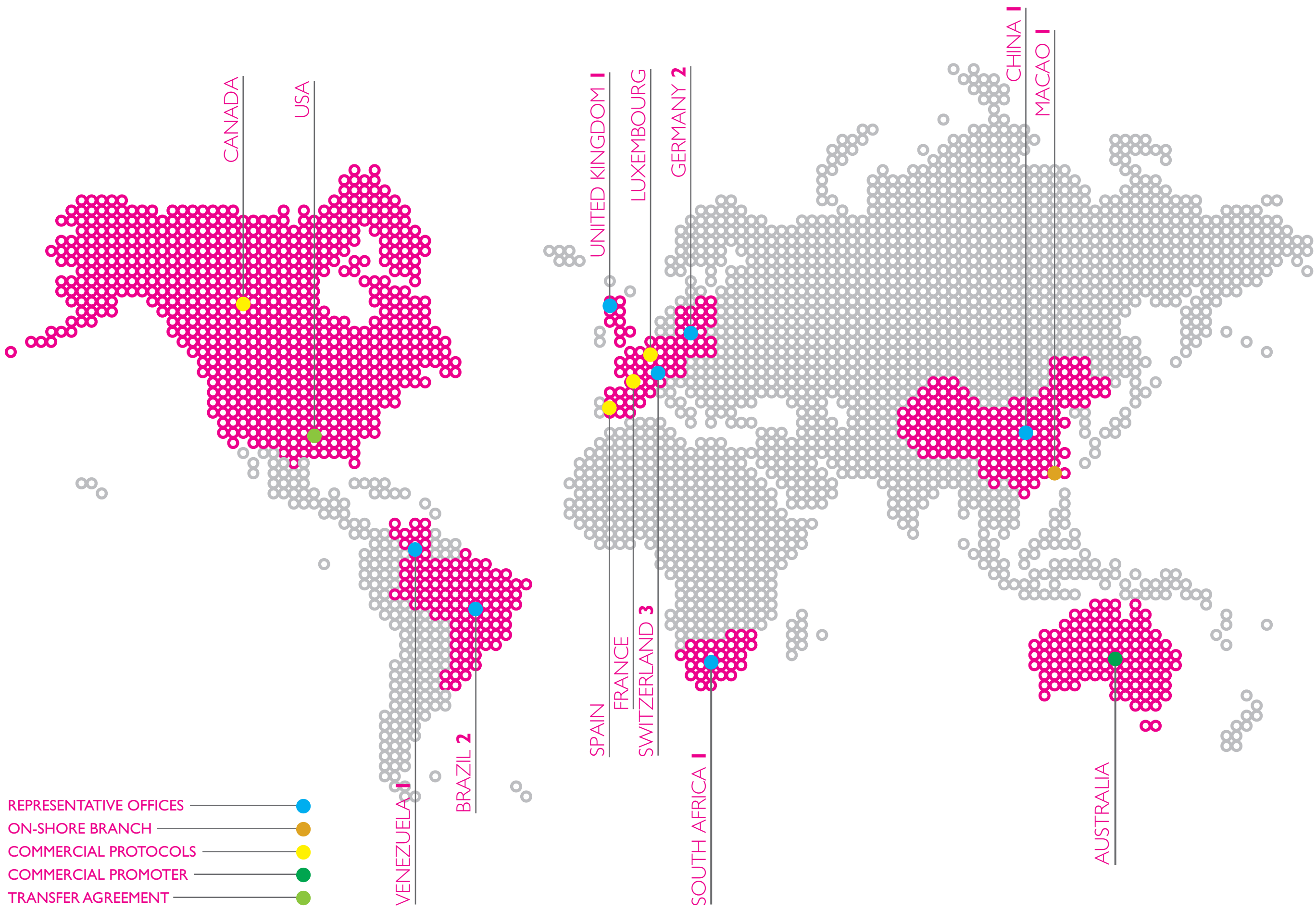
5.523 MILLION CUSTOMERS

	Internet	Call Centre	Mobile Banking	ATM (*)	POS (**)
TOTAL IN PORTUGAL	**533,888**	**112,481**	**52,449**	**2,336**	**32,912**
POLAND	718,761	43,231	52,395	566	-
GREECE	18,618	11,908	245	201	3,385
ROMANIA	17,035	589	1,165	66	412
MOZAMBIQUE	12,830	89,754	115,221	385	4,058
ANGOLA	1,658	-	-	104	713
TOTAL OF INTERNATIONAL OPERATIONS	**769,715**	**145,482**	**169,026**	**1,322**	**8,568**
TOTAL	**1,303,603**	**257,963**	**221,475**	**3,658**	**41,480**

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.
(*) Automated Teller Machines.
(**) Point of Sales.



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



RESPONSIBLE BUSINESS

Millennium bcp's practice of dialogue with the different Stakeholders enable the identification of strengths and opportunities to improve the Bank's activity, implement corrective measures balanced with the available resources and respond to the most relevant issues in line with the expectations that are conveyed.

2009	Was carried out a work to updating the Stakeholders subgroups mapping and identification of material issues for each of them. The main conclusions were published in the 2009 Sustainability Report. As a result of this work, was defined the action plan strategy – Sustainability Master Plan 2010-2012.
2010	A specific survey was conducted, within the responsible business themes to Stakeholders whose involvement had been identified as to focus and inform, following the work undertaken in 2009 – Employees, Customers, Shareholders, Suppliers and Media. The prioritization of material issues for each group was published in the 2010 Annual Report.
2011	Analysis to the themes that: i) the Social and Corporate Responsibility analysts (ESG analysts) consider as most relevant, taking into account the economic, social and environmental context and ii) some relevant reference international entities published about expectations and strategies for the coming years, within sustainable development. The conclusions were published in 2011 Annual Report.
2012	Analysis to the studies and consultations held to Stakeholders to, given the profound changes of socio economic context of Portugal, validate and update the issues currently more relevant to each group. The table below summarizes the three most valued issues by each group.

EMPLOYEES	CUSTOMERS	SHAREHOLDERS/ ANALYSTS	SUPPLIERS	MEDIA
Benefits that promote a better balance with family and financial life	Conveniente and accessibility	Recapitalization plan – Ability to repay hybrids	Renegotiation of supply contracts	Management/ Business
Resizing process, within strategic plan	Service and price	Business stress due to the financial and economic situation of the country	Payment deadlines	Results
Mobility	Solidity and transparency	International operations/ Greek operation	Profitability of the contract	Security

The activities foreseen in the Sustainability Master Plan for 2010-2012 have practically all been implemented, except for a few defined under the environmental strategy and which resulted from alterations in market circumstances. Further details on the degree of compliance of the activities are available on the institutional website of Millennium bcp, at www.millenniumbcp.pt, in the area of Sustainability.

EMPLOYEES

The year 2012 will be recorded as one of the most challenging periods for the Employees of Millennium bcp, not only as a result of the economic, financial and social context of Portugal, but also due to the changes inside the Organisation which have had direct impact on the Bank's daily activity. The new Board of Directors and respective Executive Committee was elected and a new strategic plan defined in three phases for the next five years, under which the adaptation of the Bank's structure started in 2012, with the objective of simplifying it and making it more efficient.

However, since the Employees constitute one of the most important Stakeholders and a strategic pillar for business sustainability, investment was maintained in valorisation and incentives, as well as the promotion of a balance between work and family life, through: i) maintenance of the different mechanisms of listening to Employees; ii) strengthening internal communication on the different strategic topics of the Bank; iii) continuation of the training effort so as to reinforce the skills and development of the Employees; iv) strengthening partnerships with external entities in order to gain access to products and services under better financial conditions and v) boosting of actions to strengthen relations between Employees and the community.

DIALOGUE WITH EMPLOYEES

Millennium bcp has developed internal processes since 1992, integrated in the Satisfaction Management System, so that the opinion of our Employees are heard, seeking to ensure work relations based on ethics, the creation of value and stimulation of participative management.

The survey to assess the level of satisfaction of the Employees conducted in 2012 recorded its highest participation ever within the Group and in Portugal, with a response rate of 85% and 84%, respectively. The results obtained from these surveys, which are provided to and analysed by the different structures and hierarchies, have shown a positive evolution in the four overall indicators, in particular, Satisfaction with Direct Hierarchy and with Organic Unit, which achieved, in Portugal, a level of excellence of 80 points, and Satisfaction as an Employee and Motivation, which recorded indices of 78 and 76 points, respectively.

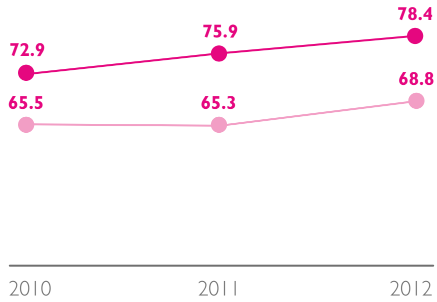
Professional fulfilment, belonging to the Group, leadership through example and pride in belonging to the teams are the attributes most highlighted by the Employees and which, consequently, influence the performance of the four overall indicators.

Various surveys have been conducted within the satisfaction of internal Customers process, in order to assess the opinion of the Employees as internal Customers, seeking to identify opportunities for improvement of the different processes of the Organisation, with the objective of defining action plans to improve the quality of the service provided to the final Customer and the involvement and motivation of the teams and their Employees.

The efficacy of this process is reflected in the positive evolution, between 2010 and 2012, of the satisfaction levels, which increased by 1.5 i.p. in Portugal and by 5.3 i.p. in the international operations.

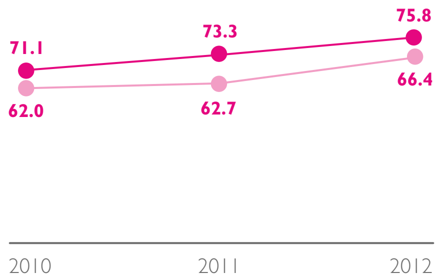
OVERALL EMPLOYEES SATISFACTION

Index points



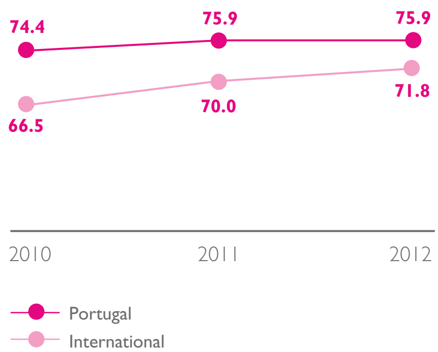
OVERALL EMPLOYEES MOTIVATION

Index points



SATISFACTION WITH INTERNAL CUSTOMERS

Index points



During 2012, in Portugal, 75 studies were carried out, with a participation rate of 64%, and in the international operations 20 studies were made, in which 62% of the Employees participated.

Under the appraisal system, to identify the main needs relative to training, development and mobility, of the Employees eligible for this process, the following percentages were assessed: 99% in Portugal and 86% in the international operations, with a recorded disagreement of 0.7% and 0.6%, respectively.

The principles of action of the BCP Group have established values and benchmarks of action, applicable to all Employees, of all operations, which include unequivocal guidance so that: i) regardless 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.

NUMBER OF EMPLOYEES EVOLUTION

A negative overall net change of 5.3% was recorded in the total number of Employees in 2012, with a reduction of 7.4% in the European countries and an increase of 6.1% in the African countries.

EMPLOYEES

		'12		'11		'10	CHANGE %'12/'11
TOTAL OF EMPLOYEES	**20,419**	**100%**	21,567	100%	21,297	100%	-5.3%
PORTUGAL	**8,982**	**44.0%**	9,959	46.2%	10,146	47.6%	-9.8%
Retail	**5,795**	**65%**	6,365	64%	6,540	64%	-9.0%
Companies & Specialised Credit	**718**	**8%**	456	5%	450	4%	57.5%
Corporate	**89**	**1%**	151	2%	146	1%	-41.1%
Investment Banking	**46**	**1%**	155	2%	159	2%	-70.3%
Asset Management & Private Banking	**261**	**3%**	191	2%	214	2%	36.6%
Banking Services	**1,392**	**15%**	1,850	19%	1,842	18%	-24.8%
Corporate Areas	**548**	**6%**	644	6%	645	6%	-14.9%
Associated and Others	**133**	**1%**	147	1%	150	1%	-9.5%
INTERNATIONAL	**11,437**	**56.0%**	11,608	53.8%	11,151	52.4%	-1.5%
Millennium bank in Poland	**6,073**	**53%**	6,367	55%	6,215	56%	-4.6%
Millennium bank in Greece	**1,186**	**10%**	1,212	10%	1,470	13%	-2.1%
Banca Millennium in Romania	**639**	**6%**	690	6%	731	7%	-7.4%
Millennium bcp Banque Privée in Switzerland	**68**	**1%**	69	1%	71	1%	-1.4%
Millennium bim in Mozambique	**2,444**	**21%**	2,377	20%	2,088	19%	2.8%
Banco Millennium Angola	**1,027**	**9%**	893	8%	714	6%	15.0%
Millennium bcp Bank & Trust in the Cayman Islands	**18**	**0%**	19	0%	15	0%	-5.3%
TURNOVER (PORTUGAL/INTERNATIONAL)							
Recruitment	**23/1,446**	**0.3%/12.6%**	44/2,215	0.4%/19.1%	56/1,980	0.6%/17.8%	-47.7%/16.7%
Leavings	**1,009/1,661**	**11.2%/14.5%**	215/1,991	2.2%/17.2%	209/1,719	2.1%/15.4%	369.3%/-34.7%
Internal mobility	**3,051/2,030**	**34.0%/17.7%**	2,076/1,739	20.8%/15.0%	1,962/1,272	19.3%/11.4%	47.0%/-16.6%

The variation of Employees' number, by country, it's result of recruitment, leavings and mobility between Group's countries/companies.

In Portugal, 1,009 Employees left during 2012. Of the 810 Employees who left at the end of the year, after the implementation of the resizing process foreseen in the strategic plan, 619 left through termination by mutual agreement and 191 through early retirement. The termination by mutual agreement process included a voluntary option, which represented 30.4% (188 Employees) of the total termination of work contracts, with a view to allowing any Employee interested in this form of layoff to benefit from the respective conditions.

The process of termination by mutual agreement included measures to mitigate the social and financial impact implied by this type of action and the layoff conditions corresponded to the best offer which, given the circumstances, the Bank could offer, both in the financial and social area, and greatly exceed the legal minimum, reflecting the respect and consideration that all Employees involved deserved. Hence, the following were assured: i) 1.7 gross wages for every year of work plus the holidays to be taken during the year, the holiday bonus and the holidays for 2013; ii) assumption of the cost of health insurance (which covers the household) for one year for Employees aged below 50 years, for two years for Employees aged above 50 years, or the equivalent value in cash; iii) maintenance of the special interest rate conditions contracted for mortgage loans and social purposes underway and until the end of the contract; iv) special conditions for the option of amortisation of mortgage loans underway; v) access to a microcredit line specifically for Employees with a project to start their own business; vi) support by a specialised outplacement company, during one year, for job search or start-up of own business, and vii) access to Social Security unemployment benefit. The details and implementation of the programme were shared in a continuous manner with the Workers Committee and Unions in order to facilitate the process of support and counselling offered to Employees.

In Poland, 1,049 people left, of which 57% went through personal initiative. These layoffs were partially offset by the recruitment of 723 new Employees. In Romania and Greece, the net change in the number of Employees was low – 51 and 26 respectively; in Greece 75% of the people left through personal initiative and in Romania 69% of the people who left their employment at the Bank followed termination by mutual agreement.

In the African operations, the total staff number maintains the trend of growth, with the recruitment of 322 new Employees in Angola and 272 in Mozambique. The majority of the Employees who left their employment in these countries left through their own initiative, with 187 Employees having left in Angola (55% through own initiative) and 217 Employees in Mozambique (61% through own initiative).

RECRUITMENT AND DEVELOPMENT

Under the initiatives to attract talent, the "Come and Grow With Us" (CGWU) programme was maintained in Portugal, with its seventh edition taking place in 2012. During this edition, 3,290 young people enrolled to participate in the various CGWU initiatives. The indices of satisfaction, with the large number of events strictly directed at young Portuguese university students, organised by Millennium bcp, reflect the quality of the programme: i) 100% of the participants in the finals of the Banking G@me would compete again; ii) 100% of the respondents considered that the contents that were addressed were interesting; iii) 98% were satisfied or very satisfied with the Millennium Banking Seminar'12 and iv) 100% of the participants in the "Summer Intern Programme" consider that Millennium bcp is attractive or very attractive. Of the university students who participated in the programme, six were recruited by Millennium bcp and integrated in development programmes. During 2012, a total of 27 Employees participated in these development programmes, of which nine were integrated in the "People Grow" programme and 18 in the "Young Specialist" programme.

Poland also maintained the "People Grow" programme, with seven participants, and the "Expert StartUp" programme, subdivided into "E-Expert", aimed at young people with high potential in the electronic banking area, in which four Employees participated, and "IT-Expert", aimed at young people with high potential in the IT area, in which four Employees participated.

Under the development programmes, targeting Employees with experience and high potential, designed to encourage motivation and involvement in the management of their own careers, the following participated in Portugal: i) 19 Employees in "Grow Fast"; ii) 108 Employees in the programmes specifically aimed at the Retail Network and which were discontinued in 2012 – "Grow in Retail" and "Master in Retail" – and iii) 44 Employees in the first edition of "Master in Millennium", a programme aimed at all Employees. In Greece, 11 Employees participated in the "Top Performers" programme.

The Employees involved in these development programmes are supervised by a Mentor (senior staff of the Bank) who provides counselling and guidance on their career progression. This focus of the Bank on the Mentoring process continues to create mechanisms to increase proximity between the Employees and top management.

The investment in training continued in 2012, aimed at strengthening Employee skills in a perspective of personal development, increasing service quality levels and maximising efficiency in the services provided to Customers. The programmes implemented in each country were in line with their specific needs and objectives.

In overall terms, 606 thousand hours distributed over 2,266 training actions were given, with an average of 30 training hours per Employee.

TRAINING

	'12	'11	'10	CHANGE % '12/'11
NUMBER OF ACTIONS				
Through physical attendance	**1,640**	2,266	1,719	-27.6%
E-learning	**506**	642	444	-21.2%
Distance learning	**120**	155	222	-22.6%
NUMBER OF PARTICIPANTS (1)				
Through physical attendance	**27,508**	25,299	27,814	8.7%
E-learning	**120,925**	118,428	61,005	2.1%
Distance learning	**24,328**	25,906	42,799	-6.1%
NUMBER OF HOURS				
Through physical attendance	**441,419**	660,312	376,921	-33.1%
E-learning	**129,366**	145,445	157,202	-11.1%
Distance learning	**35,880**	185,905	118,748	-80.7%

(1) It's reported the total number of participants in the training course. The same Employee could have attended various training courses.

A strong component of training for the commercial areas was maintained in all operations. In Portugal, a new programme was launched – "Service to Sales" – which involved the training of all the Employees of the branches selected as pilots, whose success was reflected in an increase of 4.2 i.p. in overall satisfaction with service, in the satisfaction surveys conducted to Customers.

Following the expansion of the Credit Recovery Area, in Portugal, 5,708 hours of training were given to 445 Employees.

The Legal Department of Millennium bcp, in Portugal, continued to promote the Banking Law conferences, having held five sessions in 2012. Close to 200 Employees participated in each of these sessions and the average assessment, obtained through direct questionnaires completed by the participants on their overall level of satisfaction with the action, was 84%.

In Greece and Romania, training on Anti-Money Laundering, Know Your Customer and IT Security was held under the Culture of Rigour programme.

In Angola, the training was transversal to all functions, with approximately 90% of the Employees having been involved in specific training actions.

Millennium bank in Poland launched two training actions, in 2012, which include e-learning courses, aimed at all Employees: i) an environmental education programme, "PRO-ECO", aimed at conveying general knowledge on environmental protection and preservation of natural resources, as well as offering advice on behaviour to be adopted at home and at the workplace, in order to minimise environmental impacts, and ii) a programme for the adoption of a healthy life-style, "Recommendation Z", which addresses issues such as the benefits of the regular practice of sports, healthy eating habits and healthy attitudes at the workplace and at home.

PROMOTION OF WORKING CONDITIONS

The social benefits of each country are applicable, in general, to all the Employees of the respective countries. In Portugal, Employees with a fixed term contract do not have access to the specific conditions of the credit lines for the purchase of their own house or credit for social purposes. Employees working part-time have access to transversal benefits, however, whenever these benefits are related to seniority, their value is calculated in proportion to their effective time of employment. This principle of proportionality, for Employees working part-time is also applicable in Romania and Switzerland.

CREDIT TO EMPLOYEES IN PORTFOLIO (1)

Million euros

	'12		'11		'10	
	Portugal	**International**	Portugal	International	Portugal	International
MORTGAGE						
Amount	**954**	**54**	1,003	64	1,036	61
Employees	**11,125**	**1,167**	11,460	1,324	11,735	1,339
SOCIAL PURPOSES (2)						
Amount	**14**	**11**	17	12	20	9
Employees	**2,066**	**2,629**	2,562	2,349	3,101	2,004

(1) Includes active and retired Employees.

(2) Benefits not aplicable in Poland and Romania.

The Bank ensures monitoring and guidance in Employee health care, offering suitable facilities for the development of daily activity with the minimum of risks and promoting the prevention of occupational diseases and serious illnesses through specialised medical support.

HEALTH SERVICES (1)

	'12		'11		'10	
	Portugal	**International**	Portugal	International	Portugal	International
MEDICAL SERVICES						
Appointments held	**30,078**	**7,930**	31,758	7,448	34,452	7,324
Check-ups made	**6,965**	**3,845**	6,999	3,776	7,517	3,895
HEALTH INSURANCE (PERSONS COVERED) (2)	**40,475**	**14,870**	40,564	11,877	41,201	11,487

(1) Includes active and retired Employees.
(2) Portugal – Navarra University Clinic, includes Employees expatriates.

ENGAGEMENT WITH THE COMMUNITY

The strengthening of Employees involvement in initiatives beyond the scope of their daily activities has led to the launch of a different challenge to the participants in the "Young Specialist" programme and to a group of Employees of the Retail Network (of the Ourém branches). Approximately 60 Employees developed a unique and innovative project: a Social Shop. The objective of the shop, which was called "Ponto de Partilha" and is supported by a website and Facebook page, is to offer a space prepared with essential items (adult and children's clothing, articles for the home, workshops for senior citizens) in order to meet the needs of vulnerable families in the municipality of Ourém. In partnership with Ourém City Hall, which provided the use of a former primary school in the centre of the municipality, it was possible to create a welcoming space to receive these families. Two workshops were also held in 2012, organised by Employees of Millennium bcp, dedicated to the topic of "Domestic Management", targeting beneficiaries of Social Insertion Income and the Committee of Protection of Children and Young People of Ourém. The objective of these sessions was to guide people towards an efficient management of the family budget and share experiences on best practices of personal finance management.

Under the partnership with the association Aprender a Empreender – Associação de Jovens Empreendedores de Portugal, aimed at the development of entrepreneurship, a taste for risk-taking, creativity and innovation in the next generations, during the academic year of 2011/2012, 114 Millennium bcp volunteers participated in the following elementary education programmes: "The Family" (1st year), "The Community" (2nd year), "Europe and I" (5th year), "It's My Business" (7th year), "Economy for Success" (9th year), "Banks in Action" (10th year) and "The Company" (12th year). Millennium bcp was one of the companies selected to test two new programmes in Portugal: "Europe and I" and "It's My Business", involving 19 volunteers.

The Millennium bcp Foundation continues to be the exclusive sponsor of the Startup Programme of Junior Achievement Portugal, which involved 30 tutors of the Bank, during the academic year of 2011/2012, who, with the support and guidance of teachers, provided entrepreneurship training to close to 150 university students of various parts of the country. The role of the tutor (Millennium bcp volunteer) is fundamental in this initiative and consists of supervising a team of university students in the creation of their own company, sharing with them the experience of the business world. The N2FIX project of Porto University was the winner of the national final and in the European competition JA-YE Europe Enterprise Challenge 2012, received the "Responsible Leadership Award", attributed due to presenting the best business plan in terms of financial analysis, innovation, and social and environmental responsibility. The 2012/2013 edition began in November 2012, involving the participation of approximately 20 volunteers.

For the third consecutive year, Millennium bcp joined Microsoft Portugal in yet another initiative as part of "Safe Internet Day". Employees of Microsoft and 29 Bank Employees, together, promoted awareness-raising actions at 1st to 3rd grade schools, aimed at a safer and more responsible use of the Internet and social networks.

The Direct Banking Department, through its "SIM@DBD" programme, organised various actions over the year for the collection of items – food, clothing, toys, school material – amongst Employees of different Departments, that were donated to the Parish Council of Porto Salvo, which supports around 200 vulnerable families resident in the parish. As a result of this partnership and under the commemoration of the 19th anniversary of the Parish Council, the Direct Banking Department was distinguished with the Solidarity Award. In the food collection campaigns, promoted by the Food Bank, the Direct Banking Department is also responsible for the mobilisation of Millennium bcp Employees for the work carried out at the Lisbon warehouses for the separation of food collected at supermarkets. In this context, in 2012, approximately 50 people participated in each action, involving Employees and their families. Under the 14th edition of the Global Contact Center, this Department received the Social Responsibility Trophy for the work developed in the community.

The IT Department, with the "Green IT" programme, carried out two actions, one of which was an action of sharing amongst Employees – "Book Exchange – IT" –, with school manuals having been collected which were reused by the children of the Department's Employees. The second action started in October 2012 – "Winter Campaign" – aimed at promoting, amongst Employees the collection of clothing, blankets and warm garments to donate to Comunidade Vida e Paz. During this action, 600 articles of clothing were raised which were donated at the Christmas party of this institution.

Millennium bcp in Poland also organised different actions of Employee involvement with the community: i) campaigns for the collection of items were organised involving toys, games, hygiene products and educational/school material, which were donated to the Infants Centre in Kijany; ii) 150 Employees participated in the eighth edition of the ECCO Marathon, the largest "walking" charity event in the world, held in Warsaw, where the total kilometres walked are converted into donations which, this year, were given to the institutions TVN Foundation "You Are Not Alone", Radio Zet Foundation and the Warsaw Zoo;

iii) a campaign to collect plastic bottle caps was organised – "Bottle Cap Mania" – where the funds raised from their sale to a recycling company were donated to the Home-Family-Person Association, for the acquisition of wheelchairs and treatment equipment for disabled people and iv) under the activities of the "Come and Grow with Us" programme, 16 young people participating in internships held workshops in banking and finance amongst young students of nine universities.

As part of the cooperation of Millennium bank, in Poland, with the Nikifory programme, in addition to the organisation of the exhibition and annual sale of the work produced by intellectually challenged artists, at the bank's premises, in 2012, eight Employees participated in an integration workshop, whose objective was to learn how to overcome barriers of communication.

A group of 21 Employees of Banca Millennium, in Romania, participated, during a day, in a voluntary action to support the construction of a house for Habitat for Humanity, in Ploiesti (65 Km from Bucharest). This is the third year that Banca Millennium has supported Habitat for Humanity, to help families in difficult economic and social conditions to live in better conditions. The house in Ploiesti is the result of the "A new beginning" project, by Habitat for Humanity, for the construction of houses for families with low incomes or health problems living in circumstances that lack minimally decent conditions.

Under the "Child's Smile – To Hamogelo Tou Paidou" programme, aimed at children who were victims of abuse or abandoned, which Bank Millennium in Greece has supported for five years, Employees were invited to participate in the "Volunteer Chain of Employees" campaign, through the offer of clothes, food and toys.

Employees of Banco Millennium Angola commemorated the Day of the African Child (16 June) with around 200 children, aged between 5 and 13 years old. This initiative, included under the "Happy Child" social responsibility programme of Millennium Angola, took place at the Parish of Imaculado Coração de Maria, with the collaboration of various entities, including Cáritas de Angola, and participation of children from the different parishes of Luanda in the many recreational activities.

In Mozambique, actions within the community were encouraged with the participation of Employees in the "Responsible Millennium bim" and "A Clean City for Me" programmes:

• At Maguaza Shelter, which takes in and cares for children victim of extreme situations, where the Employees helped to build a bakery inside the premises of the institution, on a day filled with music, games and face painting;

• At Mumemo Shelter, over 60 volunteers, including Employees and their families, painted rooms, donated clothing, books and food products, and entertained the children of the Shelter throughout the day. The bank's support also helped equip various rooms of the Shelter with computers and furniture, namely the dining room, study rooms, playground and dormitories;

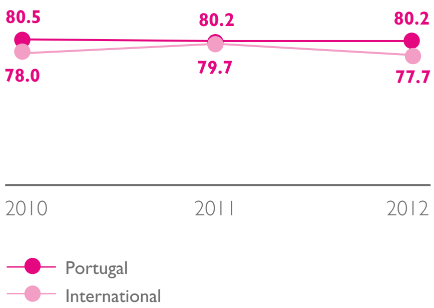
• Along the beaches of the coastal zone, Praia da Costa do Sol and main streets and avenues of the city of Maputo, various Employees, together with students, teachers and local communities, participated in cleaning actions with the objective of reinforcing the awareness amongst young people of the need to adopt environmental protection practices.

CUSTOMERS

LISTENING TO CUSTOMERS

During 2012, the various processes of listening to Customers were maintained, through which it was possible to monitor the levels of Customer satisfaction with the Bank. The analyses and studies carried out also helped identify a series of challenges and opportunities which led to specific measures, such as the systematisation of new commercial practices and better adjustment of the offer of financial products and services.

OVERALL CUSTOMERS SATISFACTION
Index points



Information not available for: Romania, Mozambique and Angola in 2010; Greece and Mozambique in 2011; Angola in 2012.

In Portugal, the level of overall satisfaction of Customers remained at the value of 80.2 i.p., on a scale of 100.

Regarding Customer satisfaction levels with the Bank's Mobile services, the majority of the attributes was classified above 80 i.p., with a margin for progress being evident in the attributes Response Time (78.8 i.p.) and Help through the Contact Centre (74.4 i.p.). Of the 26% of Customers who refer to using the Mobile Banking of Millennium bcp and other banks, 81% consider that the service is better at Millennium bcp.

The level of overall satisfaction of Customers in the international operations declined by 2 i.p., explained by the results of Mozambique in the surveys conducted amongst Prestige Customers, where the result obtained was below 70 i.p.

In Poland, the overall satisfaction levels remained identical to those of 2011 (78 i.p.), where the following was highlighted in the various studies conducted: i) as strengths: the kindness and knowledge of the Employees and efficiency in the processing of operations and ii) as points requiring improvement: swiftness in the approval of credit operations and the need for more competitive pricing in terms of commissions, fees and interest rates.

Customer complaints recorded an overall rise of 8.7%. In Portugal, the 17.1% increase was mainly due to the values of expenses and commissions related to current accounts and the value of the annuity and payment orders of credit cards. In the international operations, Poland continues to be the country with the highest number of complaints presented (48,177), where the processing of transfers and cards are the main motives of complaint. The two countries with the largest variation in number of complaints presented, between 2011 and 2012, were: i) Greece, which recorded a decrease of 19.8%, and ii) Mozambique, which had an increase of 15.4%.

CLAIMS

	'12	'11	'10	CHAN. % '12/'11
CLAIMS REGISTERED				
Activity in Portugal	**24,170**	20,643	25,682	17.1%
International activity	**56,976**	53,995	50,252	5.5%
CLAIMS RESOLVED				
Activity in Portugal	**96%**	97%	97%	-0.6%
International activity (1)	**93%**	99%	100%	-6.0%
AVERAGE CLAIMS RESOLUTION TIME				
Activity in Portugal (working days)	**6**	5	7	20.0%
International activity (2)				
Romania, Mozambique and Angola (working days)	**10**	9	5	11.8%
Poland and Greece (calendar days) (3)	**13**	14	13	-3.7%

(1) Includes 128 valid claims related with the disregard of the privacy of Customers in Poland, with 83 based on the wrong processing of personal data and 45 related with operational errors, especially as regards the correspondence to addresses outdated.

(2) Information not available for Mozambique and Angola in 2010.

(3) Calendar days according to legal framework.

In Portugal, following the process of analysis of Customer complaints, seven opportunities for improvement were identified and reported to the persons responsible for the management of the respective processes.

SOCIAL AND ENVIRONMENTAL PRODUCTS AND SERVICES

Millennium bcp provides a complete and broad range of financial products and services, and, in the development of its business lines, is responsible for offering products and services that incorporate social principles and respect for the environment.

During 2012, Millennium bcp reiterated its commitment to Microcredit activity. In order to mitigate the difficulties arising from the current context of increasing unemployment and extreme difficulty of entry of university graduates into the labour market, the Microcredit unit defined its approximation to the population as a strategic priority, in order to ensure that as many people as possible receive information on a potential alternative to support own job creation. As a result: i) close to 300 meetings were held with institutions, namely entities with local intervention amongst the most vulnerable populations and polytechnic institutes and universities, ii) the unit participated in approximately 160 events to promote employment and iii) signed 12 cooperation protocols to promote entrepreneurship.

In order to publicise the best projects and encourage new entrepreneurs to implement their ideas:

- The Realizar – Microcredit and Entrepreneurship Award was created, aimed at distinguishing the entrepreneurial spirit, creativity, innovation and dynamism of Millennium bcp microentrepreneurs. Two awards were given – Dynamism and Innovation, and Best Implementation – of 5,000 euros, as well as four honourable mentions, each with an award worth 1,000 euros;

- 5,000 euros was awarded to the disabled microentrepreneur with the best business project, in the second edition of an initiative included under the International Day of Persons with Disabilities;

- A partnership has been established with the Business Association of the Municipality of Sintra, to assess the best business projects submitted in the Sintra Empreende 2012 competition and award the three best competing ideas.

In adittion to its commercial activity, Millennium bcp Microcredit is part of the Board of the EMN – European Microfinance Network as a corporate member and participates in the working party of this entity which is preparing an analysis of the growth of microfinance in Europe. During 2012, the unit also supported the participation of an Employee in the "Bankers without Borders" project, a voluntary work programme of the Grameen Foundation, with over 5,000 professionals all over the world who offer their time, experience and technical know-how to support microcredit institutions operating amongst the most vulnerable populations at a worldwide level. This Employee developed her voluntary work in Varanasi, in India.

During 2012, Millennium bcp Microcredit financed 259 new operations, with 3.1 million euros of total credit granted, having helped to create 371 jobs.

With the objective of continuing to support Customers, as a form of prevention of default on credit liabilities, the Financial Advisory Service for Individuals solutions have been strengthened, giving a greater range of application and flexibility, proposing to Customers the solution that is most suited to their available budget, through the consolidation of debt, expansion of repayment periods or restructuring of payment plans under more advantageous conditions. In the case of Individual Customers, during 2012, 13,284 Customers were supported, with 27,098 contractual amendments having been made (8,703 mortgage loans and 18,395 consumer credit loans), with a restructuring value of 646 million euros (537 million euros in real estate loans and 109 million euros in consumer credit).

In the financial sphere, for students who intend to pursue an academic career, in 2012, the Bank attributed the entirety of the ceiling defined under the University Credit Line with Mutual Guarantee. This credit line establishes interest rate conditions that are very favourable and may be reduced, since they are indexed to the grades achieved by the students. Since the entry into force of the protocol, in 2007, 1,480 loans have been granted to a total of 11.55 million euros. During 2012, 137 new loans were contracted to a total value of 1.24 million euros.

Millennium bcp closed 2012 in a position of leadership in the number of companies supported under the SME Growth line, specifically in the Micro and Small Enterprises subline, with a share of the number of operations of 15.4% in this segment.

The Points Programme of Millennium bcp cards awards points for the use of the Millennium bcp Gold and Classic Twins credit cards. During 2012, part of these points was materialised in donations, worth approximately 11 thousand euros, given to various social solidarity institutions, including UNICEF, the Portuguese League Against Cancer, Cáritas, O Gaiato, Acreditar and AMI's Portugal Reforestation Programme, upholding the commitment of solidarity of the Bank and card holders to those most in need.

Younger Customers of Millennium bcp now benefit from the ZON Lusomundo offer and partnership. Young people up to the age of 17 years old, when buying a cinema ticket at ZON Lusomundo cinemas with their Millennium bcp Free Junior card, receive a second ticket free of charge for the chosen film, as has already been the case for holders of Millennium bcp Prestige, GO!, Classic, Gold and M Salary credit cards. During 2012, over 120 thousand Customers benefited from the Millennium bcp offer of cinema tickets.

Throughout 2012, the use of the digital statement continued to be promoted, with the double objective of reducing paper consumption and offering improved Customer service, by making it more accessible, practical and faster. The number of Customers receiving their bank statement in digital format grew by approximately 6% relative to 2011.

During 2012, ActivoBank offered Customers 22 investment funds which incorporate social responsibility criteria, of which 8 are ethical funds and 14 are environmental funds. Of these 22 funds, 15 had subscriptions, by December 2012, and the total portfolio represented around 1% of the total portfolio of funds, with approximately 1 million euros subscribed.

Banco Millennium Angola, as a result of the deposits attracted under the Woman Saving Plan, where for every 1,000 USD invested by Customers the bank donated 10 USD, resulting in a donation of approximately 4.2 million kwanzas to the Women Against Breast Cancer Foundation.

CULTURE OF RIGOUR

During 2012, the plan for the evolution and consolidation of policies, procedures and mechanisms of control and monitoring of matters associated to the prevention and combat of money laundering and financing of terrorism (AML/CTF) continued.

Using riskbased approach, the optimisation of new software for monitoring entities and operations (Actimize) enabled higher quality in control procedures and broader coverage of the topics in the classification of detected operations. As a result, the Customer Due Diligence (CDD) information has improved substantially and the transaction profiles that are obtained correspond to a more suitable work base.

In accordance with the regulations in force, the Bank entrusted the Compliance Office with the duty to supervise and validate all the advertising material, isolated or included in promotional and information product or service campaigns marketed by the Group. The duties of information and transparency in the advertising of financial products and services have been gradually incorporated by the Communication and Marketing Departments and, in 2012, there was a generalised trend of compliance with these duties by the Departments involved, should be noted that, in terms of penalties, the BCP Group had no administrative offence proceedings by the Bank of Portugal or the CMVM.

Preventing non-compliance by Employees requires ongoing training and an information plan on relevant matters, which has been achieved with specific training plans and, in general, through the Culture of Rigour programme, started in 2010.

EMPLOYEES TRAINED (1)

AML/CTF, Market Abuse, Internal Control, Monitoring of Transactions and Legal Subjects

	'12	'11	'10	CHAN. % '12/'11
Activity in Portugal	**1,057**	10,038	767	-89.5%
International activity	**16,726**	4,466	13,515	274.5%
TOTAL	**17,783**	14,504	14,282	22.6%

(1) The same Employee could have attended various training courses. Includes AML/CTF training within Culture of Rigour programme in 2011 in Portugal activity and in 2012 in international activity, a program directed to all Employees.

The strategic objectives defined by the Compliance Office include growing interaction between the parent company and local Compliance Offices in the international operations, and the process of implementation of the Actimize monitoring software, in conformity with the approved plan. For the next two years, plans have been laid for consolidating the involvement of the Compliance Office in process, product and service risk assessment functions and in Employee training.

Note should also be made of the relations of cooperation and loyalty upheld with the judicial authorities, both concerning national and international behavioural supervisory authorities.

COMUNICATIONS TO LOCAL JUDICIAL ENTITIES

	'12	'11	'10	CHAN. % '12/'11
OWN INICIATIVE				
Activity in Portugal	**185**	209	187	-11.5%
International activity	**338**	255	193	32.5%
RESPONSE TO REQUESTS				
Activity in Portugal	**114**	239	161	-52.3%
International activity	**972**	912	554	6.6%
TOTAL	**1,609**	1,615	1,095	-0.4%

The prevention and mitigation of the risk of fraud, 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 are a priority in the allocation of the Audit Department's resources. In adittion, all claims, complaints or denouncement of situations indicating socially inappropriate behaviour of Employees, whether amongst one another or relative to Customers, are also analysed and investigated, resulting in disciplinary procedures whenever justified.

The Coordinating Director of the Audit Department is responsible for the coordination of the internal audit function in all subsidiaries of the BCP Group, promoting the harmonisation of procedures and criteria of analysis and sharing of knowledge.

During 2012, regarding the prevention, detection and analysis of potential situations of fraud, 121 preventative control routines were carried out, which led to around 500 individual analyses of potentially anomalous situations. As a result of the analyses conducted by the Department and of irregular situations reported by other organic units of the Bank, during 2012, the Audit Department completed 367 preliminary investigation procedures. During this same year, 36 disciplinary proceedings of the Bank's Employees in Portugal were concluded, with 14 proceedings still underway at the end of the year. None of these cases involved situations of corruption. Regarding the programmes of audits of the networks, particular note should be made of the procedures of prevention and detection of practices which might indicate money laundering.

As an integral part of the implementation of its Activities Plan, the Audit Department also analysed matters relative to environmental and social management practices arising from or related to the object of each specific audit. In the audits conducted in person to branches, the respective programmes include the assessment of the conditions of hygiene and maintenance of the premises and respect for the recycling policies adopted at the Bank, with recommendations and corrections being issued whenever flaws are detected.

SUPPORTTING THE COMMUNITY

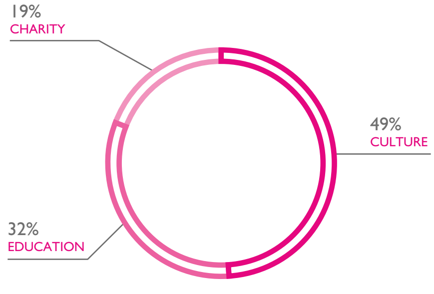
Involvement with local communities is one of the vectors of the social policy of the BCP Group, which is public and available for consultation on the Bank's institutional website and whose objective is, in a manner complementing its activity, the promotion of yet another vehicle for the economic and social development of the countries in which the Bank operates. In 2012, the monetary values allocated to the surrounding community were distributed as follows: 32% for Education, 49% for Culture and 19% for Charity.

In Portugal, the Millennium bcp Foundation and, in Mozambique, the "More Mozambique for Me" programme have developed a vast number of specific social support and interaction activities.

The Millennium bcp Foundation selects the projects and initiatives to be supported based on criteria which cover, amongst others, the innovation of the projects, the merit and specialisation of the institutions in their respective areas of action, the impact of the actions on society, multiannual nature of the initiatives, geographical coverage and capacity of self-sustainability.

DONATIONS ALLOCATED FOR INTERVENTION AREA

Percentage



The main projects developed and supported by the Millennium bcp Foundation for the promotion of culture were:

- Maintenance of the Archaeological Centre of Rua dos Correeiros (NARC) with guided visits, which this year received 8,126 visitors, 23% of which were school groups. Various initiatives involved the NARC, namely the "International Day of Monuments and Sites", "Museum Day", "Museum Night" and "Heritage Days", with the opening of the NARC and the Millennium Gallery for extended hours;

- Millennium Gallery: an exhibition hall open to the public free of charge, expanded and named in 2012, improving it visibility thanks to its identification with the Millennium brand. The following temporary exhibitions were held: i) "*Felicitas Iulia Olisipo*", which received 3,975 visitors; ii) "The Sardine is Ours!". This exhibition, part of the Lisbon City Festivities, received 28,591 visitors and was carried out in partnership with EGEAC. The 300 artworks exhibited were the result of the challenge launched to the population, by EGEAC, to present proposals of graphic representations of sardines; iii) the "Matta-Alegria-Matta" exhibition, in partnership with Casa da América Latina and the Chilean Embassy in Lisbon, which presented 17 paintings and 6 sculptures by the Chilean artist Matta, having received 2,899 visitors;

- The "Shared Art" travelling exhibition project, which organised and presented during this period: i) "Nets without Sea" tapestry exhibition, shown in Aveiro Museum, which received 1,419 visitors; ii) "Shared Art Exhibition: 100 Years of Portuguese Art", presented at Paço de Duques de Bragança, Guimarães, as part of Guimarães European Capital of Culture and iii) "The Impulse of Love in the Millennium bcp Collection" exhibition presented at Condes de Castro Guimarães Museum-Library, in Cascais, which received 16,391 visitors;

- In order to strengthen closer ties with the community and in an effort to expand access to information, Multimedia Kiosks were placed in Lisbon and Porto, with contents which include the set of works of the "Shared Art" travelling exhibition and coin collection exhibition (photos and text). Following this logic, an application was also created for mobile access to the kiosk for Apple and Android.

In the area of Science and Education, the Millennium bcp study grant programme continued, aimed at students from Portuguese-speaking African countries and Timor (PALOP), which supported the grants of 22 students during the academic year of 2011/2012. Seeking to participate in the promotion of quality education and constant expansion of access to education, the Foundation also supported grant programmes of other institutions and universities, such as: i) partnership with Millennium bim to award grants to young people of low income and demonstrated academic merit. Three grants were awarded in the current academic year; ii) protocol with Banco Millennium Angola to support the grant programme for Angolan university students attending courses, in Angola, of Economics, Management, Business Administration, Accountancy, Auditing, Bank Management, Law, Computer Engineering and Computerised Management Information. Some 16 candidates were chosen; iii) Universidade Católica Portuguesa – Faculty of Law: support to three foreign students of the Master of Laws; iv) Universidade Católica Portuguesa – Faculty of Economics and Business Studies: study grants for the Lisbon MBA; v) Institute of Banking Law, Stock Markets and Insurance (BBS): support to Post-Graduation in Banking Law, in collaboration with the Faculty of Law of Coimbra University; vi) Institute for Legal Cooperation – Masters Course in Legal Economics at Eduardo Mondlane Law School in Mozambique: the impact of the Foundation's support is reflected in the continuity of the course, previously non-existent in the Mozambican market, and in the respective expansion and differentiation of the education offer in Mozambique. As a long-term benefit, this is expected to narrow the gap arising from the lack of professional lawyers specialised in the financial area, foster know-how in the areas of banking regulation and supervision, introduce improvements in conditions for academic careers and enhance the quality of higher education.

The presence of the Foundation as patrons of educational projects is also marked in entrepreneurship, sustainability and other forms of transfer of knowledge:

- The StartUp Programme of Junior Achievement Portugal, which promotes the development of entrepreneurship programmes amongst university students;

- Platform for Sustainable Growth – PCS: a project aimed at the creation of a sustainable development model, with a view to competitiveness. This project plans to hold eight conferences, publish ten written documents, publish reports for sustainable growth and organise two sessions of the academy for sustainable growth (youth training);

- Astrophysics Centre of Porto University, in partnership with the Astronomy and Astrophysics Centre of Lisbon University: support for the "Awesome Universe" exhibition, an international event celebrating the 50th anniversary of the European Southern Observatory (ESO), showing 50 images of the cosmos taken at its different observatories, situated in some of the most inhospitable places on Earth.

This year, the support given to scientific projects was reinforced, with protocols having been signed with:

- The Institute of Molecular Medicine (IMM): development of a series of research initiatives for the treatment of brain tumors, amongst which is the creation of a brain tumor tissue bank and the creation of a cooperation programme between IMM and the PALOP in the area of paediatric tumors;

- League of Friends of Santa Marta Hospital (LAHSM): development of a research project of cases of congenital heart disease (the main cause of infant mortality in developed countries), under the paediatric cardiology unit of Santa Marta Hospital, in collaboration with Lisbon Medical Science Faculty and with the involvement of Harvard University. The objective of the study is to study the biomechanical properties of the arteries to promote a change in the paradigm of treatment of the disease at a world level.

The Millennium bcp Foundation also 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. The following are particularly noteworthy:

- National Confederation of Solidarity Institutions: publication of a study with a survey, characterisation, analysis and diagnosis of national Private Social Solidarity Institutions (IPSS), aimed at promoting the sustainability of the IPSS and enhancing the response to the social needs of the Portuguese population. Holding of two events (Lisbon and Porto) presenting the publication, attended by the Government Minister Pedro Mota Soares, in Lisbon;

- GOS programme (Management of Social Organisations), developed in a partnership with AESE – Business Management School and ENTRAJUDA. The programme aims to improve the management undertaken by the senior staff of IPSS, through training actions targeting their governing bodies;

- Food Bank Against Hunger: support for the production of the bags used in food collection campaigns and the acquisition of tuna fish – around 18.5 tones;

- Portuguese Association of Asperger Syndrome (APSA) – Casa Grande Project: APSA is currently completing the reconstruction of a building provided by Lisbon City Hall for a Support Centre, which will be used for various purposes, namely a social business with services for the community (laundry, reprographics, cafeteria with an outdoor area, vegetable garden and biological orchard, etc.);

- Association for Psychosocial Research and Integration: a programme targeting homeless people which offers support in the selection, acquisition and maintenance of a house that is individual, decent, permanent and integrated in the community. The programme provides immediate access to individualised housing and gives priority to people with mental health problems who are living in the streets, in the city of Lisbon. The setting up of a partnership with Católica/Nova MBA students is under preparation, for the development of an economic impact study of the project on the National Health Service.

Millennium bim, under the "More Mozambique For Me" programme, selects projects aimed at supporting education, as well as children's and youth sports. During 2012, the main activities developed were:

- Organisation of the Millennium bim Race, an initiative whose objective is to publicise and promote broad participation in athletics, seeking to encourage all Mozambicans to practice physical exercise and promoting a healthy life-style. Approximately 900 people enrolled in the race, involving national and international athletes, as well as enthusiasts of this sport;

- Millennium bim Mini Basketball, a project in partnership with Clube Ferroviário de Maputo and the Basketball Association of the city of Maputo, held the VII Millennium bim Mini Basketball Tournament, which included creative activities and competitions related to basketball, promoting the use of leisure time in an educational and productive manner. This event involved the participation of close to 1,500 children and covered seven provinces – Maputo, Beira, Nampula, Quelimane, Tete, Gaza and Manica;

- Promotion of the National Campaign for Road Safety, in partnership with Top Produções and the Traffic Department of the General Command of the Police of the Republic of Mozambique. Over 18,000 children of 50 primary schools of the province of Maputo have been involved since the beginning of the campaign, attending the lectures given by police officers, who provide training and warnings about the dangers of the road traffic. After the training and in order to reinforce the content, the topic has been further addressed during the Civic Education course with the support of educational material offered by Millennium bim to each participating school;

- Support to institutions through the offer of: i) educational material and toys for the paediatric waiting room of Mavalane General Hospital, in Maputo. This offer resulted from the necessity demonstrated by the hospital to improve the children's conditions during waiting time; ii) educational and recreational material for two rooms, situated in the paediatric wing of Xai-Xai Provincial Hospital, one of the most important hospital units of Mozambique, which enabled enriching two spaces used for the leisure time and socialising of children and the families accompanying them, during their internment period, and iii) 20 computers for Estrela Vermelha Secondary School;

- Support for a training programme, in partnership with the Ministry of Health, organised by the Institute of Hygiene and Tropical Medicine. The objective of the Advanced Management Programme for Clinical Directors/ Hospital Senior Medical Staff and Advanced Management Programme for Hospital Senior Nursing Staff courses, targeting doctors and nurses of the entire country, is to strengthen know-how in the strategic management of health organisations, in order to boost the benefits of the prevention of serious illnesses and increase the life expectancy and quality of life of the population.

Banco Millennium Angola, under its social responsibility actions:

- Renewed its support for the Integrated Mother and Child Health Care Programme of the Catholic Church in Angola, through the signing of yet another protocol with Cáritas and the Evangelisation and Cultures Foundation (FEC). Through this protocol, Banco Millennium Angola, Cáritas and FEC seek to contribute to the expansion and improvement of the quality of the mother and child health care services provided by the health sub-system of the Catholic Church in Angola, particularly through the diagnosis of the current situation of the health units in Sumbe Diocese, province of Kwanza-Sul;

- Participated in the Amizade Gala Dinner and Christmas Bazaar of the Amizade Group, with the objective of contributing to raising funds to support projects aimed at the most vulnerable groups, namely for the procurement of food, rehabilitation of facilities, acquisition of medicinal products and essential items, such as wheelchairs, clothing, school materials, amongst others;

- Converted the sum usually spent on Christmas presents into a donation to Cáritas Angola for the construction of a house in Cacuaco, where it will be possible to house, feed and educate vulnerable children.

In Poland, the following initiatives were supported:

- "Garden of Hope", aimed at the psycho-oncological training of cancer victims, with the objective of helping them to deal with the emotions brought about by the disease;

- Solidarity project "Mutualidade", held in the context of the European Year for Active Aging and Solidarity Between Generations. The objective of the event was to encourage the elderly to share experiences, motivating them towards an active life and involvement with the younger generations. The event involved various theatrical plays, films, concerts, exhibitions and debates over the six days that it took place;

- "CEMS Chance" programme, carried out at the Warsaw School of Economics, aimed at encouraging young students of high potential, but in a difficult family, financial or health-related situation, to continue their education. The work carried out with these young people enables them not only to recognise the opportunities within their reach, but also to develop skills to plan a professional future most suited to their talent. This year, 40 students were involved in the programme.

SUPPLIERS

In all its operations, Millennium bcp continues to favour a procurement process involving Suppliers from the respective country, where all operations record a value above 85%. In Portugal the value of 92% is in line with the figures recorded for the last three years and in the international operations the value increased slightly by 1.4 p.p. to 89% relative to 2011, due to increased acquisition from local Suppliers in Mozambique.

In most countries, 30 days is established contractually as the period of payment. Overall, the periods were respected.

In Portugal and Poland, the main Suppliers of the Bank are companies which publish their environmental and social performance, while Millennium bcp in Portugal includes, for companies which do not publish specific information, an appendix to the procurement contracts – Principles of the Suppliers –, which establish requirements of action in the context of labour, social and environmental practices. The appraisal regularly conducted by the Bank to the Suppliers includes a set of parameters of appraisal of the level of compliance with these principles.

The results of the appraisal carried out in Portugal reveal a good level in the provision of services and sale of products to the Bank, with an overall performance of 80%, representing a positive evolution of 3 p.p. relative to the previous survey. Actions for improvement were proposed for approximately 10% of the Suppliers assessed and contracts were terminated with around 2%.

ENVIRONMENTAL EFFICIENCY

The efficiency of the operations, one of the pillars of the Bank's strategic vision, continued to guide the investment made, with the objective of reducing the Bank's ecological footprint. As was the case in the previous year, in 2012, the investment in the reduction of the Bank's ecological footprint was based on three complementary pillars:

- Behavioural – involvement of the Employees in promoting a change of behaviour;
- Structures – investment in the Bank's equipment and infrastructures;
- Processes – continuous improvement of processes.

CONTINUOUS IMPROVEMENT

BEHAVIOURS	STRUCTURES	PROCESSES
Comunication	Webcasting	Being Lean DO
Thousand Ideas	Verdiem project	Digital Statement
Print control	Cloud Computing	Reduction of resource consumption
	Energy optimization	Processes digitalization

ECOEFFICIENCY

EMPLOYEES' ENGAGEMENT

The Employees play an essential role in the pursuit of higher efficiency levels, both through the diagnosis and reporting of inefficiencies, and via the implementation of the Bank's policies, practices and projects.

As the Bank reaches higher levels of efficiency, it becomes increasingly more relevant to implement differentiating practices which encourage the Employees to reduce consumption with environmental impact. In 2012, the Bank implemented a series of projects for the purpose of involving and changing the behaviour of the Employees, with the following being of special relevance:

- "Green IT – 360º Communication Plan", implemented in Portugal, Angola and Mozambique. A specific area has been created on the IT portal supporting this plan, where all the measures implemented under the "Green IT" are published. At the same time, regular publications were issued in the form of newsletters, relative to environmental topics and good practices implemented at the Bank;
- Regular reporting on paper consumption for all Departments in Portugal, with the objective of promoting, by each Department, greater accountability for the mitigation of this environmental impact;

- Equitrac, a printout reporting and control system implemented at all branches in Poland, which records the details of all printouts made by the Employees, thus making visible to all the financial and environmental costs before and after each printout. This measure enables ongoing awareness-raising actions amongst approximately 6,000 Bank Employees, through the monitoring of their printouts and respective consumption of paper and toners.

INVESTMENT IN EQUIPMENT AND INFRASTRUCTURES

Supported by careful cost/benefit analyses, in 2012, the Bank invested in the reduction of its energy, water and paper expenditure in Portugal, Poland and Greece, without loss of Customer satisfaction.

In Portugal, the plan was continued in terms of replacement of conventional lamps with LED lamps, replacement of lighting ballasts, replacement of ventilation and air-conditioned heating with more efficient equipment and the installation of capacitor batteries to correct the power factor. All these measures, implemented in the branches and buildings, during 2012, enabled an estimated saving of 1,529,369 kWh, which represents 2% of the total Bank's electricity consumption in this geography.

In terms of the optimisation of water consumption, identified as a priority, the programme of installation of economizers in all water taps of the Millennium bcp buildings in Tagus Park was completed, with an estimated saving of 30% in the water consumption at these locations.

In Poland, the investment focused on the replacement of 700 computers with new models which consume 30% less power than the previous models. In terms of the lighting of the exterior signs of the branches, the conventional lamps were replaced with LED lamps. The Computer Cloud, implemented in Portugal in 2011, which consists of the use of Cloud Computing in the environment of development of technological solutions supporting the business, was expanded to Poland in 2012. This project is estimated to ensure 20% saving in the power consumption of the data centres.

In Greece, the investment concentrated on the installation of systems which enable the automatic switching off of lighting and AVAC systems at pre-established times in all buildings of the bank. This initiative has already been implemented successfully in other geographical areas.

Launched as a pilot project in 2011, "Verdiem" was extended to all branches and central units of Millennium bcp in Portugal and Poland during 2012. This project implied an investment in the installation of a technological solution which enables the centralised management of computer equipment, placing them in stand-by mode and off-mode during periods of non-use, thus efficiently eliminating power consumption and consequent greenhouse gases, for a total number of around 16 thousand Millennium bcp Employees. With this project it is possible to reduce the power consumption of the computer equipment by about 33%.

CONTINUOUS IMPROVEMENT OF PROCESSES

Aiming to maximize the dematerialization of documents, the Bank continued to invest in communicating the benefits of statements and debit/credit notes in digital format for Customers. On Arbor Day, a campaign involving all Employees of commercial networks was conducted to encourage the use of this service by the Customers, clearly showing its advantages. In 2012, the debit/credit notes and digital statement issued in digital format represented, respectively, 87.8% and 40.7% of the total.

"Ser Lean DO", a programme focused on the continued improvement of processes, increased quality and cost-cutting, covered all the divisions of the Operations Department and three other areas of the Bank in 2012: i) Retail Credit Area, ii) Retail Monitoring Area and iii) Customer Assistance Centre. This programme currently involves a total of 700 Employees of the Bank, in Portugal. In 2012, a computer application was developed to support the continuous improvement where 50 Employees of the Operations Department were trained to play the role of agents of change ("Lean Agents"). Through these agents and the "Lean" methodology, which seeks to optimise processes and reduce waste, 518 activities of 55 processes in which the Operation Department is involved were analysed. This analysis resulted in over 1,400 initiatives to eliminate redundancies and inefficiencies, which led to an estimated reduction of paper consumption of 1.5 million sheets of paper per year in the Operations Department. In the rest of the areas of the Bank which were covered by this programme, it was possible to identify and prioritise the efficiency measures to be implemented in the future.

In order to minimise electricity energy consumption, Millennium bcp strengthened the implementation of measures which enabled an estimated saving of 3,667,671 kWh, representing 4.9% of the Bank's total electricity consumption in this geography, in 2012. The principal measures which contributed to this reduction were: i) reduction of the period of operation of the lighting of the branches, ii) reduction of the period of operation of the AVAC systems and iii) optimisation of the set point of the AVAC systems.

In order to minimise the consumption of fuel and consequent greenhouse gas emissions: i) the programme of reduction of the motor power of the vehicles in the vehicle fleet was continued; ii) the collective transport services for the Employees was maintained and iii) the use of the available means at the Bank to hold video and audio conferences continued to be encouraged, thus replacing travel and journeys to meetings, which implied expanding the webex licenses and providing new software and hardware equipment. As a result, with these two last measures, the Bank increased the use of collective transport services by 8% and recorded the participation of 4,905 Millennium bcp Employees in webex sessions.

In terms of water consumption, as was the case in previous years, the period of irrigation of green areas was adjusted to the season of the year, which enabled an estimated saving of 20% of irrigation water at Tagus Park.

In Poland, the bank conducted energy audits of the 98 branches with highest power consumption, enabling a diagnosis of the sources and waste of consumption, facilitating the communication and planning of the changes to be made to structures and processes over the next few years. Furthermore, the bank replaced 175 cars of its fleet, with new cars that pollute less. Regarding paper consumption in Poland, the layout and text of forms and drafts that are most frequently used were optimised, for the purpose of reducing paper consumption.

In Greece and Romania, the Bank, similarly to the measures implemented in Portugal, started to change the period of operation of the lighting of the branches, in order to optimise consumption without affecting the service offered to Customers.

ECOLOGICAL FOOTPRINT

During 2012, the Bank improved its ecological footprint with respect to consumption per Employee of electricity and paper, which fell by 3.9% and 13.4%, respectively. In the opposite direction, greenhouse gas emissions per Employee increased by 16.0%, due to the higher consumption of thermal power in Poland and the consumption of fuel for the production of electric power in Angola. In the same way, water consumption per Employee increased by 2.3%, due to Poland.

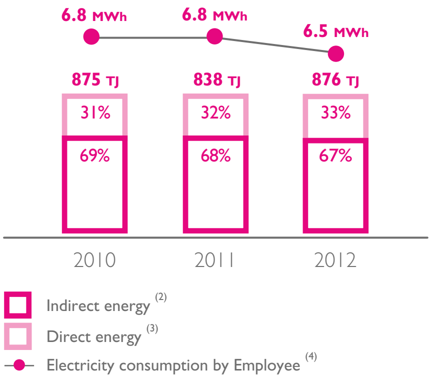
The consumption of indirect energy by Millennium bcp includes the electric and thermal power used by all the Bank's branches and administrative buildings. In 2012, the consumption of indirect power increased by 3.4% relative to 2011, due to an increase of 68.9% of thermal power in Poland, explained by the particularly harsh winter experienced in this geographic region. In spite of this increase, electric power consumption declines by 4.8% relative to the values recorded in 2011, as a result of the efficiency measures implemented.

The Bank's direct energy use, which includes diesel, petrol and natural gas consumption, increased by 6.7%, especially due to the higher consumption of diesel in Mozambique (135%) and the values recorded in Portugal for natural gas, which increased by 12.7% relative to 2011. In Portugal, natural gas is an energy source for the production of the cogeneration plant which supplies 15.3% of the total consumption of electricity in this geography. Natural gas also provides the boilers installed in several Bank buildings, which produce thermal energy for heating. The variation in natural gas consumption in Portugal was due to the longer period of operation of boilers, a result of the biggest heating needs. The production of energy in cogeneration plant and boiler minimises the risk of interruptions in the supply of fundamental power services which ensure the safety and sustainability of the Institution's operations.

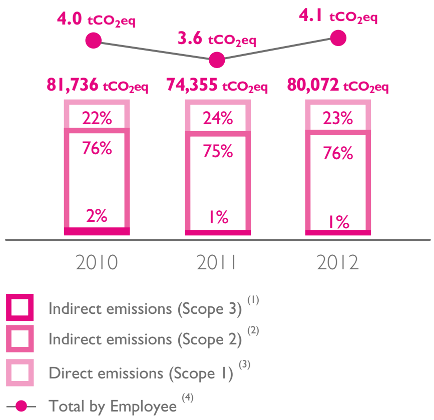
Reflecting the net change in the Bank's energy consumption, scope 1 and 2 emissions increased by 5.7% and 8.5%, respectively. The exacerbation of scope 2 indirect emissions also reflect the aggravation of the emission factor (indicator supplied by the energy regulator), associated to the purchase of electric and thermal power.

On the other hand, scope 3 indirect emissions, which arise from Employee travel by airplane, train and home-work-home journeys, declined by 3.6%. The lower number of airplane and train journeys taken by the Employees were key to this reduction.

ENERGY CONSUMPTION



GHG EMISSIONS

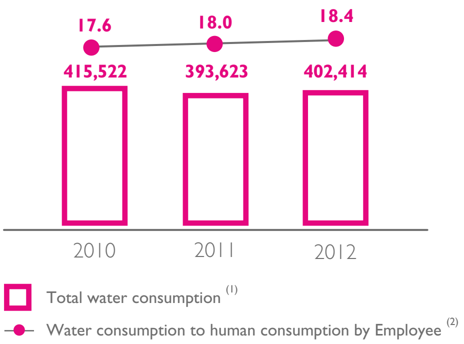


(1) Does not include the emissions from Greece, Mozambique and Angola. Includes emissions from home-work-home travel of the Employees calculated for Portugal.
(2) Does not include electricity consumption and respective emissions for Angola. Includes termic energy from Poland and the cogeneration power plant in Portugal.
(3) Does not include Angola. Does not include automobile fleet consumption and respective emissions to automobile fleet for Greece in 2011 and 2012.
Does not include natural gas consumption and respective emissions for Mozambique and Greece.
(4) Does not include Angola in 2010 and 2011. Includes the cogeneration power plant in Portugal.

The Bank's consumption of materials increased by 2.9%, as a result of the higher consumption of paper and cardboard in Mozambique (24%) and Romania (9%).

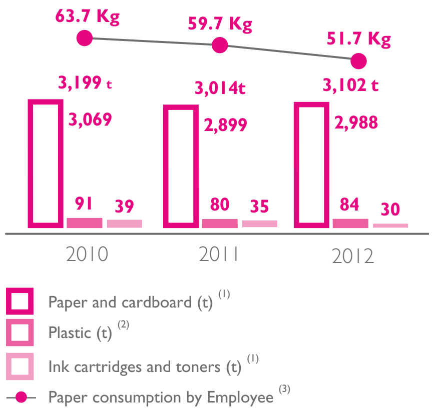
WATER CONSUMPTION

m^3



(1) Does not include Angola.
(2) Does not include Angola in 2010 and 2011.
Excludes irrigation water and cooling towers.

MATERIALS CONSUMPTION



(1) Does not include Angola.
(2) Does not include: Mozambique and Greece in 2010 and 2011;
Romania in 2011; Angola.
(3) Does not include Angola in 2010 and 2011.

The waste produced by Millennium bcp in Portugal increased by 26.4% in relation to the values recorded in 2011, the result of the collection at a national level of materials which had been stored in branch archives, for destruction. In Poland and Greece, a reduction of 17.4% was recorded in the waste produced and in Romania a marginal increase of 0.4%.

WASTE PRODUCED BY THE MILLENNIUM GROUP

Tonne

	Paper and cardboard			Plastic			Ink cartridges and toners		
	'12	'11	'10	**'12**	'11	'10	**'12**	'11	'10
Activity in Portugal	**859.9**	661.1	657.5	**66.6**	65.1	62.6	**24.2**	26.0	27.2
International activity (1)	**579.9**	703.2	274.4	**17.6**	14.9	15.0	**4.5**	3.8	1.0
TOTAL	**1,439.9**	1,364.3	931.9	**84.2**	80.0	77.6	**28.7**	29.8	28.2

(1) Does not include Angola and Mozambique.

NOTES TO THE CHAPTER

This reading of this chapter should be complemented with the information provided on the institutional website, at www.millenniumbcp.pt, Sustainability Area.

Millennium bcp has published Sustainability Reports since 2004, on an annual basis (Report of Social Responsibility in 2004).

The Responsible Business reporting included in this report and the information provided online seek to address the principal material topics identified by the Stakeholders, in observance of the guidelines established by the Global Reporting Initiative (GRI), version 3.1., for level A+ and its respective financial sector supplement, the principles of inclusion, material relevance and response of Standard AA1000APS (2008). The data reported for the year were examined by an external entity, in conformity with the principles defined by the International Standard on Assurance Engagements 3000.

The scope of the reporting is international and covers: social indicators – Portugal, Poland, Greece, Romania, Mozambique, Angola and Switzerland; environmental indicators – Portugal, Poland, Greece, Romania, Mozambique and Angola.

In 2012, the reporting of Angola's environmental indicators began. In order to maintain the comparability of the analyses carried out, all changes made between 2011 and 2012, in absolute value, presented in the ecological footprint exclude data from Angola. In all values, expressed per Employee, we have included data from Angola allowing analysis of the Bank's performance in this domain.

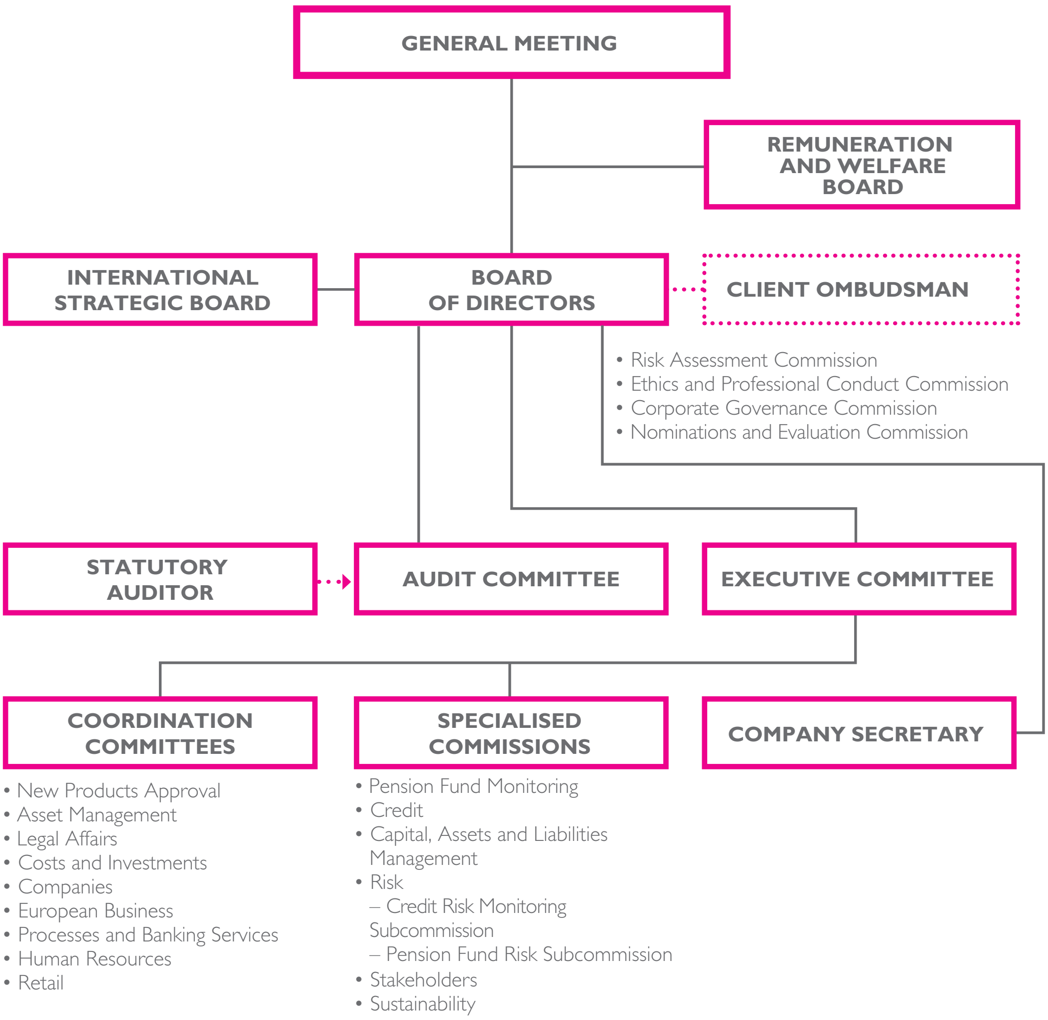
The calculation criteria used, the table of GRI indicators and the correspondence with the Global Compact Principles are available for consultation at the Bank's institutional website.

GOVERNANCE MODEL

The General Meeting of Shareholders of Banco Comercial Português, S.A., held on 28 February 2012, approved the amendment and restructuring of the articles of association, including the adoption of a one-tier management and supervisory model, composed of a Board of Directors and respective Executive Committee (the Bank's current management body), an Audit Committee (with non-executive members only, according to the law), and Statutory Auditor. An International Strategic Board was also created for the purpose of ensuring the development of the international expansion strategy of the Bank and Group, entrusted with the analysis and reflection on this strategy, and supervision of its evolution and implementation.

During this same General Meeting, the members of the new boards and governing bodies were elected for the term of office of 2012-2014. As a result of the Recapitalisation Plan adopted by the Bank, and under the legally established terms, the State, on 3 December 2012, appointed two non-executive members to the Board of Directors to perform duties during the period of the public investment to strengthen the Bank's own funds. The Annual Report of Banco Comercial Português includes a description of the activity performed by non-executive directors, which is detailed in the Corporate Governance Report. It is worth mentioning that non-executive directors encountered no constraints to their corporate activity.

ORGANISATIONAL CHART OF THE COMPANY'S CORPORATE GOVERNANCE MODEL



REFORMULATION OF THE ORGANISATIONAL STRUCTURE

Millennium bcp carried out a reformulation of its organisational structure in December 2012.

The adaptation of the Bank's structures to the needs and circumstances of the market context was the main objective of this restructuring, reflected in an increase of organisational efficiency through the streamlining of the structure, with a lower number of leadership positions, higher span of control, less fragmentation of areas, resizing of the central support structure and elimination of duplication of competences. As a result, the Bank's management structure has become lighter, enabling greater proximity between the Employees and top leadership, increased team's responsability and facilitating some renewal of the leadership. The alterations had an impact across the Organisation, both in the commercial areas and central services, and lead to small changes in the Director's areas of responsibility.

The new organisational model involved a resizing of staff levels in line with average productivity benchmarks in the sector, the optimisation of the Retail network and focus on the Marketing function, a new management model in the companies to simplify their structure, an adjustment of the corporate banking model to promote synergies between business and geographic areas, and the rationalisation of the central and corporate areas, capturing functional synergies.

In terms of the areas reporting directly to the Executive Committee, the main changes involved the integration, into current departments, of the Financial Holdings Department, Specialised Credit Department, M Project, Desk Oriente, General Secretariat, Cards Department, Interfundos, Prevention and Safety Office, and the Regional Departments of Madeira and Azores. The Quality Department was merged with the Network Support Department and financial areas into a single department, aggregating the Budgetary Planning and Control Department, ALM Department and Research Office. At the same time, the following departments were created through the autonomisation of functions: Corporate Marketing Department, Cost Control and Performance Department, Department of Residents Abroad and Large Corporates Department.

IDENTIFICATION AND COMPOSITION OF THE GOVERNING BODIES

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:	Álvaro Roque de Pinho Bissaia Barreto André Luiz Gomes António Luís Guerra Nunes Mexia António Manuel Costeira Faustino António Henriques de Pinho Cardão Bernardo de Sá Braamcamp Sobral Sottomayor (*) César Paxi Manuel João Pedro Jaime de Macedo Santos Bastos José Jacinto Iglésias Soares João Bernardo Bastos Mendes Resende João Manuel de Matos Loureiro José Guilherme Xavier de Basto José Rodrigues de Jesus (*) Luís Maria França de Castro Pereira Coutinho Maria da Conceição Mota Soares de Oliveira Callé Lucas Miguel de Campos Pereira de Bragança Miguel Maya Dias Pinheiro Rui Manuel da Silva Teixeira

(*) Members appointed by the State for the period of enforcement of the public investment to strengthen own funds..

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
José Rodrigues de Jesus (*)

(*) Member appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds.

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

MEMBERS BY VIRTUE OF OFFICE: António Vítor Martins Monteiro
Carlos José da Silva
Pedro Maria Calainho Teixeira Duarte
Nuno Manuel da Silva Amado

MACROECONOMIC ENVIRONMENT

GLOBAL ECONOMIC ENVIRONMENT

The persistence of global macroeconomic distortions and the uncertainty relative to the path of economic policy were reflected in a slowdown of world economic growth in 2012, from 4.0% to 3.2%, according to the International Monetary Fund (IMF) data. During 2013, it is expected that the performance of the world economy will continue to be constrained by debt reduction in most of the industrialised countries, as well as by the correction of the distortions that affect some of the main emerging economies. Even so, the IMF foresees a modest acceleration of world GDP (3.3%), mainly explained by the prospect of clarification of the monetary and fiscal policy perspectives in the United States of America (USA) and in the euro zone.

The worsening of the sovereign debt crisis led the euro zone into a new period of recession in 2012 which was reflected in a GDP contraction of 0.6%, compared with the growth of 1.4% in 2011. In this context of deterioration of the economic situation and resurgence of tensions in the financial markets, the risks of disintegration of the euro were heightened, requiring the announcement of additional measures. The beneficial effect of these measures on the confidence of economic agents should contribute to a stabilisation of the economy of the euro zone, which, however, will remain constrained in its capacity to expand due to the fiscal consolidation measures and structural reforms underway.

In the USA, the recovery of economic activity has progressed at moderate pace, though insufficient to allow a sustained improvement of the labour market, leading the Federal Reserve to reinforce the level of accommodation of its monetary policy. During 2013, concerns about the sustainability of public finances constitute the strongest obstacle to a swifter recovery of the American economy.

In 2012, the emerging economies recorded modest growth rates due to the weakening of external demand and, in some cases, the need to correct domestic macroeconomic imbalances. The policies which have been implemented in this group of economies should confer greater resilience to external shocks, which may be translated into a slight acceleration of economic activity in 2013.

GLOBAL ECONOMIC GROWTH REMAINS MODERATE

Annual growth rate of real GDP (in %)

Source: *IMF WEO Database* (April 2013).

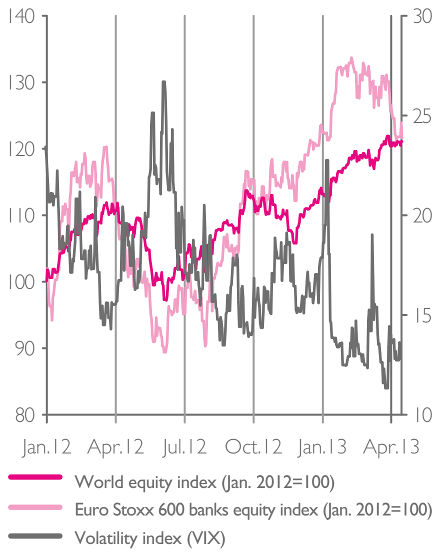
GLOBAL FINANCIAL MARKETS

The performance of international financial markets in 2012 was characterised by high volatility, arising from the fragility of global economic activity and the uncertainty associated with the sovereign debt crisis of the euro zone and the course of the fiscal policy in the USA. These circumstances pressured the world authorities to strengthen monetary policy measures in order to restore confidence in the financial markets, which favourably influenced the evolution of the main asset classes in the second half of the year.

In this context, in spite of the considerable fluctuations in risk aversion sentiment, global stock markets closed 2012 with reasonable gains (around 14%), with the performance of the European banking sector having been particularly noteworthy, spurred by the measures to enhance the robustness of the financial sector that were announced by the European authorities.

In the foreign exchange market, the trend of depreciation of the euro observed in the first half reversed after the announcement of a series of measures by the European Central Bank (ECB) to safeguard the integrity of the euro zone. In the USA and Japan, the implementation of monetary policy was reflected in the depreciation of the respective currencies.

EXPANSIONARY MONETARY POLICIES SPUR FINANCIAL MARKETS



Source: Bloomberg.

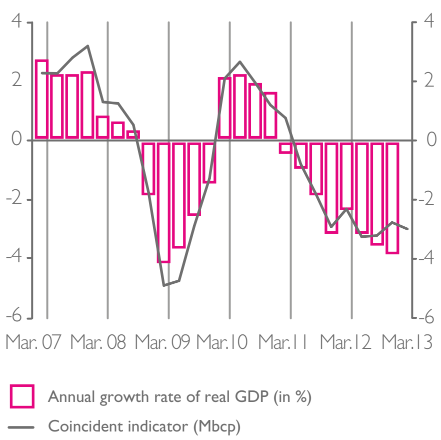
As in all other markets, the widespread announcement of additional monetary stimulus was determinant for the favourable performance of fixed income asset, which, however, was not uniform throughout the year. Indeed, the instability enduredby the European debt markets during the first half ultimately gave rise to a movement of sustained reduction of the risk premia of the debt of the peripheral countries of the euro zone, to the stabilisation of the yields of German and USA government bonds at historically very low levels, and to the strong performance of the private debt market.

In a context where the world economic activity should show modest growth rates in 2013, and where the sovereign debt crisis of the euro zone and the future direction of the fiscal policy of the USA constitute important risk factors, the behaviour of global financial markets should continue subject to considerable levels of uncertainty and volatility.

PROSPECTS FOR THE PORTUGUESE ECONOMY AND IMPLICATIONS FOR THE BANKING BUSINESS

During 2012, the evolution of the Portuguese economy continued to be dominated by the adjustment process taking place as a result of the Economic and Financial Assistance Programme (PAEF). Despite being crucial for the reduction of the high levels of indebtedness and the promotion of the long-term potential of wealth generation of the national productive structure, in the immediate term, this adjustment has exerted a recessive effect of considerable magnitude. The fiscal consolidation measures, added to the reduction of private expenditure as a result of the deterioration in economic and financial prospects, led to a significant cutback in domestic demand, which has been reflected in an expressive contraction of the production levels of the non-tradable sector, in particular construction. In marked contrast, the export sector has shown a notable recovery, benefiting from benign external circumstances and noticeable gains in competitiveness associated, above all, with the decline in unit labour costs. This trend, combined with the strong fall in imports, has enabled an expressive improvement of the external trade balance of Portugal. To summarise, economic activity is likely to have contracted by some 3.2% in 2012, after the decrease of 1.6% recorded in 2011.

SPEED OF CONTRACTION OF THE PORTUGUESE ECONOMY STABILIZES



Source: Datastream and Millennium bcp.

For 2013, it is expected that the recessive context will be maintained, albeit with a lower intensity than that observed in the previous year, in view of the perspective of easing of the rate of contraction of internal demand. Nevertheless, Portugal's economic situation remains shrouded in uncertainty. Internally, the focus of concern lies with the impact of the enormous rise of taxation on private consumption and investment, in a context where the public expenditure cannot play its traditional role of automatic stabiliser. Externally, the main risks reside in the possibility of setbacks in the resolution of the euro zone's sovereign debt crisis, which would not only affect foreign demand directed at the Portuguese economy, but would also aggravate financial conditions in Portugal.

In the financial area, 2012, while challenging, ended in the undeniable improvement of the liquidity and capitalisation levels of the main national financial institutions. This evolution was largely determined by the unconventional monetary policy decisions of the ECB, as well as the recapitalisation effort undertaken by Portuguese banks, in some cases resorting to State support. The Banking Union project, whose purpose includes to break the connection between the specific risk of each bank and the risk of the respective sovereign, has proven to be a fundamental element in sustaining the progress achieved so far. As a corollary of the recovery of confidence in the financial system, the risk premia associated with the debt of Portuguese issuers, both in the public sphere and the private sector, have fallen significantly. Even so, important challenges remain as a result of the intrinsic connection between the performance of the banking system and that of the economy as a whole.

The recessive context of the last few years has been reflected accordingly in the profitability of national banks, both via the decline in the level of banking activity and through the deterioration of credit quality. Added to these factors is the compression of the net interest income inherent to the continued reduction of euro interest rates. However, the sharp fall in the profitability of the domestic business has been mitigated by the sustained growth of the net income from the international operations.

In spite of the risks and challenges to the activity and the scarcity of funding, the banking system will continue focused on adjusting its business model to the requirements of the economic adjustment process underway, namely by supporting investment in the most critical sectors for economic development and by encouraging the domestic savings required for the structural reduction of the external funding needs, without neglecting the financial strength requirements, which have become stricter in the new regulatory system.

INTERNATIONAL OPERATIONS

The levels of extreme instability that Greece faced in 2012, triggered by the uncertainty related to its permanence in the euro zone, had a significant impact on economic activity, which contracted by 6.4%. During 2013, the adverse effects of the fiscal consolidation measures on household income, the restrictions to bank credit, the rise in the unemployment rate and the risks of political and social instability should contribute to the continuation of a recessive environment in Greece, albeit more mitigated.

After two years of strong growth, a period in which it stood out as one of the most dynamic economies in the European Union, the Polish economy recorded a significant slowdown in 2012, due to the dissipation of the positive contributions of infrastructure projects, as well as the impact of the deterioration of the labour market on private consumption. The moderation of the rate of expansion of activity should extend into 2013, given the climate of weak growth in the euro zone, the on-going process of domestic fiscal consolidation and the moderation of wage growth. The fall of inflation, induced by internal and external factors, gives the Polish central bank some room to increase the degree of accommodation of monetary policy.

In 2012, the Romanian economy expanded at a much lower rate than that observed in the previous year, reflecting the reduction of external demand and the impact of the adverse weather conditions on the supply of agricultural products. However, the evolution of investment was particularly positive. For 2013, an acceleration of activity is expected, based on the positive effects of the reforms undertaken on the labour market and on the external competitiveness of the Romanian economy, with a favourable impact on private consumption, investment and exports. The likely persistence of inflationary risks constitutes a restriction to the reduction of interest rates.

The available estimates suggest that the rate of growth of the Mozambican economy has remained robust. The strong performance of the mining industry, especially with respect to coal, has offset the slowdown of agricultural production. Inflation remained at historically low levels, benefiting from the benign behaviour of import prices and the stabilisation of some regulated prices. In 2013, the implementation of infrastructure projects with potential to boost the capacity of the mining industry should ensure the continued buoyancy of activity. The consequent increase of inflationary pressures might lead to greater restrictiveness in monetary policy.

The Angolan economy continued to show the vigour that, over the last decade, has positioned it as an economic power-house in Sub-Saharan Africa. As in the past, the buoyancy of the activity in 2012 was strongly influenced by the robust oil sector, whose production increased to the highest level of the last two years. The expansion of oil revenues and the satisfactory implementation of the adjustment programme supported by the IMF led to a significant improvement in the fiscal framework. The non-oil sector, with a more moderate but still robust performance, continued to benefit from the impulse conferred by public investment. The downward trend of inflation over the entire year allowed the government to achieve the 10% target. For 2013, a slowdown in oil activity is expected, meaning a likely deceleration of GDP.

GROSS DOMESTIC PRODUCT

Annual growth rate (in %)

	'10	'11	'12 (E)	'13 (F)
EUROPEAN UNION	**2.0**	**1.6**	**-0.2**	**0.0**
Portugal	1.9	-1.6	**-3.2**	**-2.3**
Greece	-4.9	-7.1	**-6.4**	**-4.2**
Poland	3.9	4.3	**2.0**	**1.3**
Romania	-1.1	2.2	**0.3**	**1.6**
SUB-SAHARAN AFRICA	**5.4**	**5.3**	**4.8**	**5.6**
Angola	3.4	3.9	**8.4**	**6.2**
Mozambique	7.1	7.3	**7.5**	**8.4**

Source: IMF WEO Database (April 2013).

IMF estimate.

(E) Estimate.

(F) Forecast.

MAIN RISKS AND UNCERTAINTIES

This section highlights the risks that are most significant and capable of affecting the Bank's activity in 2013, 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 2013.

EXOGENOUS RISKS

RISKS	SOURCES OF RISK	LEVELS OF RISK	TREND	INTERACTIONS
EURO AREA RISK	• Euro and euro capital markets fragmentation • Lack of confidence • Policy initiatives of national scope • Additional external assistance requests • Deterioration of the political, social, economic and financial situation in Greece • The package for Cyprus may create a precedent for future cross-border support programs	Medium	⟷	• Macroeconomic conditions • Evolution of Assistance Programs in Greece, Spain and Portugal • Risk of funding and collateral • Increase in impairment • Deposits/customer funds outflows
SOVEREIGN RISK	• Sustainability of public deficit and debt • Unpredictable impacts resulting from the Economic Adjustment Programme • External economic factors may eliminate any economic benefit of the Adjustment Program • Inability to implement structural reforms and to obtain gains in competitiveness, which could lead to prolonged adjustment period • New wave of austerity leading to a prolonged recession, rising unemployment, reduced disposable income, increase in non performing loans and social-political tensions (decrease in social cohesion) • Degradation of developments in sectors more dependent on the public sector and exports • Minor support from the external macroenvironment, leading to a further deterioration of economic activity and the deterioration of the ratings	High	⟷	• Macroeconomic conditions • Deterioration of ratings • Reduction in business volumes • Market values of the sovereign debt • Deterioration of net interest income and commissions • Increase in impairments • Potential adverse impact on net income • Risk of funding and collaterals

RISKS	SOURCES OF RISK	LEVELS OF RISK	TREND	INTERACTIONS
LEVERAGE AND CAPITALIZATION LEVELS RISK	• Regulatory and market expectations at desirable levels • Transition to Basel III	Medium	↗	• Changes to business model • Macroeconomic conditions and market volatility • Risk of banks' downgrade • Levels of capital and leverage more robust
REGULATORY RISKS	• Changes in the regulatory environment and tax laws for the banking activity • Creation of a Banking Union • Creating of a deposit guarantee scheme • Volcker's Rule, Vickers Report, Liikanen Report • Changes in corporate governance, including the compensation policies • Adjusting for systemically important banks	High	↗	• Increase in operating costs • Changes in bank's business models • Adaptation of business models to regulatory changes • Potential adverse impact on net income • Restrictions on dividend distribution • Additional strength of capital • Constraints in Bank's ALM policy
FUNDING AND LIQUIDITY RISKS	• Wholesale funding markets closed • Continued shortage of liquidity in the markets and adverse trends in market interest rates • The Adjustment Programme assumes a gradual return to market funding for the public debt and financial institutions that may not occur by 2013 • Loss of eligibility debt guaranteed by the State	High	⟷	• Markets volatility • Risk of Banks' downgrade • New interbank funding conditions • Risk of funding and collaterals • Decrease in net interest income • High dependence on ECB funding
MARKET RISKS	• Adverse behavior of capital and/or real estate markets • Impact of volatility in the own credit risk	Medium	⟷	• Reduced profitability of the Pension Fund • Reduction in net trading income and net income • High dependence on ECB funding
ASSET QUALITY DETERIORATION	• Macroeconomic conditions: rising unemployment, reduction in disposable income, increase in insolvencies • Exceptional protection regime of mortgage loans in default's borrowers	High	↗	• Restructuring of assets • Uncertainty in the timely recognition of problem assets • Dynamics of the property/ real estate market

ENDOGENOUS RISKS

RISKS	SOURCES OF RISK	LEVELS OF RISK	TREND	INTERACTIONS
ADVERSE EVOLUTION IN PROFITABILITY	• Maintenance of interest rates at historically low levels, with a negative impact on net interest income given the loan portfolio's mix	High	↗	• Reducing on average interest rate of the mortgage loans portfolio • Decrease on deposits spreads • Repricing insufficient to offset the reduction in interest rates
ADVERSE EVOLUTION IN SOLVENCY	• Continuing trend of deterioration in profitability • Difficulties of internal capital generation • Possible impact on capital of the solution/ transaction on the Greek operation • Actuarial losses of the Pension Fund	High	↔	• Inability to implement the measures included in the Strategic Plan aimed at recovering profitability in Portugal • Difficulties in expanding in core international business • The coverage level of responsibilities by the Pension Fund may be insufficient
IMPAIRMENTS INCREASE	• Increase in impairment charges resulting from the deterioration in the economic environment, concentration of the loan portfolio and the portfolio mix • Exposure to Portuguese sovereign debt, in particular, and, to a lesser extent, Greek, Irish, Italian and Spanish • Adverse impact of the concentration of the credit portfolio, credit quality of the portfolio and collateral • Depreciation of real estate assets	High	↔	• Risk of deterioration in loan portfolio quality resulting from the adverse economic and financial environment and increasing austerity • Deterioration of the political, social, economic and financial situation in Greece and the other countries affected by the sovereign debt crisis • Registration of impairment losses on real estate assets held directly, lower coverage of credit exposures with collateral in real estate and Pension Fund
FUNDING AND LIQUIDITY RISKS	• Reducing or limiting access to wholesale funding • Ratings downgrade • Continuation of ECB providing unlimited liquidity • Adverse developments in customer funds, as a result of the reduction in savings (income disposable reduction as a result of the austerity) • Difficulty in reducing loans to customers portfolio	High	↔	• High dependence on ECB funding • Decrease in eligible assets for funding operations with the ECB • Widening commercial gap • Slowdown of the process of reducing LTD ratio

RISKS	SOURCES OF RISK	LEVELS OF RISK	TREND	INTERACTIONS
CONTINGENCIES IN IMPLEMENTING STRATEGY	• Contingencies in implementing the Restructuring Plan following the Plan of Recapitalization • Any additional costs, including personnel costs related to the implementation of the Restructuring Plan and the organizational restructuring • Need for additional measures that may involve the disposal of certain assets • The European Commission may impose any measures more disadvantageous than those considered in the Plan of Recapitalization and imposed by the Order number 8840-B/2012 of the Minister of State and Finance • The Bank may face difficulties in implementing its international strategy	High	↗	• General constraints, such as the worsening of market conditions, the adverse environment, increased competition or the actions of competitors • Specific constraints, such as those related to the implementation of the Strategic Plan or the Plan of Reorganization • Any difficulty in continuing the repricing • Possible difficulties in the recovery of profitability in Portugal and continued expansion in core international operations • Increased operating costs • Difficulties in raising capital via internal capital generation
INTEREST RATE RISK	• Interest rate risk is historically high, making the Bank vulnerable to fluctuations in interest rates	High	↔	• In the current environment of low interest rates, the main impact is felt in the reduction of net interest income and a reduction in demand for credit (the high spreads pose a risk for borrowers)
OPERATIONAL RISK	• It is inherent to the Group's activities and its organizational structure	Low	↔	• Any failure in the implementation of management policies and risk control may adversely affect the Bank's financial condition and results
REPUTATIONAL RISK	• It is inherent to the Group's activities	Medium	↔	• The negative opinion of the public or the industry may adversely affect the ability to attract Customers (in particular depositors)
COMPLIANCE RISK	• It is inherent to the Group's activities	Low	↔	• Any claims from Customers • Any penalties or other procedures resulting from unfavourable inspections • Strong instability of the regulatory framework applicable to the financial activity • AML rules and counter terrorist financing

INFORMATION ON FUTURE TRENDS

The extremely adverse macroeconomic context arising from the persistence of the economic and financial crisis which began in 2007 has brought new challenges to banking activity. During 2012, with the aggravation of the sovereign debt crisis in the euro zone, especially in the peripheral Member-States of the euro, the environment in which banks develop their activity has further deteriorated. It is expected that the extremely demanding economic conditions will continue, during 2013, in the peripheral countries and especially in Portugal, as a result of the maintenance of the recessive environment, rising unemployment, reduction of disposable family income and deflationary pressures on the economy, operating on the market of products and services, real estate and on wages. This combination of factors is likely to continue to constrain banking activity.

In Portugal, 2012 was marked by the implementation of the bank recapitalisation programme and by a climate of growing austerity, imposed by the Economic and Financial Adjustment Programme (PAEF), agreed in May 2011. 2013 will be marked by the continuation of the deleveraging process (lower volumes) and, simultaneously, efforts will be developed to recover profitability in a context of increased default and past due loans. 2013 will also be characterised by the implementation of the restructuring plan agreed with the European Commission, for the banks which received public investment.

The banks at a European level were confronted with higher regulatory requirements, namely with respect to the strengthening of solvency levels in 2012. In December 2011, the European Banking Authority (EBA) issued a recommendation, appealing to the National Authorities to request, from the selected banks, an exceptional and temporary buffer to ensure the achievement of a minimum level of 9% for their Core Tier 1 ratio, by 30 June 2012. Most of the banks complied with this target and Portuguese banks were no exception. However, over the coming years, the banks will have to adapt to a much more complex and demanding regulatory framework (transition to Basel III).

The recapitalisation of Portuguese banks and the management of a demanding deleveraging process, agreed under the PAEF, developed in a particularly adverse macroeconomic context, have contributed to the deterioration of profitability and efficiency indicators. Return on equity has fallen in a widespread manner, to stand below the cost of capital and the cost to income indicator has started on an upward trend. Banks are also faced with the deterioration of the quality of their assets and consequent reinforcement of allocations for impairment. As a result, banking institutions have seen a progressive decline in stock market capitalisation, as a result of the downward revision of prospects for the generation of earnings in the future and downgrade of their ratings.

The global economic environment continues to generate volatility and risk aversion on the part of international investors and led to the closure of the wholesale funding markets, making the European banking system more vulnerable and dependent on financing obtained from the European Central Bank (ECB). In this context and with the objective of replacing short-term funding, the banking institutions decided on the massive use of long-term refinancing operations (LTRO) in order to limit the pressures on their liquidity.

Even if Portugal complies with the targets of the memorandum, the scale and scope of the financial assistance received by the country might not be sufficient to ensure the return of the Republic to market funding in 2013, which limits the options open to Portuguese banks. Portuguese banks remain dependent on the willingness of the ECB to continue to supply the funding needs of European banks, in particular of the peripheral countries, in an unlimited form.

These circumstances should continue to be pervasive during 2013, creating pressures towards the reformulation of the business models of banks and organisational restructuring. Moreover, the changes in regulations on the structure of the banking sector have given rise to new measures aimed at restricting the activities developed in terms of investment banking and global finance, resegmenting domestic operations and adjusting the banks to the new interbank funding system.

In this context, Millennium bcp has successively implemented a vast series of measures and initiatives with a view to strengthening its capital base, namely concerning the levels of share capital and own funds, including liability management operations, asset management and transfer of Pension Fund liabilities to Social Security. The underwriting of hybrid instruments that qualify as Core Tier I capital by the State, on 29 June 2012, to the total value of 3,000 million euros, and the successful share capital operation through new cash entries, intended for subscription by its Shareholders in the exercise of their legal preemptive right, of a total amount of 500 million euros, in October of the same year, reflect compliance with the priority of financial solidity, defined in the management agenda for 2012. However, the issue of hybrid instruments poses new challenges for the management of net interest income and commissions, operating costs and allocations for impairment.

In 2012, BCP prepared and presented to the Government a restructuring plan, required by national law and by the applicable European rules on matters of State assistance, which was formally submitted by the State to the European Commission, in observance of the maximum period of six months after the approval of the respective Order number 8840-B/2012 of the Minister of State and Finance, on 28 June 2012. The final version of the restructuring plan which will be approved might contain an additional series of measures, on top of those already established in the Recapitalisation Plan, pursuant to the decision of the Commission which authorises the general recapitalisation regime of credit institutions in Portugal and of the implementing Order. The restructuring plan referred to above will have to i) demonstrate the Bank's long-term without any assistance from the State; ii) demonstrate the contribution that the Bank and its Shareholders have provided and shall provide to support the necessary efforts of recapitalisation and restructuring of the Bank and iii) define measures to limit any potential unfair competition arising from the public assistance that the Bank has received from the Portuguese Republic. To this extent, and in addition to that already foreseen in the Recapitalisation Plan and above-mentioned Order number 8840-B/2012 of the Minister of State and Finance, on 28 June 2012, the restructuring plan might need to establish an extra series of measures and conditions associated with the approval of the public investment by the European Commission, namely possible commitments of a behavioural and/or structural nature.

BCP believes that the conditions currently established in the Recapitalisation Plan and in Order number 8840-B/2012 of the Minister of State and Finance, on 28 June 2012, which approved the public investment stipulated in the Recapitalisation Plan, as well as in the annexes of both documents, and the additional management measures that the Bank has already considered, are balanced and in proportion, particularly in view of the exogenous factors and transitory nature which justify resorting to public investment, the Bank's management model and investment strategy and, furthermore, the measures of reinforcement of solidity which the Bank has successively adopted over the last few years. Nevertheless, there is still uncertainty regarding the extent of the restructuring that the Bank will have to carry out and on the precise content of the restructuring plan which will be approved by the European Commission.

STRATEGY

In September 2012, BCP presented a Strategic Plan composed of three phases for the next five years: i) strengthening of the capital and liquidity position (underway during 2012-2013); ii) creation of conditions to ensure growth and profitability (for implementation over 2014-2015); iii) sustainable growth (from 2016 to 2017).

<table>
<tr><th>STAGES</th><th>PRIORITIES</th><th>INITIATIVES ALREADY IMPLEMENTED</th></tr>
<tr><td>REINFORCEMENT OF CAPITAL AND LIQUIDITY POSITION (2012-13)</td><td>• Comfortable capital ratios
• Enhance liquidity position
• Provisions reinforcement</td><td rowspan="3">• Core Tier I ratio reaches 12.4%
• Net loan to balance sheet customer funds reaches 112%
• Continuos reinforcement of balance sheet impairment charges
• Risk mitigation on Greek exposure
• Begining of margin recovery in Portugal
• Implementation of the restructuring programme
• Review of strategic objectives for 2015 in Poland, Mozambique and Angola</td></tr>
<tr><td>CREATING CONDITIONS FOR GROWTH AND PROFITABILITY (2014-15)</td><td>• Recovery of profitability in Portugal
• Continuos business development in Poland, Mozambique and Angola</td></tr>
<tr><td>SUSTAINED GROWTH (2016-17)</td><td>• Sustained growth results with improved balance between domestic and international operations contributions</td></tr>
</table>

Hence, the priorities of the first phase, which take place from 2012 to 2013, are the achievement of comfortable capital ratios, improvement of the liquidity position and strengthening of provisions.

During this period, BCP undertook a significant deleveraging effort, with loans and advances to customers (gross) having declined by 8 billion euros and customer funds on the balance sheet having increased by 3 billion euros. The commercial gap decreased by 13 billion euros between December 2009 and December 2012, the ratio of loans and advances (gross) to customer funds on the balance sheet (loan-to-deposit ratio) fell from 152%, in December 2009, to 120%, in December 2012. The Bank had amortised 18.5 billion euros of medium and long-term debt by December 2012 and the use of ECB funding declined from 15 billion euros, in December 2010, to 13 billion, in December 2012, of which 12 billion are LTRO (long-term refinancing operations) with the objective of replacing short-term funding.

The Core Tier I ratio increased from 6.4%, in December 2009, to 12.4%, in December 2012, benefiting from the reinforcement of Core Tier I by 3 billion euros, as a result of liability management operations (2011 and 2012) and issue of hybrid instruments (2012), in spite of the negative impacts of Greece and Pension Fund and the reduction of RWA by 12 billion euros, arising from the deleveraging process and adoption of Internal Rating Based (IRB) methodologies, despite the downgrade of ratings. The Bank implemented a Capitalisation Plan reflected in the issue of 3 billion euros of hybrid instruments and a share capital increase of 500 million euros.

In relation to the reinforcement of provisioning, allocations for impairment of the value of 3,282 million euros were carried during the period of 2010-2012. Part of this provisioning effort resulted from inspections conducted pursuant to 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 and ECB. Thus, the Special Inspection Programme (SIP) of the Bank of Portugal was reflected in the strengthening of provisioning by 381 million euros, while the On-site Inspection Programme (OIP) covering exposure to the construction and real estate development sectors resulted in the strengthening of provisioning by 290 million euros.

During the second phase, the Bank intends to ensure the recovery of profitability in Portugal and the continued development of the business in Poland, Mozambique and Angola. The priority of the third phase is the sustainable growth of net income, with an improved balance between the contributions of the domestic and international operations.

It is the objective of BCP to create conditions of growth and profitability from 2014 to 2015 (second phase).

During 2013, the Bank intends to recover the profitability in Portugal through three areas of action: improve net interest income, reduce operating costs and decrease allocations for impairment. The improvement of net interest income should result from the reduction of the cost of deposits and continued repricing of loans and advances through the recomposition of the mix of the credit portfolio. The objective for operating costs points to an annual reduction of 100 million euros, through scale reduction (decrease of the network of branches by over 40 in 2012-2013 and cutting of staff numbers by 977 Full Time Employees (FTE) until 2013) and administrative reorganisation, consisting of the simplification of the organisation, improvement of processes and optimisation of the commercial network. Regarding allocations for impairment, the implementation of a new credit management model, covering the stages of its granting, monitoring and recovering, should lead to a reduction of the cost of risk. These actions should result in a recovery of profitability.

BCP has a unique international presence focused on key markets where our bussiness model add value and with a large population (Poland) or high rates of growth of the population's participation in the banking system (Mozambique and Angola). By the end of December 2012, these three operations represented 40% of the total branch network, 47% of total Employees, 19% of turnover and 37% of net operating revenues.

In Poland, Bank Millennium has a well distributed network of branches, supported on modern multichannel infrastructure, reference service quality, high brand recognition, a robust capital base, comfortable liquidity and solid risk management and control. The principal initiatives consist of the exploration of new market opportunities in the corporate segment with strong focus on Medium-sized Enterprises and the expansion of consumer credit. Bank Millennium has already announced its Strategic Plan for 2013-2015.

Mozambique is a market of high growth of GDP, based on natural resources and with rates of expansion of the population's participation in the banking system that are above the regional average. The potential for credit expansion is significant.

Similarly, Angola is also a market of strong growth of GDP, based on the export of oil. However, the contribution of the non-oil sector to the expansion of GDP has been increasing, essentially as a result of the investment in major infrastructure and agriculture.

In Greece, Banco Comercial Português, S.A. (BCP) signed, on 22 April, definitive agreements with Piraeus Bank regarding: i) the sale of the entire share capital of Millennium bank (Greece) (MBG) and ii) the investment by BCP in the forthcoming capital increase of Piraeus Bank.

The signing of these agreements marks the successful conclusion of the negotiations between BCP and Piraeus Bank, following the announcement, on 6 February 2013, that the parties had entered into exclusive discussions.

This agreement falls within the framework that has been defined by the Bank of Greece and the Hellenic Financial Stability Fund (HFSF) aiming at the restructuring of the Greek banking system and strengthening its financial stability. The terms and conditions of the transactions have been approved by the HFSF.

The transactions are expected to be consummated in the second quarter of 2013, subject in particular to the obtaining of final regulatory approvals.

The key elements of the sale transaction are the following:

- The aggregate consideration for the sale of the share capital of MBG was agreed at one million euros;
- Pre closing recapitalization of MBG by BCP for 400 million euros, in line with the requirement of Bank of Greece, through the conversion of approximately 261 million euros of the existing intercompany funding, in addition to the 139 million euros already contributed by BCP into MBG in December 2012. Under this scope, BCP has already booked in 2012 Financial Statements an impairment in the amount of 427 million euros;
- Piraeus Bank to ensure reimbursement by MBG of all the remaining intragroup funding currently provided by BCP to MBG in two tranches. The first tranche, in the amount of approximately 650 million euros, will be paid on the date of closing of the sale transaction, and the second one, of approximately 250 million euros, within six months from that date;
- No asset transfer from MBG to BCP as part of the transaction.

The key elements of the investment transaction are the following:

- BCP to invest 400 million euros in the forthcoming rights issue of Piraeus Bank within the framework of recapitalisation of Greek banks with the participation of the HFSF, i.e., at the same price as HFSF, leading to a minority stake in Piraeus Bank's share capital;

- BCP and Piraeus Bank will enter into a contract where by the latter undertakes to support BCP in the phased disposal of shares held in its share capital, subject to the assumption by the BCP to certain limitations, including a minimum of six months during which the shares will not be traded (lock-up) and some temporary restrictions on the exercise of voting and disposal during the conditioning period of HFSF.

If this disposal is achieved, the Group ceases to consolidate the Greek's subsidiaries.

FINANCIAL INFORMATION

BCP SHARE

2012 marked the return of the stock market indices to gains, but in two distinctive phases. During the first half, the sovereign debt crisis in Europe deepened, with serious consequences for the performance of the economies, principally of the peripheral countries of the euro zone. Throughout this period, the European leaders intensified their meetings and summits, searching for solutions for the most serious economic scenario since the creation of the single currency.

In January, the anticipation of the implementation of the European Stability Mechanism was decided, increasing the levels of requirement and discipline of the finances of the Member-States, which, combined with the capital ratio targets for banks defined by the European Banking Association (EBA), enhanced fears of an economic slowdown and led to a weakening of the euro with respect to the USD.

In order to combat this increasingly adverse scenario, the leaders of the euro zone approved, in June, the possibility of the European Rescue Fund being activated and used under more favourable conditions than those of previous rescue packages. This facility, already used by the banking sector in Spain, brought fresh enthusiasm to the markets. This agreement also had an important positive impact on public debt markets, particularly for debt with lowest ratings, where interest rates fell significantly.

The recovery of European indices, especially those of the Latin countries, and of the euro in the second half started after the commitment by the president of the European Central Bank (ECB) that this would do whatever was necessary to preserve the euro zone, following the cut in the reference rate to the historical minimum of 0.75%. Subsequently, the ECB announced the purchase of unlimited amounts of sovereign bonds, which led to a sharp decrease in the interest rates of the sovereign debt of the peripheral countries, with the rates returning to normality, back to the levels of 2010, below the psychological barrier of 7% for Portuguese public debt with ten years maturity.

The main index of the Portuguese stock exchange, the PSI-20, closed the year with gains of 2.9%, thanks to the good performance achieved at the end of the year, after the declines of 10% in 2010 and 21% in 2011. The recovery of the Portuguese reference index, which had been following along in the red in mid-November, was possible after the intensification of efforts to minimise the sovereign debt crisis in the euro zone, which led to a decrease of debt interest and increased the confidence of investors in European listed companies and particularly due to the market recognition of the effort that has been sustained in Portugal to comply with the targets established in the Economic and Financial Assistance Programme (PAEF).

BCP SHARES INDICATORS

	UNITS	'12	'11
ADJUSTED PRICES			
Maximum price (8 Feb, 12 and 14 Mar. 11)	(€)	**0.141**	0.393
Average annual price	(€)	**0.075**	0.235
Minimum price (6 Jun. 12 and 11 Nov. 11)	(€)	**0.047**	0.063
Closing price	(€)	**0.075**	0.088
SHARES AND EQUITY			
Number of ordinary shares	(M)	**19,707.2**	7,207.2
Shareholder's equity attributable to the Group	(M€)	**3,372.2**	3,826.8
Shareholder's equity attributable to ordinary shares (1)	(M€)	**3,199.0**	3,653.3
RATIOS PER SHARE			
Adjusted net income (EPS) (2) (3)	(€)	**-0.10**	-0.07
Book value (2)	(€)	**0.45**	0.51
MARKET INDICATORS			
Closing price to book value	(PBV)	**0.17**	0.27
Market capitalisation (closing price)	(M€)	**1,478.0**	980.2
LIQUIDITY			
Annual turnover	(M€)	**1,955.1**	3,297.9
Average daily turnover	(M€)	**7.6**	12.8
Annual volume	(M)	**18,104.1**	11,727.3
Average daily volume	(M)	**70.7**	45.6
Capital rotation (4)	(%)	**180.1**	193.7

(1) Shareholder's equity attributable to the Group – Preferred Shares – Subordinated Perpetual Securities issued in 2009 + treasury shares relative to preferred shares.
(2) Considering the average number of shares minus the number of treasury shares in portfolio.
(3) Adjusted net income considers the net income for the year minus the dividends of the preferred shares and Subordinated Perpetual Securities issued in 2009.
(4) Total number of shares traded divided by the annual average number of shares issued.

ABSOLUTE AND RELATIVE PERFORMANCE

During 2012, BCP shares recorded a minimum price of 0.047 euros, a maximum price of 0.141 euros and an average price of 0.075 euros.

Index	Total change in '12
BCP share	-14.8%
PSI20	2.9%
Euronext PSI Financial Services	9.8%
IBEX 35	-4.7%
ATHENS FTSE	16.9%
MIB FTSE	0.0%
CAC 40	15.2%
DAX XETRA	29.1%
FTSE 100	5.8%
Eurostoxx 600 Banks	23.0%
Dow Jones Industrial Average	6.0%
Nasdaq	15.9%
S&P500	13.4%

Sources: Euronext, Reuters.

BCP stock recorded a decline of 14.8% as a whole for the year, compared with an appreciation of 9.8% of PSI Financials for the financial sector. Apart from the extremely adverse macroeconomic circumstances, the performance of the share was greatly constrained by the uncertainty in relation to the Greek situation and the Bank's Recapitalisation Plan, particularly the conditions of the share capital increase. In the last quarter, with the improvement of the macroeconomic prospects and the successful completion of the share capital increase, the BCP share recorded a very strong recovery, albeit insufficient to close the year on positive ground.

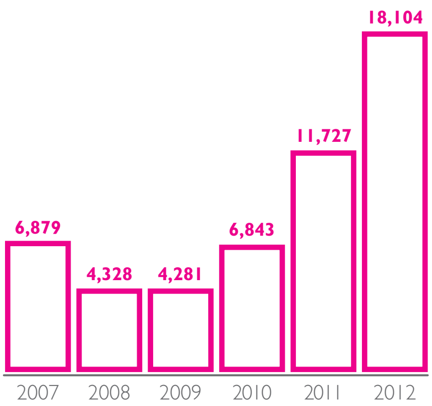
SHARE CAPITAL INCREASE

Following the approval of the Bank's Recapitalisation Plan at the General Meeting of Shareholders held on 25 June 2012, Banco Comercial Português, S.A. increased its share capital from 3 billion euros to 3.5 billion euros, through the issue of 12,500 million ordinary shares, book-entry and nominative, without nominal value, with the issue value and unit subscription price of 0.04 euros, with Shareholders' preemptive right.

12,117,641,349 shares were subscribed under the exercise of subscription rights, representing close to 96.94% of the total shares to be issued under the Offer, with 382,358,651 shares having remained available for apportionment. The supplementary requests for shares subject to apportionment came to a total of 8,281,476,975 shares, resulting in a total demand 21.7 times in excess of the available quantity for the effect.

EVOLUTION OF LIQUIDITY

Annual basis (million shares)



Source: Euronext.

LIQUIDITY

In 2012, 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 2012, 18,104 million BCP shares were traded, representing an increase of 54% in relation to the previous year and corresponding to an average daily volume of 70.7 million shares (45.6 million in the previous year). The capital rotation index remained one of the highest among the companies of the PSI 20, corresponding to 180% of the annual average number of shares issued (194% in the previous year).

In terms of turnover, BCP shares represented 9.6% (1.96 billion euros) of the total volume of transactions on the regulated market of Euronext Lisbon.

INDICES IN WHICH BCP SHARES ARE LISTED

BCP shares are listed in over 25 national and international stock market indices, in particular the following:

INDEX	WEIGHT (%)	RANKING
Euronext PSI Financial Services	20.00%	2
PSI20	2.85%	9
Lisbon General	3.17%	9
NYSE Euronext Iberian	0.29%	29
Euronext 150	0.98%	37
Eurostoxx Total Market	0.55%	54
FTSE Euro mid	0.50%	82

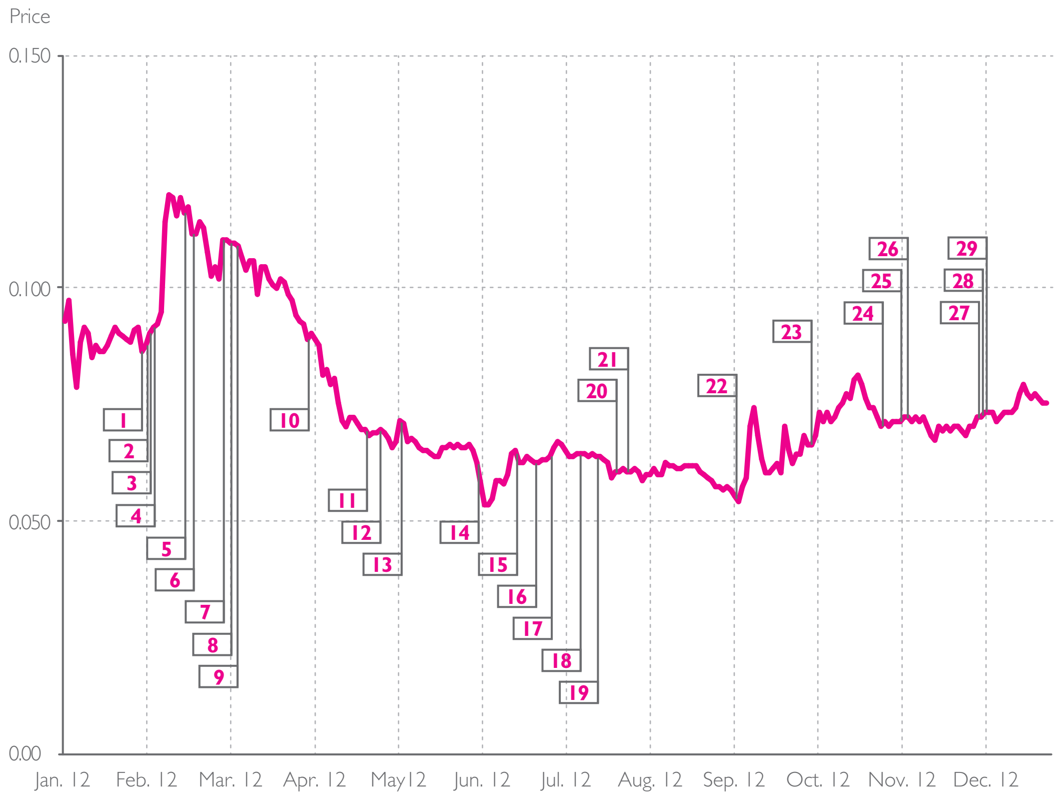
Source: Bloomberg.

MAIN EVENTS AND IMPACT ON THE SHARE PRICE

The table below summarises the main events of 2012 directly related to Banco Comercial Português, the net change in the share price, both the next day and five days later, as well as its relative evolution compared to the leading reference indices during the periods in question.

Nr.	Date	Material events	Change +1D	Change vs. PSI20 (1D)	Change vs. DJS Banks (1D)	Change +5D	Change vs. PSI20 (5D)	Change vs. DJS Banks (5D)
1	30-01-2012	Statement from the Chairman of the Supervisory Board	1.5%	1.1%	0.7%	9.8%	6.4%	1.9%
2	31-01-2012	Full year 2011 results of Bank Millennium in Poland	3.0%	2.3%	-0.8%	30.4%	25.4%	22.8%
3	01-02-2012	DBRS rating decision	1.4%	0.8%	0.4%	33.1%	26.8%	28.8%
4	03-02-2012	Full year 2011consolidated results	2.8%	3.0%	3.3%	25.4%	23.0%	26.6%
5	14-02-2012	Standard and Poor's rating decision	1.1%	1.5%	-0.6%	-2.8%	-1.4%	-6.6%
6	16-02-2012	Moody's rating decision	0.0%	-0.2%	-1.4%	-8.1%	-6.2%	-7.0%
7	20-02-2012	Bond issue guaranteed by the Republic of Portugal	-1.1%	-0.4%	-0.5%	-10.8%	-8.9%	-6.6%
8	28-02-2012	General Meeting of Shareholders' resolutions	0.0%	0.0%	-0.4%	-3.5%	-2.0%	-0.6%
9	01-03-2012	Conclusion of the Special Inspections Programme	0.0%	-0.6%	-0.6%	-3.5%	-2.9%	-1.3%
10	29-03-2012	Moody's rating decision	1.5%	1.0%	0.4%	-7.3%	-4.1%	-3.8%
11	23-04-2012	Full year 2011 consolidated results – update	-1.9%	-2.6%	-3.9%	-0.9%	-3.5%	-3.9%
12	27-04-2012	First quarter of 2012 results of Bank Millennium in Poland	-0.9%	-2.2%	0.2%	-3.7%	-3.7%	-0.3%
13	07-05-2012	First quarter of 2012 consolidated results	-0.9%	-1.8%	1.0%	-9.1%	-4.7%	-2.8%
14	04-06-2012	Capital plan	-7.3%	-7.8%	-8.1%	-6.2%	-7.2%	-11.6%
15	18-06-2012	Fitch rating decision	-3.0%	-5.6%	-6.6%	-4.0%	-5.6%	-4.5%
16	25-06-2012	Annual General Meeting resolutions	0.0%	2.0%	0.9%	5.2%	1.9%	0.1%
17	29-06-2012	Issuance of hybrid instruments eligible as Core Tier I	3.1%	0.8%	1.2%	0.0%	-0.9%	1.4%
18	11-07-2012	Fitch rating decision	0.0%	0.0%	1.8%	-1.0%	-2.3%	1.1%
19	17-07-2012	Standard and Poor's rating decision	0.0%	-0.2%	-0.8%	-5.1%	2.4%	0.6%
20	24-07-2012	First half of 2012 results of Bank Millennium in Poland	0.0%	1.1%	-0.5%	1.1%	-3.4%	-7.6%
21	27-07-2012	First half of 2012 consolidated results	0.0%	-1.5%	-3.1%	-1.1%	-1.5%	-4.7%
22	05-09-2012	Approval of rights issue	-2.4%	-4.8%	-6.7%	34.4%	28.1%	25.0%
23	03-10-2012	EBA capital exercise	3.0%	3.6%	2.6%	7.6%	7.7%	8.5%
24	29-10-2012	First nine months of 2012 results of Bank Millennium in Poland	1.4%	-2.1%	0.1%	1.4%	1.3%	-0.7%
25	05-11-2012	First nine months of 2012 consolidated results	1.4%	1.0%	0.2%	0.0%	1.0%	0.5%
26	06-11-2012	Clarification regarding Millennium bank S.A. in Greece	0.0%	1.3%	2.0%	0.0%	1.4%	1.7%
27	03-12-2012	Results of the On-site Inspection Programme related to construction and real estate promotion sectors	0.0%	-0.5%	-0.7%	-1.4%	-4.2%	-2.1%
28	04-12-2012	Moody's rating decision	1.4%	-0.4%	0.8%	0.0%	-4.4%	-0.4%
29	05-12-2012	DBRS rating decision	0.0%	-0.5%	-0.6%	0.0%	-3.5%	-0.2%

The following graph illustrates the performance of BCP shares in 2012:



DIVIDEND POLICY

Pursuant to the conditions of the issue of Core Tier I Capital Instruments underwritten by the State, under Law number 63-A/2008 and Implementing Order number 150-A/2012, the Bank cannot distribute dividends until the issue is fully reimbursed, so the previous dividend policy is suspended.

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.

The average price target of the investment firms that monitor the Bank showed a decrease which reflects the intensification of the sovereign debt crisis, the prospects for the Portuguese and world economy, as well as the new capital requirements.

During the year, the Bank participated in various events, having held roadshows in two major world financial markets – London and Paris – during the share capital increase. The Bank also participated in ten investor conferences, organised by other banks such as Banco Espírito Santo, HSBC, Goldman Sachs, Morgan Stanley, Merril Lynch, Caixa Banco de Investimento, Banco Santander and Commerzbank, and in Euronext Portuguese Day in New York, where institutional presentations were made and one to one meetings were held with investors. During 2012, 180 meetings were held and it should also be highlighted that there was a significant increase of contacts with the Bank's debt investors.

SHAREHOLDER SUPPORT LINE

In order to deepen relations with its shareholder base, the Bank created a telephone line to support Shareholders. Created in June, after the announcement of the Bank's Recapitalisation Plan, the line has been used intensely (2,144 calls in 2012), particularly during the period preceding the General Meetings of Shareholders held on 25 June and during the Bank's share capital increase, which took place between September and October.

TREASURY SHARES

In keeping with commercial law and 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 2011, Banco Comercial Português, S.A. held 4,431,776 treasury shares in its portfolio. During 2012, the Bank traded 8,805,556 treasury shares, corresponding to 0.04% of the share capital.

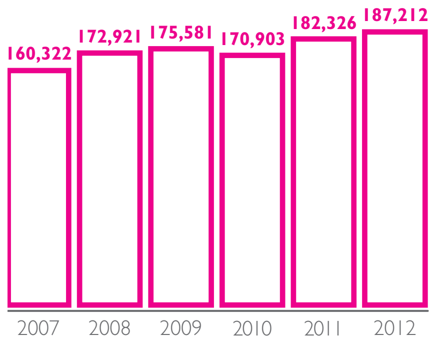
	Purchases			Sales			Total traded	
	Quantity	Value	Average unit price (€)	Quantity	Value	Average unit price (€)	Quantity	% of share capital
BANCO COMERCIAL PORTUGUÊS, S.A.	2,186,890	277,735	0,.127	6,618,666	774,384	0.117	8,805,556	0.04%

Therefore, as at 31 December 2012, Banco Comercial Português, S.A. no longer had any treasury shares.

EVOLUTION OF THE NUMBER OF SHAREHOLDERS

Over the last two years, there has been a significant increase in the number of Shareholders of the Bank, as indicated in the next graph.

NUMBER OF SHAREHOLDERS



Source: Interbolsa.

SHAREHOLDER STRUCTURE

According to information form Interbolsa, as at 31 December 2012, the number of Shareholders of Banco Comercial Português stood at 187,212 (182,326 as at 31 December 2011). The Bank's shareholder structure continues to be very dispersed, as only seven Shareholders own qualified holdings (over 2% of the share capital) and only one Shareholder holds a stake above 5%. Particular reference should be made to the increased weight of individual Shareholders, which currently account for 38.7% of the share capital (33.8% in December 2011).

Shareholder structure	Number of Shareholders	% of share capital
Group Employees	3,887	0.57%
Other individual Shareholders	178,323	38.73%
Companies	4,646	27.49%
Institutional	355	33.22%
TOTAL	187,212	100.00%

Shareholders with over 5 million shares represent 61.5% of the share capital (63.0% at the end of 2011).

Number of shares per Shareholder	Number of Shareholders	% of share capital
> 5,000,000	180	61.53%
500,000 to 4,999,999	2,525	14.09%
50,000 to 499,999	26,048	17.82%
5,000 to 49,999	64,817	5.84%
< 5,000	93,642	0.71%
TOTAL	187,212	100.00%

In 2012, the distribution between national and foreign Shareholders remained unchanged.

	National Shareholders		Foreign Shareholders	
Number of shares per Shareholder	Number	% of share capital	Number	% of share capital
> 5,000,000	116	24.03%	64	30.91%
500,000 to 4,999,999	2,376	13.04%	149	1.34%
50,000 to 499,999	25,270	17.23%	778	0.59%
5,000 to 49,999	63,248	5.70%	1,569	0.29%
< 5,000	90,357	0.69%	3,285	0.06%
TOTAL	181,367	66.81%	5,845	33.19%

QUALIFIED HOLDINGS

As at 31 December 2012, the following Shareholders held 2% or more of the share capital of Banco Comercial Português, S.A.:

31 December 2012

Shareholder	Nr. of shares	% of share capital	% of voting rights
Sonangol - Sociedade Nacional de Combustíveis de Angola, EP	3,830,587,403	19.44%	19.44%
TOTAL OF SONANGOL GROUP	**3,830,587,403**	**19.44%**	**19.44%**
Bansabadell Holding, S.L.	720,234,048	3.65%	3.65%
Banco de Sabadell, S.A.	121,555,270	0.62%	0.62%
Members of the management and supervisory bodies	41,242	0.00%	0.00%
TOTAL OF SABADELL GOUP	**841,830,560**	**4.27%**	**4.27%**
Fundação José Berardo			
Fundação José Berardo	453,457,491	2.30%	2.30%
Metalgest – Sociedade de Gestão, S.G.P.S., S.A.			
Metalgest – Sociedade de Gestão, S.G.P.S., S.A.	148,750,692	0.75%	0.75%
Kendon Properties	2,424,572	0.01%	0.01%
Moagens Associadas, S.A.	37,808	0.00%	0.00%
Cotrancer – Comércio e Transformação de Cereais, S.A.	37,808	0.00%	0.00%
Bacalhôa, Vinhos de Portugal, S.A.	30,247	0.00%	0.00%
Members of the management and supervisory bodies	37,242	0.00%	0.00%
TOTAL OF BERARDO GROUP	**604,775,860**	**3.07%**	**3.07%**
EDP – Imobiliária e Participações, S.A.	395,370,529	2.01%	2.01%
Fundo de Pensões EDP	193,473,205	0.98%	0.98%
Members of the management and supervisory bodies	1,049,778	0.01%	0.01%
TOTAL OF EDP GROUP	**589,893,512**	**2.99%**	**2.99%**
Estêvão Neves – S.G.P.S., S.A.	422,351,235	2.14%	2.14%
Enotel – S.G.P.S., S.A.	91,332,429	0.46%	0.46%
José Estêvão Fernandes Neves	35,913,921	0.18%	0.18%
TOTAL OF ESTÊVÃO NEVES GROUP	**549,597,585**	**2.79%**	**2.79%**
Teixeira Duarte – Gestão de Participações Sociais, S.A.			
Teixeira Duarte – Gestão de Participações e Investimentos Imobiliários, S.A.	340,563,430	1.73%	1.73%
Tedal – Sociedade Gestora de Participações Sociais, S.A.	53,647,851	0.27%	0.27%
E.P.O.S. – Empresa Portuguesa de Obras Subterrâneas, S.A.	34,000,000	0.17%	0.17%
Members of the management and supervisory bodies	1,446,448	0.01%	0.01%
TOTAL OF TEIXEIRA DUARTE GROUP	**429,657,729**	**2.18%**	**2.18%**
Interoceânico – Capital, S.G.P.S., S.A.	411,754,443	2.09%	2.09%
Members of the management and supervisory bodies	847,997	0.00%	0.00%
TOTAL OF INTEROCEÂNICO GROUP	**412,602,440**	**2.09%**	**2.09%**
TOTAL QUALIFIED SHAREHOLDINGS	**7,258,945,089**	**36.83%**	**36.83%**

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.

CAPITAL

Following the request submitted by Millennium bcp, the Bank of Portugal authorised the adoption of methodologies based on Internal Rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risks from the activity in Portugal as from 31 December 2010. Subsequently, within the framework of the process of sequential adoption of IRB methodologies to calculate capital requirements for credit and counterparty risk, the Bank of Portugal granted authorisation for the extension of this methodology to the subclasses of risk "Retail Revolving Exposures" and "Other Retail Exposures" in Portugal with effect from 31 December 2011. More recently, with effect from 31 December 2012, the Bank of Portugal authorised the use of own estimates of credit conversion factors (CCF) for exposures of the class of risk "Corporates" in Portugal and the adoption of IRB methodologies for "Loans secured by residential real estate" and "Renewable positions" of the Retail portfolio in Poland. During the first half of 2009, the Bank received authorisation from the Bank of Portugal to adopt the Advance method (internal model) for generic market risk and the Standard method for operational risk.

CAPITAL REQUIREMENTS: CALCULATION METHODS AND SCOPE OF APPLICATION

	'12	'11
CREDIT RISK AND COUNTERPARTY CREDIT RISK		
PORTUGAL		
Retail	**IRB Advanced**	IRB Advanced
Corporates	**IRB Foundation (2)**	IRB Foundation (1)
POLAND		
Retail		
- Loans secured by residential real estate	**IRB Advanced**	Standardised
- Renewable positions	**IRB Advanced**	Standardised
OTHER EXPOSURES (all entities of the Group)	**Standardised**	Standardised
MARKET RISK (3)		
Generic market risk in debt and equity instruments	**Internal Models**	Internal Models
Foreign exchange risk	**Internal Models**	Internal Models
Commodities risk and market risk in debt and equity instruments	**Standardised**	Standardised
OPERATIONAL RISK (4)	**Standard**	Standard

(1) Excluding exposures derived from the real estate promotion segment and simplified rating system, which are weighted by the Standardised approach.
(2) Calculated using own estimates of Credit Conversion Factors (CCF), except for exposures derived from the real estate promotion segment and simplified rating system, which are weighted by the Standardised approach.
(3) For exposures in the perimeter managed centrally from Portugal; for all the other exposures the only approach applied is the Standardised method.
(4) The adoption of the Standard method of operational risk was authorised in 2009 for application on a consolidated basis.

Consolidated Core Tier I, calculated in accordance with the Bank of Portugal rules, came to 12.4% as at 31 December 2012, above the minimum threshold defined by the Bank of Portugal (10%), having increased 309 basis points compared to 9.3% as reported at the end of 2011.

This performance essentially reflects the impact of the operations to reinforce Core Tier I undertaken in 2012, on the one hand, and the reduction of risk-weighted assets, resulting from both the extension of the use of IRB methodologies to calculate capital requirements for credit risk and the deleveraging undertaken during 2012, on the other hand.

Core Tier I increased by 1,444 million euros in 2012, with emphasis on:

- The issue, in June, of subordinated debt hybrid instruments that qualify as Core Tier 1, totally repayable by the Bank over a period of five years and which are, only in certain cases, namely due to non-compliance or default, able to be converted into Bank shares, in the total amount of 3 billion euros and fully underwritten by the State (+541 basis points in the Core Tier 1 ratio);

- The additional reinforcement of Core Tier I through an increase in share capital by cash entries concluded in October, with preferential Shareholder rights, in the amount of 500 million euros (+90 basis points in the Core Tier I ratio);

- Net income for the year, which came to -1,219 million euros (-220 basis points in the Core Tier I ratio);

- The reduction of Core Tier I due to the extinction of the prudential neutralisation granted by the Bank of Portugal at the end of 2011, relative to the impacts stemming from the transfer of liabilities related to pensions to the General Social Security Scheme in the amount of 439 million euros, and the reinforcement of impairment undertaken within the scope of SIP in the amount of 271 million euros, which reached a total of 709 million euros (-127 basis points in the Core Tier I ratio);

- 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, in a total of 161 million euros (-29 basis points in the Core Tier I ratio);

- The negative impact of the pension fund arising from the actuarial differences and the variation of the pension fund corridor recorded in 2012, which came to 136 million euros, after tax (-25 basis points in the Core Tier I ratio);

The increases arising from the higher fair value reserves of Millenniumbcp Ageas in the amount of +152 million euros, the minority interests in the amount of +82 million euros, the reversal of the impact of own credit risk on liabilities recognised at fair value in the amount of +32 million euros and the exchange rate differences in the amount of +25 million euros, which were partially offset by the increase in deductions associated with deposits with high interest rates in the amount of -82 million euros and to the shortfall of impairment to regulatory provisions related to credit exposures treated by the Standardised approach in the amount of -26 million euros and by the costs recorded with the increase in share capital which came to -13 million euros.

Risk-weighted assets decreased by 2,185 million euros in 2012, mainly reflecting:

- The decrease of 1,610 million euros supported by the maintenance of the deleveraging efforts – reflected in the decrease of the value of consolidated assets by more than 3.7 billion euros – and the optimisation and reinforcement of collateral, despite the negative effect of the deterioration of the credit risk of some Customers over this period;

- The favourable impact of the adoption of IRB methodologies for "Loans secured by residential real estate" and for "Renewable positions" of the Retail portfolio in Poland, which at the end of 2012 came to 294 million euros (+5 basis points in the Core Tier I ratio);

- The reduction of the amount required to cover operational risk, which came to 281 million euros (+5 basis points in the Core Tier I ratio).

In parallel, the Core Tier I ratio determined in accordance with the EBA criteria reached 9.8% as at 31 December 2012, compared favourably with the 9.7% ratio recorded as at 30 June 2012 (first reporting date of this ratio) and exceeded the minimum defined limit (9%). Regarding the Core Tier I ratio of the Bank of Portugal, the Core Tier I ratio of EBA is reduced by 50% of both the value of significant investments held in shareholdings and the impairment shortfall relative to the expected losses of the exposures treated by the IRB methodologies, on the one hand, and by the capital buffer that was set by EBA with reference to 30 September 2011 to cover sovereign risks, adjusted by the provisioning undertaken subsequently within the scope of the restructuring of Greek public debt, on the other hand.

SOLVENCY

Million euros

	'12	'11	'10
RISK WEIGHTED ASSETS			
Credit risk	**49,007**	50,908	54,681
Risk of the trading portfolio	**563**	566	608
Operational risk	**3,701**	3,981	4,275
TOTAL	**53,271**	55,455	59,564
OWN FUNDS			
CORE TIER I	**6,579**	5,135	3,966
Preference shares and Perpetual Subordinated Debt Securities with Conditioned Coupons	**173**	173	1,935
Other deductions (1)	**(530)**	(520)	(446)
TIER I CAPITAL	**6,223**	4,788	5,455
Tier II Capital	**697**	613	774
Deductions to Total Regulatory Capital	**(146)**	(138)	(113)
TOTAL REGULATORY CAPITAL	**6,773**	5,263	6,116
SOLVENCY RATIOS			
Core Tier I	**12.4%**	9.3%	6.7%
Tier I	**11.7%**	8.6%	9.2%
Tier II	**1.0%**	0.9%	1.1%
TOTAL	**12.7%**	9.5%	10.3%
EBA CORE TIER I RATIO (2)	**9.8%**		

(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).

(2) Core Tier I ratio in accordance with the criteria of EBA. In this scope, the Core Tier I calculated in accordance with the rules of the Bank of Portugal was deducted of the "Other deductions" (1) and of the buffer to sovereign risks (848 million euros); the risk weighted assets have not been adjusted.

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, 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. Afterwards, with effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for exposures of the class of risk "Corporates" in Portugal and the adoption of IRB methodologies for "Loans secured by residential real estate" and "Renewable positions" of the Retail portfolio in Poland. In the first half of 2009, the Bank received authorization from the Bank of Portugal to adopt the Advanced approaches (internal models) for the generic market risk and the Standard method for the operational risk.

FUNDING AND LIQUIDITY

2012 was characterised by the widespread difficulty Portuguese banks faced in accessing short, medium and long-term funding markets. Even so, in the second half there were modest improvements as demonstrated by the first issues made by some Portuguese banks on the international wholesale funding market, a situation which had not occurred since the first quarter of 2010.

In December 2011, the Board of the European Central Bank (ECB) approved a set of additional measures aimed at promoting liquidity and the normalization of the monetary markets functioning within the euro zone, broadening, amongst others, the criteria for the determination of the eligibility of assets to be used as collateral in the Eurosystem's monetary policy operations.

The main priorities defined in the Bank's Liquidity Plan for 2012 are based on the reinforcement and preservation of the portfolio of eligible assets for discount at the ECB, in order to mitigate and compensate the effects of the loss of eligibility of some securitisations and other assets. The achievement of this objective implied the development and implementation of the following actions:

I. Issue and incorporation of two new issues of debt guaranteed by the Portuguese State in the pool of eligible assets at the ECB: 1.4 billion euros and 1.5 billion euros, reaching a total amount of approximately 2.4 billion euros after haircuts, carried out in the first half of 2012;

II. Incorporation, in the pool of assets, of credit accepted by the Bank of Portugal, benefiting from the temporary broadening of the acceptance criteria for eligible assets announced in December 2011 by the ECB;

III. Optimisation of the management of eligible assets, namely through a new issue of covered bonds.

The Bank's Liquidity Plan also established the continuity of the deleveraging policy, implemented successfully through the reduction of the commercial gap by 7.3 billion euros, in consolidated terms. This fact simultaneously enabled the amortisation of the medium and long-term debt that was redeemed in 2012 (3.9 billion euros) and undertaking of two liability management operations (1.4 billion euros, in the first half of 2012) and other repurchases (0.2 billion euros), increasing the repayment of this type of liability to 5.5 billion euros.

The issue of 3 billion euros of hybrid capital instruments eligible as Core Tier 1 both for the Bank of Portugal and EBA, underwritten by the Portuguese State enabled the Bank to amortise wholesale debt with a material reduction in the net exposure to the ECB from 12.7 billion euros to 10.6 billion euros, thus maintaining the amount of the non-pledged eligible assets at the ECB at comfortable levels.

Following the accomplishment of another of the main goals of the Liquidity Plan for 2012, the time-frame of the Bank's wholesale funding was extended, by resorting to a second ECB long-term refinancing operation (LTRO), which enabled to increase the total amount borrowed for three years from 5.1 billion euros to 12.1 billion million.

For 2013, the Bank's liquidity position is expected to be positive, as a result of the continuation of the deleveraging process underway and in view of the modest refinancing needs in the short-term (1 billion euros).

RATINGS ASSIGNED TO BCP

The aggravation of the sovereign debt crisis with adverse impact both on the conditions of access to funding in the international wholesale markets and in the operating context of the banking sector in Portugal, as well as the lack of optimism regarding the Portuguese economy in the short-term, have led to various actions by the rating agencies targeting Portuguese banks in general and namely BCP. The recapitalisation process undertaken by Portuguese banks, with a view of strengthening solvency levels, namely compliance with the targets defined by the European Banking Authority (EBA) and Bank of Portugal, relative to the Core Tier 1 capital ratio, has not prevented some of these agencies from proceeding with the downward revision of ratings.

On 31 January 2012, following the revision of the Portuguese Republic's rating from "BBB" to "BBB (low)", **DBRS** announced the revision of the long-term rating of Banco Comercial Português, S.A. from "BBB" to "BBB (low)", maintaining the negative outlook (similar rating to the Portuguese Republic) and short-term rating from R-2 (high) to R-2 (mid) with a negative outlook. On 24 May 2012, DBRS placed the ratings of Banco Comercial Português, S.A. under review with negative implications, following similar action on the Portuguese Republic. On 5 December, after confirmation of the long-term rating of the Portuguese Republic on 30 November, DBRS reaffirmed the ratings of four Portuguese banks, maintaining the long-term rating of BCP at "BBB (low)", with a negative outlook.

On 31 January 2012, following the downward revision of the Portuguese Republic's rating from "BBB-/A-3" to "BB/B", **S&P** placed under review, with negative outlook, the long-term rating of some Portuguese banks, including BCP. On 14 February 2012, Banco Comercial Português, S.A. disclosed that, following the revision of the Portuguese Republic's rating from "BBB-" to "BB" and the revision of the Banking Industry Country Assessment for Portugal, Standard & Poor's announced that it had revised the ratings of Portuguese banks. In this context, the long-term rating of Banco Comercial Português, S.A. was downgraded from "BB" to "B+" with negative outlook, while the short-term rating was confirmed at "B". On 11 July 2012, following the analysis of the implications of the recapitalisation measures adopted by Portuguese banks, S&P announced that it maintained the principal ratings of BCP.

On 16 February 2012, **Moody's** revised the ratings of 114 European financial institutions of 16 European countries. In this context, Moody's placed the long-term rating of Banco Comercial Português, S.A. of "Ba3" under observation for a possible downward revision and confirmed the short-term rating at "Not Prime". On 28 March 2012, Moody's, also following the downgrade of the long-term rating of the Portuguese Republic from "Ba3" to "Ba2" on 13 February, proceeded with the revision of the ratings of seven national banks and banking groups. The Bank Financial Strength Rating converted to Baseline Credit Assessment – BFSR (BCA) – of Banco Comercial Português, S.A. was downgraded to E+(B2) from E+(B1) and the ratings of debt and deposits were restated at "Ba3/Not Prime", with negative outlook. On 4 December 2012, this rating agency revised the rating of three Portuguese banks, cutting the long-term rating of BCP by one notch to "B1", with indication of negative outlook.

On 18 June 2012, **Fitch Ratings** proceeded with the downward revision of the Viability Rating of Banco Comercial Português from "b" to "cc". The long and short-term ratings were confirmed to remain at "BB+"/"B", maintaining the negative outlook. On 17 July, Fitch announced its upward revision of the following ratings for BCP – Viability Rating of "cc" to "b", Subordinated Debt (Lower Tier 2) from "C" to "B-" and Preferred Shares from "C" to "CC", in order to reflect the improved capital base and the perspective that the Bank will be better positioned to overcome the recessive situation currently experienced in Portugal.

	Moody's	S&P	Fitch Ratings	DBRS
Last rating action	4 December 2012	11 July 2012	17 July 2012	5 December 2012
Intrinsic (*)	E	b	b	BBB
Long-term	B1	B+	BB+	BBB (low)
Short-term	Not Prime	B	B	R-2 (mid)
Outlook	Negative	Negative	Negative	Negative

(*) Moody's: *Bank Financial Strenght Rating* (BFSR); S&P: *Stand-alone Credit Profile* (SACP); Fitch Ratings: *Viability Rating* e DBRS: *Intrinsic Assessment* (IA).

FINANCIAL REVIEW

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

The consolidated financial statements are not directly comparable between 2012, 2011 and 2010, due to the sale in 2010 of 95% of the share capital of Millennium bank in Turkey (current Fibabanka, Anonim Sirketi) and the entirety of the branch network of Millennium bcpbank in the United States of America (USA), the respective deposits portfolio 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 size of these operations in the context of the consolidated activity.

Moreover, at the end of 2011, in view of the agreement signed between the 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 for the year 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 accordance with IAS, and in order to reflect the abovementioned change, the entirety of the deferred actuarial deviations was recognised in equity with retroactive effect on 1 January 2010. Under the applicable rules, the Group restated the financial statements with reference to 1 January 2010 and 31 December 2010, for comparative purposes.

In 2012, the activity of the Portuguese banking system continued to be developed in an adverse macroeconomic and financial environment, both domestically and internationally. The continued implementation of the economic and financial assistance programme, involving the correction of structural imbalances of the Portuguese economy, among with demanding budgetary consolidation, determined an immediate prolongation of the economic recession in Portugal, exacerbated by the persistence of high uncertainty regarding the economic evolution of the international economy and the resolution of the sovereign debt crisis of the euro area, which collectively continue to bring significant risks to financial stability in Portugal.

The deterioration of economic activity in Portugal, in 2012, had a negative effect on the profitability of the Portuguese banking system, both due to a greater materialisation of credit risk and to pressures on net interest income associated with the low level of market interest rates. It should be added that the sovereign debt crisis in the euro area and the interaction between sovereign risk and banking sector risk perceived by investors persisted as additional vulnerability factors of Portuguese banks, continuing to limit the access to funding in wholesale funding markets. However, the continuation of the process of deleveraging of the economy and the non-conventional monetary policy measures adopted by the European Central Bank (ECB), together with the capitalisation initiatives of the Portuguese banks, contributed to a substantial improvement of liquidity and capital in the Portuguese banking system.

In this adverse environment, the operating conditions of Millennium bcp were negatively affected by the high credit impairment charges, as a result of the materialisation of the loan portfolio risk, and by the higher cost of funding the activity, specifically determined by the evolution in opposite directions of the Euribor rate and the average cost of customer deposits and also as a result of the effect of the recourse to public investment. In 2012, Millennium bcp continued the effort to adjust its balance sheet structure to the new regulatory and market requirements, having achieved a significant reduction of the commercial gap, through the contraction of the loan portfolio and the increase in balance sheet customer funds, and strengthened its liquidity and capital position through the issue of 3 billion euros of hybrid instruments subscribed by the Portuguese State and a share capital increase of 500 million euros.

The recourse to public investment, as mentioned above, despite the recapitalisation process that the Bank has been undertaking since 2008 and which contributed to unprecedented capitalisation levels, resulted from the deterioration of the macroeconomic situation in Portugal and in Greece, the impact of the partial transfer of liabilities related to pensions to the General Social Security Scheme and the impairments charged, in 2012, within the scope of SIP – Special Inspection Programme (both reflected in June 2012, given that they were neutralised on 31 December 2011), the persistently tighter access of banks to financing markets and the new regulatory requirements imposed by the Bank of Portugal and the EBA.

Total assets stood at 89,744 million euros, as at 31 December 2012, compared with 93,482 million euros, as at 31 December 2011. The loan portfolio, before loans impairment, reached a total of 66,861 million euros as at 31 December 2012, compared with 71,533 million euros, as at 31 December 2011, driven by the contraction both in terms of loans to companies and to individuals. This evolution was influenced by the adjustment of demand, greater selectivity in loan concession, with a particular focus on supporting and funding the most productive segments of the national economy, and by the impact of the continuation of the balance sheet adjustment process through the gradual deleveraging of the intermediation activity, reflected in the decrease of the commercial gap.

Total customer funds increased to 68,547 million euros, as at 31 December 2012, compared to 65,530 million euros, as at 31 December 2011, benefiting from the performance of balance sheet funds, in particular of customer deposits, which continued to be the main source of funding of the activity. At the same time, total customer funds were positively influenced by the increase in off balance sheet funds, due to the positive performance of both capitalisation products and assets under management.

Net income was negative by 1,219.1 million euros in 2012, compared to the loss of 848.6 million euros in 2011, influenced above all by the high credit impairment charges associated with the activity in Portugal, in addition to the impact of the loss recorded by the subsidiary in Greece together with the impairment charges attributed to the activity of this subsidiary.

PROFITABILITY ANALYSIS

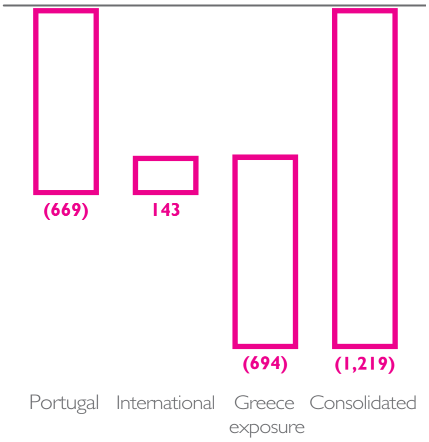
NET INCOME

Millennium bcp's consolidated net income was negative by 1,219.1 million euros in 2012, compared with a loss of 848.6 million euros in 2011, influenced by a set of factors which negatively affected the levels of profitability in both years. In 2012, special reference should be made of the impacts related to the strengthening of impairments and provisions in the activity in Portugal, reaching a total of 1,236.0 million euros, including the impairments constituted within the scope of the On-site Inspections Programme (OIP), as well as of the impairment charges for estimated losses together with the negative net income generated by the operation in Greece, in the global amount of 693.6 million euros.

The performance of net income, in 2012, reflects the deterioration of economic activity in Portugal, with an impact on the decline in domestic demand and investment and on the rise in unemployment, affecting the levels of confidence and income of both companies and households, in addition to the uncertainty surrounding the resolution of the sovereign debt crisis in the euro area, affecting in particular the European peripheral countries.

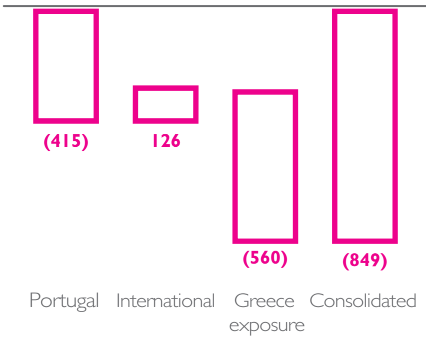
NET INCOME 2012

Million euros



NET INCOME 2011

Million euros



Net income for 2012 was also affected by the following factors, net of taxes, considering the marginal tax rate: i) unfavourable effect on net interest income related to costs of both the liability management operations undertaken in 2011, in the amount of 138.7 million euros, and of the issue of hybrid instruments subscribed by the Portuguese State, in the amount of 95.8 million euros; ii) cost of 49.1 million euros of commissions associated with the issue of debt securities guaranteed by the Portuguese State; iii) costs related to the restructuring programme and early retirements of 49.2 million euros, despite the favourable impact from the legislative change related to the mortality allowance, in the amount of 45.4 million euros and iv) a gain of 130.9 million euros, generated by the repurchase of own debt issues, and gains associated with Portuguese sovereign debt securities held in portfolio of 75.2 million euros.

The consolidated net income in 2011 was especially influenced by the recognition of impairment losses of Greek sovereign debt securities of 408.9 million euros (net of taxes), by the increase in credit impairment charges of 270.5 million euros (net of taxes), following the Special Inspections Programme (SIP), and by the recognition of impairment relative to the remaining goodwill of Millennium bank in Greece of 147.1 million euros. In addition, the consolidated net income of 2011 incorporated the following impacts, net of taxes: i) the losses associated with Portuguese public debt securities held in portfolio of 91.0 million euros; ii) the costs associated with the partial transfer of the liabilities related to pensions for retired employees and pensioners to the General Social Security Scheme of 117.0 million euros, the recording of costs related to early retirements of 8.7 million euros and the annulment of provisions related to the Pension Fund of former members of the Executive Board of Directors and to the complementary plan for Employees in the global amount of 34.3 million euros and iii) the recognition of deferred tax assets in the amount of 132.5 million euros within the scope of the restructuring process of the Group's shareholdings.

Consolidated net income, in 2012, in spite of the impacts mentioned above, was favourably influenced by the reduction of operating costs, in particular in terms of staff costs, other administrative costs and depreciation for the year, by the performance of net trading income and by the higher appropriation of equity accounted earnings, when compared with the previous year.

The evolution of profitability in the activity in Portugal was strongly constrained by the negative factors noted above, in spite of having benefited from the reduction in operating costs, as a result of the initiatives that have been implemented with a view to the rationalisation and contention of costs and from the adjustment of installed capacity to the new consumption patterns of Customers and simultaneous reduction in the demand for banking services, in particular through the resizing of the branch network and the increased exploitation of the potential associated with remote distribution channels.

QUARTERLY INCOME ANALYSIS

Million euros

	'12					'11	'10
	1st quarter	2nd quarter	3rd quarter	4th quarter	Total		
Net interest income	317.5	275.4	178.0	252.7	1,023.6	1,579.3	1,516.8
Other net income							
Dividends from equity instruments	0.3	3.3	0.2	0.1	3.9	1.4	35.9
Net commissions	169.9	176.7	169.4	174.8	690.8	789.4	811.6
Net trading income	191.3	134.0	33.4	104.0	462.8	207.6	439.4
Other net operating income	(14.5)	(15.2)	(10.8)	(15.8)	(56.1)	(22.7)	31.0
Equity accounted earnings	12.9	17.4	12.7	12.7	55.7	14.6	67.7
Total other net income	359.9	316.2	204.9	275.8	1,157.0	990.3	1,385.6
Net operating revenues	677.4	591.6	382.9	528.5	2,180.6	2,569.6	2,902.4
Operating costs							
Staff costs	206.6	142.6	201.5	264.7	815.4	953.6	831.2
Other administrative costs	141.3	142.6	134.0	147.2	565.2	584.5	601.8
Depreciation	21.5	20.7	20.1	15.7	78.1	96.1	110.2
Total operating costs	369.4	305.9	355.6	427.6	1,458.6	1,634.2	1,543.2
Impairment							
For loans (net of recoveries)	170.3	817.0	249.3	447.6	1,684.2	1,331.9	713.3
Other impairment and provisions	46.3	61.7	76.5	168.4	352.8	825.1	227.8
Income before income tax	91.4	(593.0)	(298.5)	(515.1)	(1,315.0)	(1,221.6)	418.1
Income tax							
Current	21.0	17.2	14.6	28.9	81.7	66.9	54.2
Deferred	11.2	(46.0)	(77.3)	(147.5)	(259.5)	(525.7)	(39.8)
Income after income tax	59.2	(564.2)	(235.8)	(396.5)	(1,137.2)	(762.8)	403.8
Non-controlling interests	18.5	20.9	16.1	26.2	81.8	85.9	59.3
Net income attributable to Shareholders of the Bank	40.7	(585.1)	(251.9)	(422.7)	(1,219.1)	(848.6)	344.5

Net income from the international activity, in 2012, was particularly penalised by the performance of the operation developed in Greece, despite the positive net income achieved by Bank Millennium in Poland, by Millennium bim in Mozambique and by Banco Millennium Angola, benefiting from the growth of the respective net operating revenues arising from the higher turnover, efficiency gains obtained in Poland and lower impairments and provisions in Mozambique and in Angola.

Bank Millennium in Poland recorded a net income of 113.1 million euros in 2012, in line with the 113.3 million euros registered in 2011, boosted by the favourable performance of net operating revenues, namely of net trading income, through gains associated with foreign exchange operations and sales of bonds, of net interest income related to loans and advances to customers and to securities, of the reduction in other administrative costs and in depreciation, which resulted in an improvement in operating efficiency. This favourable evolution was offset by the increase in credit impairment charges, the reduction of commissions and the increase in staff costs, partly associated with the increase in contribution to Social Security.

At Millennium bim in Mozambique, net income fell 4% to 85.5 million euros in 2012, compared with 89.4 million euros recorded in 2011, penalised by the reduction of net interest income, influenced by the decrease in interest rates associated with loans and advances to customers and the increase in the cost of customer deposits, as well as by the impact of the expansion plan in progress on the growth of operating costs, which were partially offset by lower credit impairment charges and by the favourable evolution of net trading income and commissions.

Banco Millennium Angola recorded an increase in net income to 37.3 million euros in 2012, compared with 33.3 million euros registered in 2011. This increase essentially reflects the performance of net operating revenues, in particular of commissions, associated mainly with transfers, loans and guarantees granted, as well as of gains associated with foreign exchange operations and of net interest income. The net income of Banco Millennium Angola was also constrained by the increase in operating costs, as a result of the expansion plan of the branch network in progress.

Millennium bank in Greece presented a loss of 266.4 million euros in 2012, compared with the loss of 3.5 million euros recorded in 2011. Net income was negatively influenced by the performance of net interest income, which in 2011 incorporates gains received in the repurchase of issued debt and, in 2012, reflects the decrease in interest rates associated with loans and advances to customers and the increase in interest rates associated with customer deposits, as well as the increase in credit impairment charges, resulting from the deterioration of the macroeconomic environment. However, the positive performance of net trading income and the savings in operating costs contributed favourably to net income.

Banca Millennium in Romania recorded a loss of 23.8 million euros in 2012, compared with a loss of 17.8 million euros posted in 2011, influenced by the performance of net interest income, penalised largely by the reduction in interest on loans and advances, and by the partial reversion of deferred tax assets associated with past tax losses. The net income of Banca Millennium benefited from the reduction in operating costs, arising from the optimisation of the branch network.

Millennium bcp Banque Privée in Switzerland recorded a positive net income of 2.5 million euros in 2012, compared with the loss of 12.0 million euros registered in 2011. This evolution fundamentally results from the reduction of credit impairment charges, which more than offset the unfavourable evolution of net interest income, reflecting the lower volume of loans and advances to customers, and the increase in operating costs, mainly associated with the cost of migration to a new IT system.

Millennium bcp Bank & Trust in the Cayman Islands posted a net income of 14.7 million euros in 2012, compared with 4.6 million euros in 2011, influenced by the performance of net interest income, reflecting the favourable effect of the reduction of the cost of deposits from credit institution.

NET INCOME OF FOREIGN SUBSIDIARIES (1)

Million euros

	'12	'11	'10	CHAN. % '12/'11
Bank Millennium in Poland	**113.1**	113.3	81.3	-0.2%
Millennium bim in Mozambique	**85.5**	89.4	52.8	-4.4%
Banco Millennium Angola	**37.3**	33.3	23.6	12.0%
Millennium bank in Greece	**(266.4)**	(3.5)	(16.0)	-
Banca Millennium in Romania	**(23.8)**	(17.8)	(23.6)	-
Millennium bcp Banque Privée in Switzerland	**2.5**	(12.0)	4.2	-
Millennium bcp Bank & Trust in Cayman Islands	**14.7**	4.6	6.0	-

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

NET INTEREST INCOME

Net interest income came to 1,023.6 million euros in 2012, compared with 1,579.3 million euros in 2011, constrained largely by the unfavourable interest rate effect of 381 million euros, negatively affected by the evolution in opposite directions of the Euribor rates and of the average cost of customer deposits, and by the negative volume effect of 198 million euros, reflecting essentially the performance of the loan portfolio.

The unfavourable interest rate effect was influenced by the higher cost of funding the activity, due to the higher interest rates of debt securities issued and financial liabilities and of subordinated debt, as well as the increased remuneration of customers' term deposits, offsetting the favourable effect associated with the repricing of the loans to customers' portfolio, as a result of the adjustment of the funding cost to Customers' risk profiles.

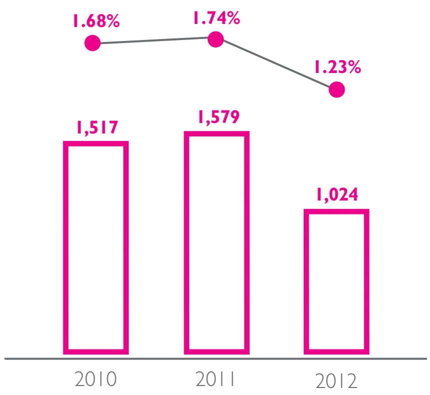
The negative volume effect reflects the contraction of loans to customers, as a result of lower demand and greater selectivity in credit concession, as well as the lower balance of financial assets, in spite of the growth of the balance of customer deposits, materialising the focus on the attraction of customer balance sheet funds, with a view to achieving the objectives of deleveraging and strengthening of stable funding in the funding structure.

The behaviour of net interest income was influenced above all by the activity in Portugal, penalised by the unfavourable interest rate effect, in particular the impacts associated with the issue of hybrid instruments subscribed by the Portuguese State within the scope of the capitalisation process of the Bank, the liability management operations undertaken during the course of the second half of 2011, as well as the higher cost of customers' term deposits relative to the previous year. At the same time, net interest income performance was conditioned by the negative volume effect, resulting essentially from operations with customers, in particular the contraction in loans and advances to customers. However, in the fourth quarter of 2012, net interest income performed positively, reversing the trend observed in previous quarters, in particular due to the effect of the downward trend of remuneration of customers' term deposits over the course of the year.

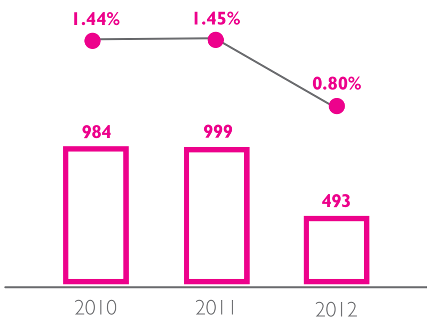
In the international activity, net interest income performance was also penalised by the unfavourable interest rate effect, in particular in Millennium bank in Greece, despite the positive volume effect registered in the other international operations, in particular in Millennium bim in Mozambique, in Bank Millennium in Poland and in Banco Millennium Angola.

The analysis of the average balance sheet shows a decrease of 6.8% of average net assets to 90,629 million euros in 2012, compared with 97,231 million euros in 2011. This performance was influenced by interest earning assets, reflecting the reduction of the average balance of loans and advances to customers to 66,355 million euros in 2012 (72,783 million euros in 2011), as well as the reduction of the average balance of financial assets to 11,080 million euros in 2012 (12,247 million euros in 2011), while the average balance of deposits in credit institutions remained practically unaltered at 4,458 million euros in 2012 (4,363 million euros in 2011).

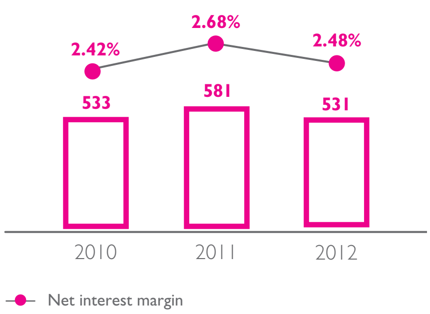
NET INTEREST INCOME
Million euros



NET INTEREST INCOME
Activity in Portugal
Million euros



NET INTEREST INCOME
International activity
Million euros



Total average liabilities decreased to 86,423 million euros in 2012, compared with 91,721 million euros registered in 2011, due to the reductions in the average balance of debt issued and financial liabilities to 15,591 million euros in 2012 (19,732 million euros in 2011) and in the average balance of amounts owed to credit institution to 17,048 million euros in 2012 (19,956 million euros in 2011), reflecting the lower exposure to the European Central Bank. Nevertheless, subordinated debt increased to 2,764 million euros in 2012 (1,504 million euros in 2011), boosted by the issue of hybrid financial instruments subscribed by the Portuguese State, and the average balance of amounts owed to customers grew to 47,747 million euros in 2012 (46,821 million euros in 2011), reflecting the focus on the strengthening and attraction of stable funding. Overall, the performance of average balances reflects the continuation of the balance sheet adjustment process with a view to the gradual deleveraging of the activity and the consequent reduction of the commercial gap.

AVERAGE BALANCES

Million euros

	'12		'11		'10	
	Average balance	**Yield**	Average balance	Yield	Average balance	Yield
INTEREST EARNING ASSETS						
Deposits in credit institutions	**4,458**	**1.36%**	4,363	1.67%	3,823	1.21%
Financial assets	**11,080**	**4.36%**	12,247	4.16%	9,587	3.53%
Loans and advances to customers	**66,355**	**4.48%**	72,783	4.45%	74,644	3.57%
	81,893	**4.29%**	89,393	4.27%	88,054	3.47%
Non-current assets held for sale	**-**		-		818	
TOTAL INTEREST EARNING ASSETS	**81,893**	**4.29%**	89,393	4.27%	88,872	3.49%
Non-interest earning assets held for sale	**-**		-		40	
Non-interest earning assets	**8,736**		7,838		8,457	
TOTAL ASSETS	**90,629**		97,231		97,369	
INTEREST BEARING LIABILITIES						
Amounts owed to credit institutions	**17,048**	**1.41%**	19,956	1.71%	15,087	1.40%
Amounts owed to customers	**47,747**	**3.18%**	46,821	2.92%	45,386	2.01%
Debt issued and financial liabilities	**15,591**	**3.56%**	19,732	2.55%	25,286	1.53%
Subordinated debt	**2,764**	**7.13%**	1,504	3.18%	2,254	2.96%
	83,150	**3.02%**	88,013	2.57%	88,013	1.79%
Non-current liabilities held for sale	**-**		-		740	
TOTAL INTEREST BEARING LIABILITIES	**83,150**	**3.02%**	88,013	2.57%	88,753	1.81%
Non-interest bearing liabilities associated with assets held for sale	**-**		-		118	
Non-interest bearing liabilities	**3,273**		3,708		2,707	
Shareholders' equity and Non-controlling interests	**4,206**		5,510		5,791	
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTERESTS	**90,629**		97,231		97,369	
NET INTEREST MARGIN (1)		**1.23%**		1.74%		1.68%

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

Note: Interest related to hedge derivatives were allocated, in 2012, 2011 and 2010, to the respective balance item.

In terms of the average balance sheet structure, the average balance of interest earning assets represented 90.4% of the average net assets in 2012 (91.9% in 2011). Loans and advances to customers continued to be the main component of the asset portfolio, corresponding to 73.2% of average total net assets, in spite of the contraction of loans and advances to customers relative to 2011, followed by the aggregate of financial assets, representing 12.2% of average net assets, supported by the investment securities portfolio, despite the decrease in financial instruments held for trading.

In the structure of average liabilities, customer deposits consolidated their position as the main source of funding the activity, representing 55.2% of average total liabilities, compared with 51.0% in 2011, boosted by the strategic focus on growth of customer balance sheet funds, with the weight of the debt issued and financial liabilities component having fallen, in 2012, to 18.0% of average total liabilities (21.5% in 2011), as a result of the maturity and amortisation of some medium to long-term debt operations, while the weight of subordinated debt was influenced by the issue of hybrid financial instruments which stood at 3.2% of average total liabilities (1.6% in 2011).

The balance of average shareholders' equity in 2012 decreased relative to 2011, influenced above all by the impact of the net losses generated during the course of the year, in spite of being partially offset by the increase in fair value reserves associated with financial assets available for sale. In 2012, an operation was undertaken to reduce the share capital of the Bank, along with an increase in reserves and retained earnings without altering equity. However, shareholders' equity benefited from the effect of the share capital increase in 2012, in the amount of 500 million euros, through the public subscription offer reserved for Shareholders.

The net interest margin stood at 1.23% in 2012, compared with 1.74% in 2011, influenced largely by the activity in Portugal, in addition to the performance of the international activity. This evolution reflects the impacts of the issue in 2012 of hybrid instruments and of liability management operations undertaken in the second half of 2011, in addition to the higher cost of customers' term deposits, benefiting, however, from the effect of the adjustment of pricing to Customers' loans risk profile.

FACTORS INFLUENCING NET INTEREST INCOME

Million euros

	'12 vs. '11			
	Volume	Rate	Rate/ Volume mix	Net change
INTEREST EARNING ASSETS				
Deposits in credit institutions	2	(14)	-	(12)
Financial assets	(49)	25	(2)	(26)
Loans and advances to customers	(290)	24	6	(260)
TOTAL INTEREST EARNING ASSETS	(325)	19	8	(298)
INTEREST BEARING LIABILITIES				
Amounts owed to credit institutions	(50)	(61)	9	(102)
Amounts owed to customers	27	121	6	154
Debt issued and financial liabilities	(107)	202	(41)	54
Subordinated debt	41	60	51	152
TOTAL INTEREST BEARING LIABILITIES	(127)	400	(15)	258
NET INTEREST INCOME	(198)	(381)	23	(556)

OTHER NET INCOME

Other net income, which aggregates dividends from equity instruments, net commissions, net trading income, other net operating income and equity accounted earnings came to 1,157.0 million euros in 2012, corresponding to an increase of 16.8% compared with 990.3 million euros in 2011. The evolution of other net income, associated largely with the activity in Portugal, benefited above all from the performance of net trading income, as well as, albeit to a lesser extent, from the equity accounted earnings.

OTHER NET INCOME

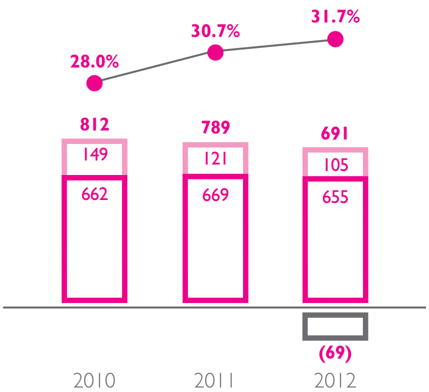
Million euros

	'12	'11	'10	CHAN. % '12/'11
Dividends from equity instruments	**3.9**	1.4	35.9	180.9%
Net commissions	**690.8**	789.4	811.6	-12.5%
Net trading income	**462.8**	207.6	439.4	122.9%
Other net operating income	**(56.1)**	(22.7)	31.0	-
Equity accounted earnings	**55.7**	14.6	67.7	-
	1,157.0	990.3	1,385.6	16.8%
of which:				
Activity in Portugal	**761.0**	515.9	992.6	47.5%
International activity	**396.0**	474.4	393.0	-16.5%

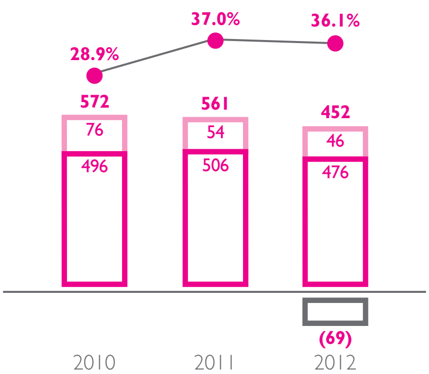
Income from equity instruments

Income from equity instruments, which include dividends received from investments in financial assets available for sale, stood at 3.9 million euros in 2012, compared with 1.4 million euros in 2011. The income from equity instruments recorded in both years correspond, above all, to the income associated with the Group's investments in its portfolio of shares and investment fund participation units.

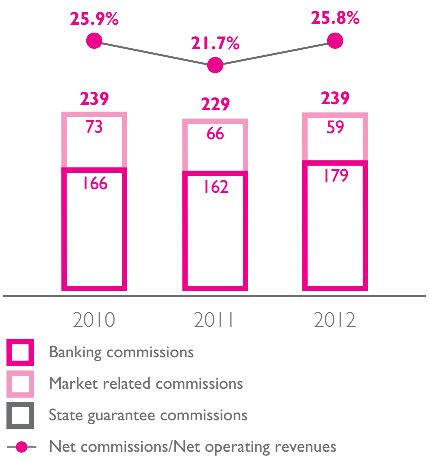
NET COMMISSIONS
Million euros



NET COMMISSIONS
Activity in Portugal
Million euros



NET COMMISSIONS
International activity
Million euros



Net commissions

Net commissions reached a total of 690.8 million euros in 2012, which compares with 789.4 million euros in 2011. Net commissions, in 2012 include the cost related to the guarantee provided by the Portuguese State to debt issued by the Bank, in the amount of 69.2 million euros. Excluding this impact, net commissions fell 3.7% relative to 2011, reflecting the evolution of both commissions related to the markets and commissions more directly related to banking activity.

The performance of net commissions was essentially constrained by the activity in Portugal, while in the international activity there was an increase of 4.5% relative to 2011, underpinned by the performance of the subsidiaries in Mozambique, Angola and Greece.

The commissions more directly related to the banking business were influenced by the lower level of commissions associated with credit and guarantees operations, in addition to the commissions related to the bancassurance business and to the cards business, in spite of the increase in commissions associated with other banking services.

The commissions associated with the cards business came to 182.6 million euros in 2012, compared with 184.5 million euros in 2011, reflecting the decrease in income related to service rates, invoicing and annual fees in the activity in Portugal, despite the growth of commissions in the international activity, in particular in the subsidiaries in Mozambique, Angola and, albeit to a lesser extent, in Romania.

Commissions related to loan operations and guarantees totalled 175.2 million euros in 2012, compared with 184.9 million euros in 2011, penalised by lower demand and greater selectivity in loan concession to customers in the activity in Portugal, despite the favourable evolution of the subsidiaries in Greece, Angola and Mozambique.

Bancassurance commissions, which include the commissions received for the placement of insurance products through the Bank's distribution networks, stood at 60.4 million euros in 2012, compared with 72.7 million euros in 2011, reflecting the adverse economic environment that penalised the profitability of the banking and insurance activity.

Other commissions directly related to the banking business increased to 236.9 million euros in 2012, compared with 226.6 million euros recorded in 2011, benefiting in particular from the performances of the activity in Portugal, Poland and Angola. In the activity in Portugal, the commissions generated by various banking services evolved positively compared with the previous year, benefiting from the revision of the transactions price list.

The commissions related to financial markets came to 104.9 million euros in 2012, compared with 120.7 million euros in 2011, reflecting the evolution of both the activity in Portugal and the international activity, as a result of the persistence of factors of uncertainty and volatility that constrain investment in capital markets, with a direct impact on the lower volume of operations and on the financial investment management activity in general.

Commissions associated with transactions on securities reached a total of 62.3 million euros in 2012 (73.8 million euros in 2011), reflecting the lower level of commissions related to the structuring of operations and the placement of debt issues in the activity in Portugal, despite the favourable performance shown by Millennium bim in Mozambique.

Commissions related to asset management came to 42.6 million euros in 2012, compared with 46.9 million euros in 2011. This evolution was determined by both the activity in Portugal, driven essentially by the activity related to real estate investment funds, and the international activity. However, the performance shown by the international activity was partially compensated by the favourable evolution recorded by the operations developed in Switzerland and Mozambique.

NET COMMISSIONS

Million euros

	'12	'11	'10	CHAN. % '12/'11
BANKING COMMISSIONS				
Cards	**182.6**	184.5	185.3	-1.1%
Credit and guarantees	**175.2**	184.9	178.7	-5.2%
Bancassurance	**60.4**	72.7	74.3	-16.9%
Other commissions	**236.9**	226.6	224.1	4.5%
SUBTOTAL	**655.1**	668.7	662.4	-2.0%
MARKET RELATED COMMISSIONS				
Securities	**62.3**	73.8	96.6	-15.5%
Asset management	**42.6**	46.9	52.6	-9.1%
SUBTOTAL	**104.9**	120.7	149.2	-13.0%
NET COMMISSIONS EXCLUDING THE STATE GUARANTEE	**760.0**	789.4	811.6	-3.7%
COMISSIONS RELATED WITH THE STATE GUARANTEE	**(69.2)**	-	-	
TOTAL NET COMISSIONS	**690.8**	789.4	811.6	-12.5%
of which:				
Activity in Portugal	**452.0**	560.9	572.2	-19.4%
International activity	**238.8**	228.5	239.4	4.5%

Net trading income

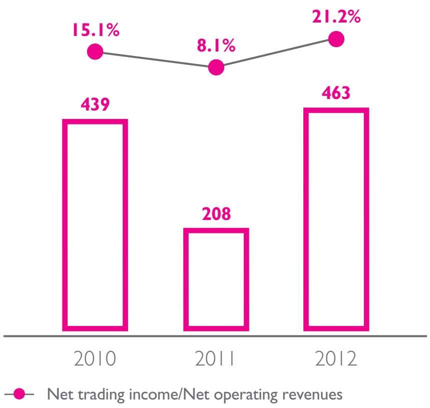
Net trading income, which includes net gains from trading and hedging activities, from available for sale financial assets and from held to maturity financial assets, evolved from 207.6 million euros in 2011 to 462.8 million euros in 2012.

This evolution essentially reflects the increase in net gains associated with Portuguese sovereign debt securities, benefiting from the gain of 106.0 million euros recorded in 2012, compared with a loss of 128.2 million euros recorded in 2011.

In parallel, net trading income includes, in 2012, the income associated with the activity in Portugal related to the repurchase of own debt issues, in the amount of 184.3 million euros, which corresponds to the difference between the nominal value and the repurchase value of the issues, reflecting a series of initiatives implemented within the scope of the funding and capital structure management process. This impact was partially offset by the negative variation of fair value associated with own credit risk in the amount of 30.0 million euros and by the losses related to the sale of credit operations in the amount of 25.6 million euros.

NET TRADING INCOME

Million euros



Net trading income in 2011 includes, in addition to the above mentioned losses associated with Portuguese sovereign debt securities, the negative variation of fair value associated with own credit risk in the amount of 20.6 million euros and the losses related to the sale of credit operations in the amount of 57.2 million euros, only partially offset by the gains associated with the repurchase operations of own debt securities issued.

In the international activity, net trading income decreased from 243.7 million euros in 2011 to 150.9 million euros in 2012, reflecting mainly the evolution of trading and derivative operations, in spite of being offset by the higher profit generated by foreign exchange transactions.

NET TRADING INCOME Million euros

	'12	'11	'10	CHAN. % '12/'11
Results from trading and hedging activities	**401.1**	204.4	367.3	96.3%
Results from available for sale financial assets	**46.2**	3.2	72.1	
Results from financial assets held to maturity	**15.5**	-	-	
TOTAL NET TRADING INCOME	**462.8**	**207.6**	**439.4**	**122.9%**
of which:				
Portuguese sovereign debt	**106.0**	(128.2)	(18.1)	
Geographic breakdown:				
Activity in Portugal	**311.9**	(36.1)	294.2	
International activity	**150.9**	243.7	145.2	-38.1%

Other net operating income

Other net operating income, which aggregates other operating income, other net income from non-banking activities and gains from the sale of subsidiaries and other assets, registered net losses of 56.1 million euros in 2012, compared with losses of 22.7 million euros in 2011. In 2011, other net operating income in Portugal benefited from the positive effect associated with an adjustment of insurance premiums related to pensions, in the amount of 18.9 million euros.

The evolution of other net operating income was mainly determined by the activity in Portugal, penalised by taxes recorded, in 2012, in the amount of 30.4 million euros (22.0 million euros in 2011) and by the extraordinary tax contribution on the banking sector of 33.9 million euros (32.0 million euros in 2011), in addition to the losses associated with the revaluation of repossessed assets, in spite of the favourable effect of net income associated with banking services provided.

Equity accounted earnings

Equity accounted earnings, which include the earnings appropriated by the Group associated with the consolidation of entities over which, despite having a significant influence, the Group does not control financial and operating policies, reached a total of 55.7 million euros in 2012, compared with 14.6 million euros in 2011.

The performance of equity accounted earnings benefited from the net income of Millenniumbcp Ageas in 2012, comparatively higher than that registered in the previous year, and from the consequent appropriation of results associated with the 49% shareholding in that company. In spite of the deterioration of the national and international macroeconomic environment, which strongly constrained the performance of the insurance market, Millenniumbcp Ageas benefited, in 2012, from improved operating performance and cost control, as well as the continuation of its strategic agenda called "Vision 2015" dealing with the strategic repositioning of its business model.

EQUITY ACCOUNTED EARNINGS				Million euros
	'12	'11	'10	CHAN. % '12/'11
Millenniumbcp Ageas	**54.3**	17.9	69.7	202.8%
Other	**1.4**	(3.3)	(2.0)	-
	55.7	14.6	67.7	280.7%

OPERATING COSTS

Operating costs, which aggregate staff costs, other administrative costs and depreciation for the year, decreased 10.7% to 1,458.6 million euros in 2012, compared with 1,634.2 million euros in 2011.

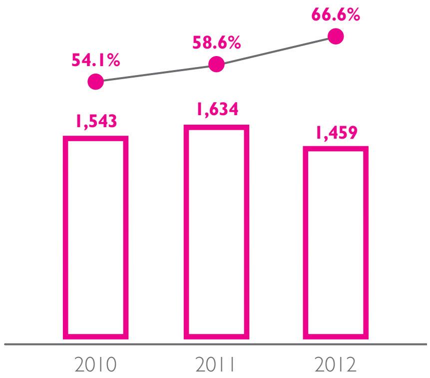
The evolution of operating costs includes the following impacts: i) the favourable effect of the legislative change related to the mortality allowance, in the amount of 64.0 million euros, recorded in the second quarter of 2012; ii) the recording of costs associated with early retirements and mutually agreed terminations, in particular within the scope of the restructuring programme, in the global amount of 69.3 million euros in 2012 (12.3 million euros in early retirement costs in 2011); iii) the reversal of provisions related to the Pension Fund of former members of the Executive Board of Directors and the complementary plan for Employees, in the global amount of 48.3 million euros registered in 2011 and iv) the costs associated with 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, recorded in 2011.

Excluding these impacts, operating costs fell 3.5%, benefiting from the reduction of 3.3% in other administrative costs, of 18.8% in depreciation for the year and of 1.8% in staff costs, as a result of the initiatives that have been implemented in the Group focused on the rationalisation and contention of costs, as well as the adjustment of installed capacity to the lower demand for banking services in Portugal, in particular through the resizing of the branch network.

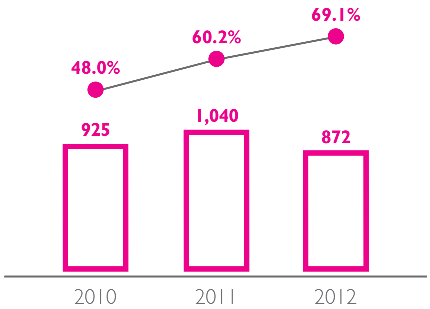
In the activity in Portugal, operating costs stood at 871.5 million euros in 2012 (1,040.4 million euros in 2011). However, excluding the impacts mentioned above, operating costs fell 5.0% relative to 2011. This evolution reflects the lower costs associated with other administrative costs (-6.4%) and staff costs (-3.2%), benefiting from the impact of the previously mentioned initiatives, as well as from the lower level of depreciation for the year (-15.5%) for most categories, with emphasis on depreciation related to properties and equipment.

In the international activity, operating costs fell 1.1% to 587.1 million euros in 2012, compared with 593.8 million euros in 2011, benefiting from the reduction of costs achieved by the subsidiaries in Greece and Poland, which more than offset the increases in Millennium bim in Mozambique and in Banco Millennium Angola, reflecting the reinforcement of the operational infrastructure and the support for the organic growth strategy underway in these two markets.

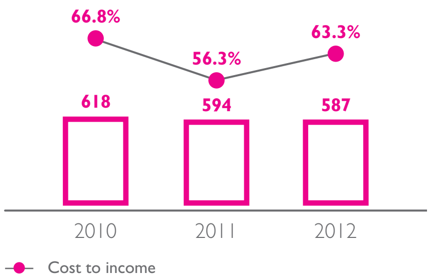
OPERATING COSTS
Million euros



OPERATING COSTS
Activity in Portugal
Million euros



OPERATING COSTS
International activity
Million euros



The consolidated cost to income ratio, excluding specific items, stood at 66.6% in 2012, which compares with 58.6% in 2011, penalised by the performance of income, in spite of the positive performance of the operating cost component, underpinned by the implementation of various initiatives with a view to strict cost control and improved operating efficiency. The cost to income ratio of the activity in Portugal stood at 69.1% in 2012, compared with 60.2% in 2011, while in the international activity it came to 63.3% in 2012 (56.3% in 2011), influenced by the lower total income for the year, whose effect was proportionately higher than that of the simultaneous reduction in operating costs.

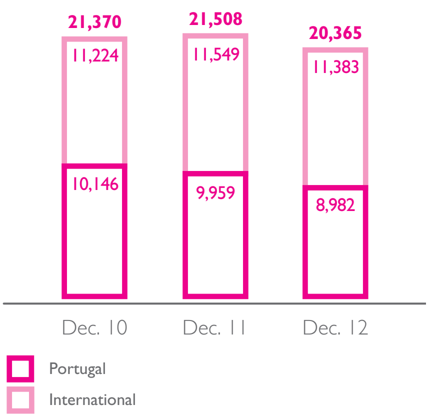
OPERATING COSTS

Million euros

	'12	'11	'10	CHAN. % '12/'11
ACTIVITY IN PORTUGAL				
Staff costs (1)	**527.0**	544.5	531.7	-3.2%
Other administrative costs	**298.7**	319.2	331.9	-6.4%
Depreciation	**40.5**	47.9	54.5	-15.5%
	866.2	**911.6**	**918.1**	**-5.0%**
INTERNATIONAL ACTIVITY				
Staff costs	**283.1**	280.3	292.3	1.0%
Other administrative costs	**266.4**	265.3	269.9	0.4%
Depreciation	**37.6**	48.2	55.7	-22.0%
	587.1	**593.8**	**617.9**	**-1.1%**
TOTAL				
Staff costs (1)	**810.1**	824.8	824.0	-1.8%
Other administrative costs	**565.2**	584.5	601.8	-3.3%
Depreciation	**78.1**	96.1	110.2	-18.8%
	1,453.3	**1,505.4**	**1,536.0**	**-3.5%**
Specific items				
Legislative change related to mortality allowance and reversal of provisions	**(64.0)**	(48.3)	-	
Partial transfer of liabilities with pensions	**-**	164.8	-	
Restructuring programme and early retirements	**69.3**	12.3	7.2	
	1,458.6	**1,634.2**	**1,543.2**	**-10.7%**

(1) Excludes the impacts of specific items presented in the table.

NUMBER OF EMPLOYEES



Staff costs

Staff costs amounted to 815.4 million euros in 2012, compared with 953.6 million euros in 2011. Staff costs include the already mentioned specific impacts in the global amount of 5.3 million euros in 2012 and of 128.8 million euros in 2011. Excluding these impacts, staff costs fell 1.8% to 810.1 million euros in 2012 (824.8 million euros in 2011).

In the activity in Portugal, staff costs reached a total of 532.3 million euros in 2012 (673.3 million euros in 2011). However, excluding the specific impacts mentioned above, focusing overall on the activity in Portugal, there was a decrease of 3.2%, largely influenced by the lower social contributions relative to the previous year. Staff costs in the activity in Portugal in 2012 do not yet reflect in the remuneration component the effect of the decrease to a total of 8,982 Employees at the end of 2012 relative to the 9,959 Employees at the end of 2011, since the mutually agreed terminations and early retirements undertaken within the scope of the restructuring programme, with a view to the optimisation of resources and the simplification of structures, took place mainly in the last few months of 2012.

In the international activity, staff costs reached a total of 283.1 million euros in 2012, representing an increase of 1.0% relative to the 280.3 million euros in 2011, due to the increases recorded by the subsidiaries in Mozambique, Angola and Poland, reflecting the higher number of Employees, in the case of the first two, in line with the expansion of the respective distribution networks. Nevertheless, staff costs of Millennium bank in Greece, in 2012, fell relative to the previous year, as a result of the decrease in the number of Employees, which combined with the staff reduction in Bank Millennium in Poland, within the scope of the redefinition of the European operations, resulted in a reduction in the number of Employees in the international activity to a total of 11,383 Employees at the end of 2012 (11,549 Employees at the end of 2011).

STAFF COSTS Million euros

	'12	'11	'10	CHAN.%'12/'11
Salaries and remunerations	**606.6**	604.3	619.7	0.4%
Social security charges and other staff costs (1)	**203.5**	220.6	204.2	-7.7%
	810.1	824.9	823.9	-1.8%
Specific items				
Legislative change related to mortality allowance and reversal of provisions	**(64.0)**	(48.3)	-	
Partial transfer of liabilities with pensions	**-**	164.8	-	
Restructuring programme and early retirements	**69.3**	12.3	7.2	
	815.4	953.6	831.2	-14.5%

(1) Excludes the impacts of specific items presented in the table.

Other administrative costs

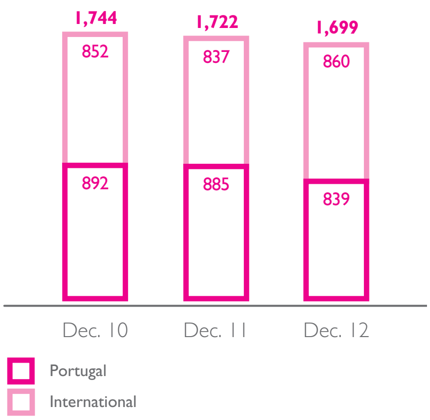
Other administrative costs fell 3.3% to 565.1 million euros in 2012, from 584.5 million euros in 2011, with emphasis on the savings achieved in the outsourcing, insurance, advertising, rent and travel line items.

The decrease in other administrative costs benefited from the reduction of 6.4% in the activity in Portugal to 298.7 million euros in 2012, compared with 319.2 million euros in 2011, reflecting the lower costs associated with outsourcing, insurance, travel, maintenance and repairs and rent. This performance was favourably influenced by the continued efforts to rationalise and contain costs and by the redimensioning of the branch network in Portugal, reaching a total of 839 branches as at 31 December 2012, corresponding to a reduction of 46 branches relative to the end of 2011.

In the international activity, other administrative costs came to 266.4 million euros in 2012, compared with 265.3 million euros in 2011, reflecting the increase in costs related to maintenance and repairs, security services and cash transport, in spite of the savings achieved in the advertising, rent, insurance and advisory services.

The evolution of other administrative costs in the international activity, despite the reductions recorded in the operations developed in Greece, Poland and Romania, essentially reflects the higher costs recorded in the subsidiaries in Mozambique and Angola, in line with the expansion of their respective local distribution networks. This expansion contributed to the growth of the branch network of the international activity to 860 branches at the end of 2012 (837 branches at the end of 2011), thus exceeding the branch network in Portugal as at 31 December 2012.

BRANCHES



OTHER ADMINISTRATIVE COSTS

Million euros

	'12	'11	'10	CHANGE % '12/'11
Water, electricity and fuel	**24.7**	22.3	21.2	10.9%
Consumables	**7.2**	7.0	7.7	3.6%
Rents	**144.4**	148.4	151.0	-2.7%
Communications	**39.6**	39.5	43.3	0.1%
Travel, hotel and representation costs	**11.2**	13.7	14.8	-18.1%
Advertising	**34.9**	38.9	43.8	-10.2%
Maintenance and related services	**40.5**	39.1	41.4	3.6%
Credit cards and mortgage	**10.7**	16.0	16.6	-33.2%
Advisory services	**23.2**	24.0	20.5	-3.2%
Information technology services	**24.0**	23.6	28.6	1.6%
Outsourcing	**82.6**	90.7	92.0	-8.8%
Other specialised services	**32.6**	31.3	32.8	4.1%
Training costs	**2.1**	3.1	2.9	-33.0%
Insurance	**14.8**	19.2	17.9	-23.2%
Legal expenses	**14.4**	12.3	8.3	16.9%
Transportation	**11.5**	11.1	10.1	4.3%
Other supplies and services	**46.8**	44.3	48.9	5.2%
	565.2	**584.5**	**601.8**	**-3.3%**

Depreciation

The depreciation costs for the year fell 18.8% to 78.1 million euros in 2012, compared with 96.1 million euros recorded in 2011, benefiting from the reduction in the majority of headings, in particular depreciation related to tangible assets.

The decrease in depreciation was driven both by the activity in Portugal and international operations. In the activity in Portugal, depreciation for the year fell 15.5% relative to 2011, corresponding to a lower level of depreciation related to real estate and equipment, following the gradual end of the period of depreciation of investments.

In the international activity, depreciation for the year fell 22.0% relative to 2011, as a result of the decrease in depreciation for the year in the subsidiaries of Poland, Greece and Romania, as well as the slowdown in the pace of growth of depreciation in Banco Millennium Angola. This evolution, in spite of the increase in depreciation in Millennium bim in Mozambique, resulted in a decrease of the depreciation for the year – representing the international activity – to 48% of the consolidated amount in 2012 (50% in 2011).

LOAN IMPAIRMENT AND CREDIT RECOVERIES

Loan impairment (net of recoveries) reached a total of 1,684.2 million euros in 2012, compared with 1,331.9 million euros in 2011. This evolution was driven by the impact of the loan impairment charges related to the subsidiary in Greece that came to a global amount of 702.4 million euros in 2012 (89.5 million euros in 2011), in addition to the increase in charges undertaken following the On-site Inspections Programme (OIP) in 2012, in the amount of 290.0 million euros, compared with the amount of 381.0 million euros in 2011, associated with the Special Inspections Programme (SIP), both focused on activity in Portugal.

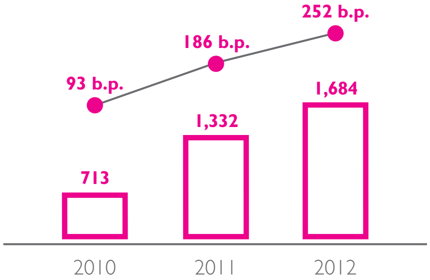
The evolution of loan impairment (net of recoveries) in the activity in Portugal reflects the increase in charges influenced by the inspection programmes mentioned above and by the persistence of an adverse macroeconomic and financial environment, with the consequent deterioration of the economic and financial situation of households and national companies, reflected in the worsening of the credit risk indicators. Nevertheless, in 2012, efforts to improve the risk monitoring and preventive action mechanisms continued, culminating in the implementation of a new credit management model.

In the international activity, loan impairment (net of recoveries) largely reflects the increase in charges recorded by the subsidiary in Greece, as a result of the maintenance of a particularly unfavourable macroeconomic context and the resurgence of tensions associated with sovereign debt with the consequent impact on the deterioration of default levels.

The cost of risk, calculated by the proportion of credit impairment charges (net of recoveries) to the loan portfolio, stood at 252 basis points in 2012, compared with 186 basis points recorded in 2011.

IMPAIRMENT CHARGES (NET)

Million euros

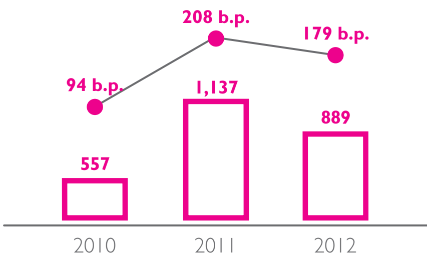


Note: in 2012 includes impairment for estimated losses in Greece.

IMPAIRMENT CHARGES (NET)

Activity in Portugal

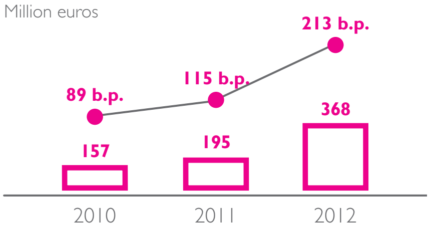
Million euros



IMPAIRMENT CHARGES (NET)

International activity

Million euros



LOAN IMPAIRMENT CHARGES (NET OF RECOVERIES)

Million euros

	'12	'11	'10	CHAN. % '12/'11
Loan impairment charges	**1,707.8**	1,353.2	743.8	26.2%
Credit recoveries	**23.6**	21.3	30.5	10.8%
	1,684.2	**1,331.9**	**713.3**	**26.4%**
Cost of risk:				
Impairment charges as a % of total loans	**255 b.p.**	189 b.p.	97 b.p.	66 b.p.
Impairment charges (net of recoveries) as a % of total loans	**252 b.p.**	186 b.p.	93 b.p.	66 b.p.

Note: In 2012 includes impairment for estimated losses in Greece.

OTHER IMPAIRMENT AND PROVISIONS

Other impairments and provisions aggregate the line items of charges for impairment of other financial assets, for impairment of other assets, in particular repossessed assets arising from the termination of loan contracts with customers, for impairment of goodwill, as well as charges for other provisions.

Other impairments and provisions reached a total of 352.8 million euros in 2012, compared with 825.1 million euros in 2011. This evolution largely reflects the effect of the following impacts registered in 2011: i) accounting of impairment losses associated with Greek sovereign debt securities, in the amount of 533.5 million euros, and ii) recognition of impairment relative to the remaining goodwill of Millennium bank in Greece of 147.1 million euros. In turn, in 2012, other impairments and provisions mainly include the increase in charges in the activity in Portugal related to impairment losses in financial assets, in particular repossessed assets which, under the regular process of revaluation of these assets, registered a decrease of their respective market value. In addition, it includes the charges associated with financial assets available for sale, in particular impairment losses in investment fund units held by the Group, as well as other assets.

In the international activity, the evolution of other impairments and provisions, between 2011 and 2012, reflects the increase in charges recorded by the subsidiaries in Mozambique and Angola, partially offset by the lower level of charges recorded in Bank Millennium in Poland.

INCOME TAX

Income tax (current and deferred) reached -177.8 million euros in 2012, compared with -458.9 million euros recorded in 2011.

This tax includes current tax costs in the amount of 81.7 million euros (66.9 million euros in 2011), net of deferred tax income in the amount of 259.5 million euros (525.7 million euros in 2011).

The deferred tax income recorded in 2012 refers, above all, to the impairment losses that are not deductible for the purpose of calculation of the taxable profit for 2012 and the tax losses recorded for the year.

NON-CONTROLLING INTERESTS

Non-controlling interests include the part attributable to third parties of net income of the subsidiary companies consolidated under the full consolidation 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 shareholdings held in the share capital of Bank Millennium in Poland, Millennium bim in Mozambique and Banco Millennium Angola, standing at 81.8 million euros in 2012, compared with 85.9 million euros recorded in 2011. This evolution was determined by the performance of net income of Millennium bim in Mozambique and Bank Millennium in Poland, which was partially influenced by the exchange rate depreciation, in average terms, of the zloty against the euro.

REVIEW OF THE BALANCE SHEET

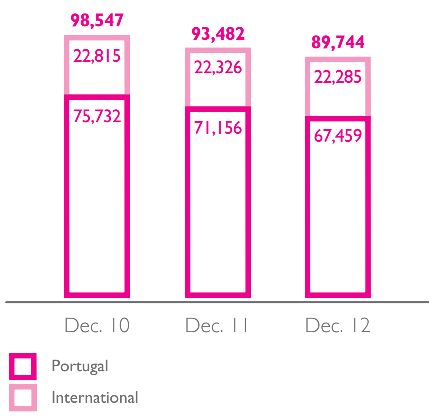
The deterioration of the macroeconomic environment in Portugal, in 2012, strongly influenced by the contractionary budgetary policy, with a significant impact on the decline of domestic demand and public and private investment, and by the continuation of restrictive funding conditions, in a context of persistence of the sovereign debt crisis in the euro area, constrained the levels of activity and profitability of the banking sector. However, in 2012, solvency levels were significantly strengthened together with a progressive convergence to a more balanced structural liquidity position of the national banking system, benefiting, on the one hand, from the capitalisation plans implemented by banks and, on the other hand, from the ECB's non-conventional stimulus measures which improved bank's access to liquidity, namely the undertaking of long-term refinancing operations (LTRO) and changes to the eligibility criteria for collateral for refinancing operations.

In 2012, Millennium bcp continued the deleveraging process which was reflected in the reduction of the commercial gap, driven by the growth of balance sheet customer funds and the contraction of the loan portfolio, which, in combination with the implementation of a series of initiatives associated to the Group's liquidity management, namely the repayment of a portion of the medium to long-term debt, the undertaking of two liability management operations, the repurchase of bonds and the issue of equity instruments fully underwritten by the State, contributed to the consolidation of a more stable medium-term funding structure in parallel with a reduction of the net exposure to the ECB, without prejudice to the reinforcement of the pool of collateral under the new eligibility rules for monetary policy operations.

Total assets reached 89,744 million euros as at 31 December 2012, compared with 93,482 million euros recorded as at 31 December 2011.

Loans and advances to customers, before loans impairment, decreased by 6.5%, to stand at 66,861 million euros as at 31 December 2012 (representing 75% of total assets), comparing with 71,533 million euros recorded at the end of the previous year. This evolution was mainly the result of the adverse environment mentioned above, which resulted in lower demand and higher selectivity in credit concession. In addition, the contraction of the loan portfolio was also influenced by the sale of some credit operations and by the early repayment of mortgage loans, which contributed to the deleveraging effort and subsequent channelling of resources to fund Customers' sustainable projects.

TOTAL ASSETS
Million euros



The portfolio of securities, which represents 16.1% of total assets, decreased in terms of financial assets held to maturity, but was reinforced in terms of financial assets held for trading and available for sale. In fact, the financial assets held to maturity fell 30.8%, to stand at 3,569 million euros as at 31 December 2012 (5,160 million euros at the end of 2011), reflecting the lower exposure to bonds and other debt securities of public issuers, namely Portuguese and Greek public debt, as well as debt securities of other issuers, following the redemption of bonds of national and foreign private issuers. In turn, the portfolio of financial assets held for trading and available for sale increased overall to 10,914 million euros as at 31 December 2012 (6,919 million euros at the end of 2011), largely due to the effect of the reinforcement of the portfolio of assets available for sale, namely commercial paper, public debt securities and investment fund units.

Total liabilities decreased by 3.8%, to stand at 85,744 million euros as at 31 December 2012, compared with 89,108 million euros at the end of 2011, largely influenced by: i) the reduction of other financial liabilities at fair value through profit and loss (-87.2%), as a result of the maturity and repayment of a portion of the medium to long-term debt, over the course of 2012; ii) a 13.9% decrease of deposits of Central Banks and other credit institutions to stand at a total of 15,266 million euros as at 31 December 2012 (17,723 million euros at the end of 2011), reflecting the lower exposure to ECB funding and iii) the reduction of issued debt securities (-16.6%), reflecting, on the one hand, the impact of liability management operations undertaken in 2012 and, on the other, the persistent limitation of access to wholesale funding markets. It is important to highlight, however, the combined effect on total liabilities, resulting from the increase in subordinated liabilities (274.9%), through the issue of Core Tier 1 equity instruments subscribed by the State in the amount of 3,000 million euros, and of the 3.9% increase of customer deposits, which reached 49,390 million euros (47,516 million euros at the end of 2011), as a result of the continued commercial effort to reduce the commercial gap and the attraction and growth of customer balance sheet funds.

Equity evolved from 4,374 million euros at the end of 2011 to 4,000 million euros as at 31 December 2012 (-374 million euros), which includes the neutral effect of the reformulation of equity headings, through reduction of the share capital, alongside an increase in reserves and retained earnings without altering shareholders' equity, in addition to the effect of the share capital increase in 2012, through the public subscription offer reserved for Shareholders, whose positive impact on equity came to 500 million euros. In addition, the evolution of equity was largely influenced by the impact of the recording of negative net income for the year of 1,219 million euros, partially offset by the positive variation of fair value reserves of 392 million euros, mainly related to the securities held by Millenniumbcp Ageas, in the proportion of the 49.0% stake held by the Group in this company, and of public debt securities and bonds of other public issuers in the Bank's portfolio.

BALANCE SHEET AT 31 DECEMBER

Million euros

	'12	'11	'10	CHAN. % '12/'11
ASSETS				
Cash and deposits at Central Banks and loans and advances to credit institutions	**6,298**	6,606	5,087	-4.7%
Loans and advances to customers	**62,618**	68,046	73,905	-8.0%
Financial assets held for trading	**1,691**	2,145	5,136	-21.2%
Financial assets available for sale	**9,223**	4,774	2,573	93.2%
Financial assets held to maturity	**3,569**	5,160	6,745	-30.8%
Investments in associated companies	**517**	305	396	69.5%
Non current assets held for sale	**1,284**	1,105	997	16.2%
Other tangible assets, goodwill and intangible assets	**885**	876	1,018	1.1%
Current and deferred tax assets	**1,789**	1,617	1,010	10.6%
Other (1)	**1,870**	2,848	1,680	-34.4%
TOTAL ASSETS	**89,744**	93,482	98,547	-4.0%
LIABILITIES				
Deposits from Central Banks and from other credit institutions	**15,266**	17,723	20,077	-13.9%
Deposits from customers	**49,390**	47,516	45,609	3.9%
Debt securities issued	**13,548**	16,236	18,137	-16.6%
Financial liabilities held for trading	**1,393**	1,479	1,176	-5.8%
Other financial liabilities at fair value through profit or loss	**329**	2,579	4,038	-87.2%
Non current liabilities held for sale	**-**	-	-	
Subordinated debt	**4,299**	1,147	2,039	274.9%
Other (2)	**1,519**	2,428	1,859	-37.4%
TOTAL LIABILITIES	**85,744**	89,108	92,935	-3.8%
EQUITY				
Share capital	**3,500**	6,065	4,695	-42.3%
Treasury stock	**-14**	-11	-82	24.4%
Share premium	**72**	72	192	
Preference shares	**171**	171	1,000	
Other capital instruments	**10**	10	1,000	
Fair value reserves	**2**	-390	-166	-100.7%
Reserves and retained earnings	**850**	-1,242	-1,869	-168.5%
Profit for the year attributable to Shareholders	**-1,219**	-849	344	43.7%
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	**3,372**	3,826	5,114	-11.9%
Non-controlling interests	**628**	548	498	14.7%
TOTAL EQUITY	**4,000**	4,374	5,612	-8.6%
TOTAL LIABILITIES AND EQUITY	**89,744**	93,482	98,547	-4.0%

(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.

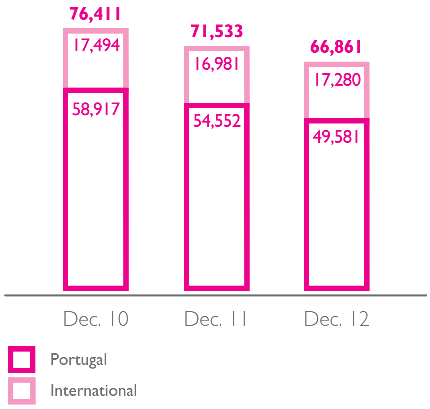
LOANS AND ADVANCES TO CUSTOMERS

During 2012, in parallel with a significant improvement of the liquidity gap of the Portuguese banking system, a trend of adjustment of demand and of the funding profile of the economy was observed. Indeed, there was, on the one hand, a contraction in demand for credit by individuals, reflecting the decline in consumer confidence, a decrease in the purchase of durable goods and unfavourable prospects relating to the housing market and, on the other hand, a growing demand from large companies for alternative sources of funding, even though Portuguese banks have continued to ensure, partly through monetary policy operations of the ECB, funding to the most dynamic and competitive segments of the national economy.

Millennium bcp continued to focus on innovation and adjustment of its value proposal to meet the funding needs of its individual Customers and companies, namely through the offer of integrated solutions aimed at rewarding the loyalty of specific Customer segments, as well as through the offer of innovative solutions for treasury management and export support, assistance regarding access to agreed credit facilities under protocol and added value services in the investment banking and specialised credit areas.

Loans and advances to customers, before loans impairment, fell by 6.5%, to stand at 66,861 million euros as at 31 December 2012, compared with 71,533 million euros recorded at the end of 2011. This evolution was largely determined by the contraction in the activity in Portugal (-9.1%), in spite of the increase recorded in the international activity relative to the end of 2011, influenced by the exchange rate appreciation of the zloty against the euro. However, excluding the foreign exchange rate effect, loans and advances to customers in the international activity decreased in most subsidiaries, despite the growth registered by Banco Millennium Angola and Millennium bim in Mozambique.

LOANS AND ADVANCES TO CUSTOMERS (*)
Million euros



(*) Before loans impairment.

The behaviour of loans and advances to customers indicates the contraction both in terms of loans granted to companies (-9.9%), which stood at 33,105 million euros as at 31 December 2012 (36,728 million euros at the end of 2011), and to individuals (-3.0%), reflecting, on the one hand, the impact of the continued deleveraging efforts of the intermediation activity and, on the other hand, the deterioration of the perception of companies and households regarding the economic environment, expressed in the contraction of investment in durable goods and consequent decreased demand for funding.

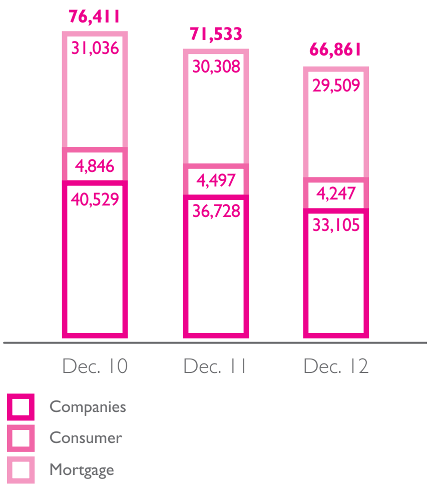
The slowdown in credit concession to individuals, in 2012, resulted mainly from the lower demand for mortgage loans, due to the negative appraisal of the future evolution of disposable household income, and from the higher selectivity in loan concession, namely the lower values of loans relative to the 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

	'12	'11	'10	CHAN. % '12/'11
INDIVIDUALS				
Mortgage loans	**29,509**	30,308	31,036	-2.6%
Consumer credit	**4,247**	4,497	4,846	-5.6%
	33,756	**34,805**	**35,882**	**-3.0%**
COMPANIES				
Services	**13,524**	14,802	16,041	-8.6%
Commerce	**3,490**	4,254	4,603	-17.9%
Construction and other	**16,091**	17,672	19,885	-8.9%
	33,105	**36,728**	**40,529**	**-9.9%**
TOTAL	**66,861**	**71,533**	**76,411**	**-6.5%**

(*) Before loans impairment.

LOANS AND ADVANCES TO CUSTOMERS (*)
Million euros



(*) Before loans impairment.

Between 31 December 2011 and 31 December 2012, the structure of the loan portfolio maintained identical patterns of diversification, with loans to companies representing 49.5% of total loans granted, while loans to individuals represented 50.5% of the portfolio of loans to customers.

Loans to individuals stood at 33,756 million euros as at 31 December 2012, having decreased 3.0% compared with 34,805 million euros recorded at the end of 2011, largely determined by the behaviour of mortgage loans, which represented 87.4% of loans to individuals, reaching a total of 29,509 million euros as at 31 December 2012.

The evolution of mortgage loans, in 2012, was largely influenced by the performance of the activity in Portugal (-5.1%), since the international activity increased 3.5% relative to the end of 2011, determined above all by the subsidiaries in Poland and Romania.

Consumer credit stood at 4,247 million euros as at 31 December 2012, compared with 4,497 million euros at the end of 2011, maintaining, however, its relative weight (6.4%) in the structure of the portfolio of loans granted to customers. Both the activity in Portugal, which fell by 8.2% relative to the end of 2011, and the international activity (-1.6%) contributed to this evolution, largely influenced by the performance of the operations in Greece and Mozambique, in spite of the growth in the subsidiary in Poland.

Loans to companies stood at 33,105 million euros as at 31 December 2012, compared with 36,728 million euros as at 31 December 2011. The decrease in loan concession to companies takes place within the scope of the deleveraging process of the national economy, both through the adjustment of company balance sheets resulting in lower demand for loans, in particular of large companies with access to medium to long-term funding opportunities in debt markets, and through the persistent limitation of bank access to funding in wholesale markets and consequent greater selectivity in loan concession, despite the support of Millennium bcp to company Customers with sustainable economic and financial structures.

LOANS AND ADVANCES TO CUSTOMERS (*)

Million euros

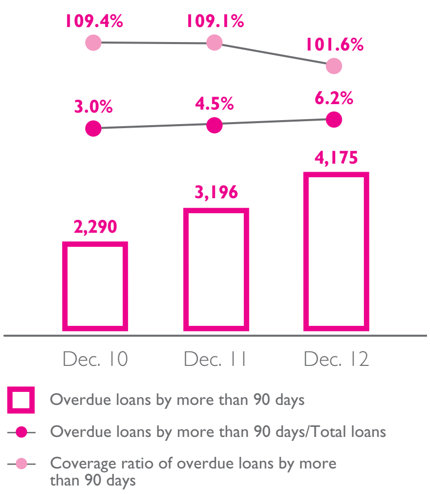
	'12	'11	'10	CHAN. % '12/'11
MORTGAGE LOANS				
Activity in Portugal	**20,669**	21,768	22,533	-5.1%
International activity	**8,840**	8,540	8,503	3.5%
	29,509	30,308	31,036	-2.6%
CONSUMER CREDIT				
Activity in Portugal	**2,469**	2,689	2,922	-8.2%
International activity	**1,778**	1,808	1,924	-1.6%
	4,247	4,497	4,846	-5.6%
COMPANIES				
Activity in Portugal	**26,443**	30,094	33,461	-12.1%
International activity	**6,662**	6,634	7,068	0.4%
	33,105	36,728	40,529	-9.9%
LOANS AND ADVANCES TO CUSTOMERS				
Activity in Portugal	**49,581**	54,552	58,917	-9.1%
International activity	**17,280**	16,981	17,494	1.8%
TOTAL	**66,861**	**71,533**	**76,411**	**-6.5%**

(*) Before loans impairment.

In 2012, support continued to be offered to Customer companies focused on the production of tradable goods and services and that are export-oriented, as well as the support to enterpreneurial businesses and initiatives through the participation in the credit lines for Small and Medium-sized Enterprises (SME), especially in the PME Crescimento (credit operations with mutual guarantee) and PME Investe/QREN (support to projects approved within the scope of the QREN incentive system) programmes, and within the scope of the protocol celebrated with Turismo de Portugal (support for companies of the Tourism sector). The performance of loans to companies was largely influenced by the activity in Portugal, which registered a contraction of 12.1%, with particular emphasis on the Corporate and Companies Banking networks, since in the international activity the loans granted to companies were practically unchanged relative to the end of the previous year.

The quality of the loan portfolio, measured by the default indicators, namely by the proportion of overdue loans by more than 90 days as a percentage of total credit, came to 6.2% as at 31 December 2012 (4.5% at the end of 2011), reflecting the deterioration of the economic and financial situation of households and companies and the consequent effect of the materialisation of credit risk in the year.

CREDIT QUALITY
Million euros



The coverage ratio for overdue loans by more than 90 days covered by impairments stood at 101.6% as at 31 December 2012, compared with 109.1% as at the same date of 2011, in line with the evolution registered in the activity in Portugal, since there was an improvement of the coverage ratio in the international activity.

Non-performing loans which, pursuant to Instruction nr. 16/2004 from the Bank of Portugal, in the current version, includes overdue loans by more than 90 days and doubtful debt reclassified as overdue for the effect of provisioning, accounted for 8.1% of total loans as at 31 December 2012, compared with 6.2% recorded at the end of 2011. In parallel, loans at risk, calculated under the terms defined in the Bank of Portugal Instruction, stood at 13.1% of total loans as at 31 December 2012, compared with 10.1% recorded at the end of 2011.

CREDIT QUALITY Million euros

	'12	'11	'10	CHAN. % '12/'11
Loans and advances to customers (*)	**66,861**	71,533	76,411	-6.5%
Overdue loans (> 90 days)	**4,175**	3,196	2,290	30.6%
Overdue loans	**4,362**	3,476	2,500	25.5%
Impairments (balance sheet)	**4,243**	3,488	2,506	21.7%
Overdue loans (> 90 days)/Loans and advances to customers (*)	**6.2%**	4.5%	3.0%	
Overdue loans/Loans and advances to customers (*)	**6.5%**	4.9%	3.3%	
Coverage ratio (Overdue loans > 90 days)	**101.6%**	109.1%	109.4%	
Coverage ratio (Overdue loans)	**97.3%**	100.3%	100.2%	
INSTRUCTION NR. 16/2004 FROM THE BANK OF PORTUGAL, IN THE CURRENT VERSION				
Total loans	**66,947**	71,723	76,475	
Overdue loans according to Bank of Portugal	**5,436**	4,414	3,421	23.1%
Credit at risk	**8,777**	7,211	5,430	
Impairments	**4,243**	3,488	2,506	21.7%
Overdue loans (> 90 days) + doubtful loans as a % of total loans	**8.1%**	6.2%	4.5%	
Overdue loans according to Bank of Portugal, net/ Total loans, net	**1.9%**	1.4%	1.2%	
Credit at risk/Total loans	**13.1%**	10.1%	7.1%	
Credit at risk, net/Total loans, net	**7.2%**	5.5%	4.0%	

(*) Before loans impairment.

Overdue loans by more than 90 days came to 4,175 million euros as at 31 December 2012, compared with 3,196 million euros as at the same date of 2011. This evolution resulted from the performance of overdue loans in both the activity in Portugal and international activity, reflecting the growing materialisation of credit risk over the course of the year, although largely as a result of the deterioration of the recessionary cycle of economic activity in Portugal.

Overdue loans granted to companies represented 74.4% of total overdue loans in the portfolio as at 31 December 2012, with particular emphasis on the services, construction and commerce sectors. The ratio of overdue loans to companies as a percentage of total loans granted to companies increased to 9.8%, compared with 7.0% recorded at the end of 2011, as a result of the combined effect of the increase in overdue loans and the contraction of loans to companies held in portfolio. As at 31 December 2012, overdue loans to companies presented a level of coverage of 101.9% by balance of impairments in the balance sheet.

For loans granted to individuals, overdue consumer credit and mortgage loans represented 18.9% and 6.7%, respectively, of the total overdue loans in the portfolio, with a ratio of overdue consumer credit to total consumer credit deteriorating to 19.4%, compared with 14.8% at the end of 2011, while the ratio of overdue mortgage loans remained practically stable in relation to the end of 2011, standing at 1.0% as at 31 December 2012.

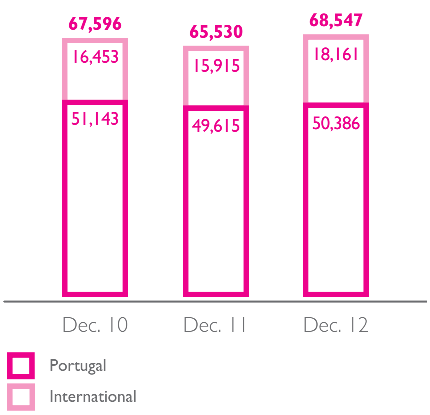
OVERDUE LOANS AND IMPAIRMENTS AS AT 31 DECEMBER 2012

Million euros

	Overdue loans	Impairment for loan losses	Overdue loans/ Total loans	Coverage ratio
INDIVIDUALS				
Mortgage loans	291	296	1.0%	101.7%
Consumer credit	824	640	19.4%	77.7%
	1,115	**936**	**3.3%**	**83.9%**
COMPANIES				
Services	872	1,226	6.4%	140.6%
Commerce	483	381	13.8%	78.9%
Construction and other	1,892	1,700	11.8%	89.9%
	3,247	**3,307**	**9.8%**	**101.9%**
TOTAL	**4,362**	**4,243**	**6.5%**	**97.3%**

TOTAL CUSTOMER FUNDS

Million euros



CUSTOMER FUNDS

In a context of persistence of difficulties in accessing funding on wholesale funding markets, in 2012, the strong competition to attract customer funds continued. These remained the main source of funding for Portuguese banks, even though deposits registered a more moderate growth relative to the previous year, which was associated to a readjustment of financial investments by private individuals, namely the substitution of diversified saving and investment products for bank deposits. In turn, the slowdown in the growth of deposits, in 2012, was due to the significant flow of investments in debt securities, particularly from the second quarter, namely in bonds with attractive maturities and returns issued by large companies, without prejudice to the maintenance of the confidence of Customers in the banking system.

TOTAL CUSTOMER FUNDS

Million euros

	'12	'11	'10	CHAN. % '12/'11
BALANCE SHEET CUSTOMER FUNDS				
Deposits	**49,390**	47,516	45,609	3.9%
Debt securities	**6,378**	5,544	5,733	15.0%
	55,768	53,060	51,342	5.1%
OFF BALANCE SHEET CUSTOMER FUNDS				
Assets under management	**3,798**	3,739	4,459	1.6%
Capitalisation products (1)	**8,981**	8,731	11,795	2.9%
	12,779	12,470	16,254	2.5%
TOTAL	**68,547**	**65,530**	**67,596**	**4.6%**

(1) Includes Unit linked and Retirement savings deposits.

In this context, Millennium bcp maintained its focus on the attraction and growth of customer funds, extending the offer of solutions concerning programmed small savings and medium to long-term investments targeting individual Customers and reinforcing its involvement in companies' cash management, in order to contribute simultaneously to the reduction of the commercial gap and meet the expectations and needs for savings and investment of the different Customer segments.

Total customer funds increased by 4.6% to 68,547 million euros as at 31 December 2012, compared with 65,530 million euros recorded at the end of 2011, influenced both in terms of the 5.1% growth of balance sheet funds and the growth (+2.5%) of off balance sheet funds, relative to the end of 2011.

In the activity in Portugal, total customer funds stood at 50,386 million euros as at 31 December 2012, compared with 49.615 million euros as at 31 December 2011. In the international activity, total customer funds increased by 14.1% to 18,161 million euros at the end of 2012, relative to 15,915 million euros recorded at the end of 2011, largely determined by the performance of Bank Millennium in Poland, with particular emphasis on the growth of customer deposits.

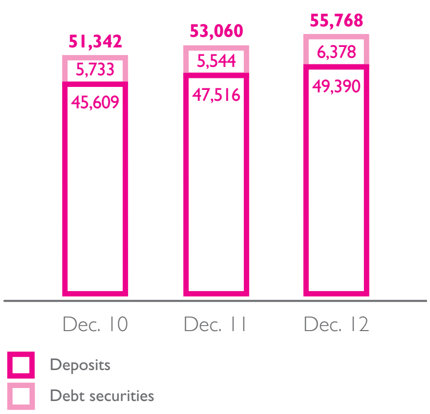
Customer balance sheet funds grew 5.1% to 55,768 million euros as at 31 December 2012, relative to 53,060 million euros at the end of 2011, with emphasis on the increase of customer deposits (+3.9%), in addition to the placement of other savings products and with a stable character, thus continuing to focus on the attraction and growth of customer balance sheet funds with a view towards the sustainable reduction of the commercial gap.

Customer deposits increased by 3.9%, to stand at 49,390 million euros as at 31 December 2012, relative to 47,516 million euros at the end of 2011, driven by the international activity, which increased by 12.0%, benefiting above all from the performance of Bank Millennium in Poland, but also from the subsidiaries in Switzerland, Romania, Mozambique and Angola.

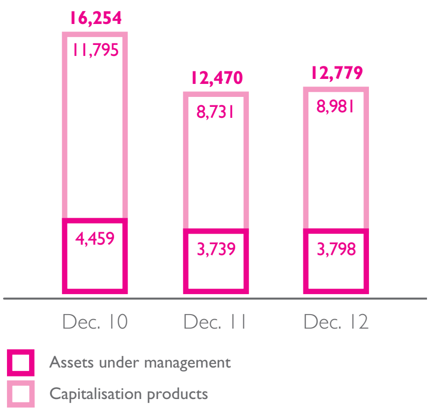
Debt securities owed to customers came to 6,378 million euros as at 31 December 2012, compared with 5,544 million euros at the end of the previous year, reflecting the commercial effort in the placement of structured products in 2012, namely in the Retail and Private Banking networks in Portugal, such as "Investimento Mundial" and "Investimento Europa", with guaranteed capital and return indexed to stock market indices.

BALANCE SHEET CUSTOMER FUNDS

Million euros



OFF BALANCE SHEET CUSTOMER FUNDS
Million euros



Customer off balance sheet funds stood at 12,779 million euros as at 31 December 2012, compared with 12,470 million euros recorded at the end of 2011. This positive evolution represented the inversion of the trend of the previous year and was determined by the favourable performances of both capitalisation products (+2.9%) and assets under management (+1.6%), benefiting from the revaluation of assets in financial markets and from the decreasing attractiveness of term deposits.

Assets under management stood at 3,798 million euros as at 31 December 2012 (3,739 million euros at the end of 2011). This performance was largely determined by the good performance of the international activity, in particular Bank Millennium in Poland and Millennium bank in Greece, while the activity in Portugal was influenced by the reduction of the volumes of real estate funds under management, despite the overall favourable performance of mutual investment funds, in particular funds of funds and low risk funds, such as the treasury fund "Millennium Liquidez" and the special investment fund "Millennium Extra Tesouraria II", in an environment still characterised by uncertainty and risk aversion.

Capitalisation products stood at 8,981 million euros as at 31 December 2012, which compares with 8,731 million euros at the end of 2011, influenced by both the performance of the activity in Portugal and the performance of the subsidiary in Poland. This favourable evolution, which reversed the trend of the previous year, benefited from the innovation and recognised quality of the offer of bancassurance business products distributed through the commercial networks of Millennium bcp in Portugal and Bank Millennium in Poland.

TOTAL CUSTOMER FUNDS

Million euros

	'12	'11	'10	CHAN. % '12/'11
BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	**38,767**	37,948	35,945	2.2%
International activity	**17,001**	15,112	15,397	12.5%
	55,768	**53,060**	**51,342**	**5.1%**
OFF BALANCE SHEET CUSTOMER FUNDS				
Activity in Portugal	**11,619**	11,668	15,198	-0.4%
International activity	**1,160**	802	1,056	44.7%
	12,779	**12,470**	**16,254**	**2.5%**
TOTAL CUSTOMER FUNDS				
Activity in Portugal	**50,386**	49,615	51,143	1.6%
International activity	**18,161**	15,915	16,453	14.1%
TOTAL	**68,547**	**65,530**	**67,596**	**4.6%**

AMOUNTS OWED TO AND BY CREDIT INSTITUTIONS

Amounts owed to credit institutions and Central Banks less amounts owed by credit institutions came to 12,549 million euros as at 31 December 2012, compared with 13,233 million euros recorded at the end of 2011. This evolution continued, in line with the previous year, to reflect the lower net exposure of the Group to the European Central Bank, as a result of the maintenance of the strategic focus of Millennium bcp in reducing the commercial gap, namely through the growth and attraction of customer balance sheet funds, with a view to, at the same time, the strengthening of stable funding in the funding structure, in a context of persistent restrictions on access to interbank and wholesale markets.

The "Funding and Liquidity" section presents an analysis of the main lines of action and the objectives of Millennium bcp within the scope of the liquidity management priorities defined in the Liquidity Plan for the year under analysis, namely the management of the portfolio of assets eligible for possible refinancing operations, so as to guarantee the convenient funding of the activity in the medium to long-term.

FINANCIAL ASSETS HELD FOR TRADING AND FINANCIAL ASSETS AVAILABLE FOR SALE

The total amount of the portfolio of financial assets held for trading and available for sale increased to 10,914 million euros as at 31 December 2012, relative to 6,919 million euros recorded on the same date in 2011. This evolution was largely determined by the constitution, in 2012, of a portfolio of commercial paper in the amount of 1,452 million euros and by the increased exposure to Portuguese and Polish public debt, as well as Bonds of other Portuguese issuers.

The portfolio of fixed yield securities, composed mainly by Treasury Bills and other public debt securities, Treasury Bonds and commercial paper, which, together, represent 75% of the fixed yield portfolio and 59% of the total portfolio, stood at 8,609 million euros as at 31 December 2012, compared with 5,322 million euros recorded at the end of 2011, reflecting the impacts mentioned above, namely the reinforcement of the Portuguese and Polish sovereign debt portfolio.

Variable yield securities increased to 962 million euros as at 31 December 2012, compared with 282 million euros recorded at the end of 2011, mainly through the reinforcement of the portfolio of investment fund units.

Trading derivatives came to 1,348 million euros as at 31 December 2012, almost unchanged from the amount recorded on the same date of the previous year (1,320 million euros), to the extent that the decline in the volume of trading of loan derivatives was offset by the simultaneous increase in interest rate swaps and options.

ASSETS HELD FOR TRADING AND AVAILABLE FOR SALE AS AT 31 DECEMBER — Million euros

	'12		'11		'10		CHANGE %
	Amount	**% in total**	Amount	% in total	Amount	% in total	'12/'11
FIXED INCOME SECURITIES							
Treasury Bills and other Government bonds	**3,368**	**30.9%**	2,612	37.8%	3,231	41.9%	28.9%
Bonds issued by Government and public entities (Portuguese)	**1,631**	**14.9%**	1,017	14.7%	932	12.1%	60.4%
Bonds issued by Government and public entities (foreign issuers)	**1,015**	**9.3%**	654	9.5%	1,156	15.0%	55.2%
Bonds issued by other Portuguese entities	**478**	**4.4%**	385	5.6%	225	2.9%	24.2%
Bonds issued by other foreign entities	**665**	**6.1%**	654	9.5%	886	11.5%	1.7%
Commercial paper	**1,452**	**13.3%**	-		-		
	8,609	**78.9%**	5,322	76.9%	6,430	83.4%	61.8%
VARIABLE INCOME SECURITIES							
Shares in Portuguese companies	**69**	**0.6%**	72	1.0%	56	0.7%	-4.2%
Shares in foreign companies	**31**	**0.3%**	66	1.0%	71	0.9%	-53.0%
Investment fund units	**860**	**7.9%**	144	2.1%	81	1.1%	
Other variable income securities	**1**		-		-		
	962	**8.7%**	282	4.0%	208	2.6%	
IMPAIRMENT FOR OVERDUE SECURITIES	**(5)**		(5)		(5)		
TRADING DERIVATIVES	**1,348**	**12.4%**	1,320	19.1%	1,076	14.0%	2.1%
	10,914	**100.0%**	6,919	100.0%	7,709	100.0%	57.7%

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 7.1% of total consolidated assets (7.2% at the end of 2011), reaching a total of 6,345 million euros as at 31 December 2012, compared with 6,751 million euros recorded on the same date in 2011. This evolution is explained essentially by: i) the reduction of derivatives to hedge the Group's exposure to interest and exchange rate risks and ii) the decline in the balance of other assets as at 31 December 2012, relative to the same date of 2011, related to the operations with securities and loan sales whose financial liquidation was carried over, impacts which were partially offset by the effect of the revaluation of the investment in Millenniumbcp Ageas, in the proportion of the 49.0% stake held by the Group in this insurance company.

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.

SEGMENTAL REPORTING

Millennium bcp provides a wide range of banking activities and financial services in Portugal and abroad, focusing on Retail Banking, Companies Banking (which includes the Companies Network and Corporate & Investment Banking) and Asset Management & Private Banking.

Business segment	Geographical segmentation
RETAIL BANKING IN PORTUGAL	Retail Network of Millennium bcp ActivoBank
COMPANIES	Companies Network of Millennium bcp (Portugal) (1) Real Estate Business Department Interfundos
CORPORATE & INVESTMENT BANKING	Companies Network of Millennium bcp (2) Investment Banking International Department
ASSET MANAGEMENT & PRIVATE BANKING (*)	Private Banking Network of Millennium bcp (Portugal) Subsidiaries specialised in the investment fund management business (Portugal) (*) For the purposes of business segmentation, includes: Millennium bcp Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands)
FOREIGN BUSINESS (**)	Bank Millennium (Poland) Millennium bank (Greece) Banca Millennium (Romania) BIM – Banco Internacional de Moçambique Banco Millennium Angola Millennium bcp Banque Privée (Switzerland) Millennium bcp Bank & Trust (Cayman Islands) (**) For the purposes of business segmentation, does not include: Millennium bcp Banque Privée (Switzerland) and Millennium bcp Bank & Trust (Cayman Islands)

(1) Dedicated to companies with an annual turnover of between 2.5 million euros and 50 million euros.

(2) Directed at companies and institutional entities with an annual turnover exceeding 50 million euros.

BUSINESS SEGMENT ACTIVITY

The figures reported for each business segment result from aggregating the subsidiaries and business units integrated in each segment, including the impact from capital allocation and balancing process of each entity, both at balance sheet and income statement levels, based on average figures. Balance sheet headings for each subsidiary and business unit are recalculated, given the replacement of their original shareholders' equity 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. Following the request submitted by Millennium bcp, the Bank of Portugal authorised the adoption of methodologies based on Internal Rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risk 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, the Bank of Portugal authorised the extension of that methodology to the subclasses of risk "Renewable Retail Positions" and "Other Retail Positions" in Portugal with effect as from 31 December 2011. Afterwards, with effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for exposures of the class of risk "Corporates" in Portugal and the adoption of IRB methodologies for "Loans secured by residential real estate" and "Renewable positions" of the Retail portfolio in Poland.

Additionally, the Bank adopted the Standard approach for operational risk and the Internal Models approach for general market risk and foreign exchange risk, for the perimeter managed centrally from Portugal. The capital allocation for each segment, in 2011 and in 2012, resulted from the application of 10% to the risks managed by each segment.

Information related to 2011 is presented on a comparable basis with the information reported in 2012, reflecting the current organisational structure of the Group's business areas referred to in the segment description described above, and considering the effect of the transfer of Clients and also the redeployment of cost of funds held under the rationalization of the business platform.

The net contributions of each segment include, where applicable, 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 31December 2012.

Million euros

	Retail Banking			Companies			Corporate & Investment Banking			Private Banking & Asset Management			Foreign Business		
	'12	'11	Chan. % '12/'11	**'12**	'11	Chan. % '12/'11	**'12**	'11	Chan. % '12/'11	**'12**	'11	Chan. % '12/'11	**'12**	'11	Chan. % '12/'11
PROFIT AND LOSS ACCOUNT															
Net interest income	**172.7**	221.8	-22.1%	**237.5**	246.2	-3.5%	**307.9**	295.0	4.4%	**33.7**	27.4	23.1%	**506.6**	679.2	-25.4%
Other net income	**383.0**	402.2	-4.8%	**96.3**	103.0	-6.5%	**183.9**	199.8	-8.0%	**27.2**	27.9	-2.4%	**396.0**	338.6	17.0%
	555.8	624.0	-10.9%	**333.8**	349.2	-4.4%	**491.8**	494.8	-0.6%	**60.9**	55.3	10.2%	**902.7**	1,017.8	-11.3%
Operating costs	**599.1**	641.7	-6.6%	**83.8**	67.1	25.0%	**73.6**	76.0	-3.2%	**27.2**	30.0	-9.1%	**587.1**	593.8	-1.1%
Impairment	**143.7**	188.1	-23.6%	**436.0**	456.9	-4.6%	**406.2**	393.2	3.3%	**15.0**	105.2	-85.7%	**373.8**	198.5	88.4%
Contribution before income taxes	**(187.0)**	(205.8)		**(186.0)**	(174.7)		**12.0**	25.6	-53.2%	**18.7**	(79.9)	-123.4%	**(58.3)**	225.5	
Income taxes	**(51.2)**	(59.4)		**(54.0)**	(50.7)		**3.5**	7.4	-53.2%	**5.4**	(23.2)	-123.3%	**(2.4)**	47.7	
Net contribution	**(135.8)**	(146.4)		**(131.9)**	(124.1)		**8.5**	18.2	-53.2%	**13.3**	(56.7)	-123.4%	**(56.0)**	177.8	
SUMMARY OF INDICATORS															
Allocated capital	**827**	1,034	-20.1%	**858**	1,031	-16.8%	**1,785**	1,779	0.4%	**53**	87	-39.6%	**1,749**	1,795	-2.6%
Return on allocated capital	**-16.4%**	-14.1%		**-15.4%**	-12.0%		**0.5%**	1.0%		**25.3%**	-65.1%		**-3.2%**	9.9%	
Risk weighted assets	**8,268**	10,345	-20.1%	**8,581**	10,310	-16.8%	**17,854**	17,789	0.4%	**525**	875	-40.0%	**13,142**	14,285	-8.0%
Cost to income ratio	**107.8%**	102.8%		**25.1%**	19.2%		**15.0%**	15.4%		**44.7%**	54.2%		**65.0%**	58.3%	
Loans to customers (1)	**26,166**	28,052	-6.7%	**9,290**	11,120	-16.5%	**12,456**	13,830	-9.9%	**917**	1,244	-26.3%	**16,327**	16,306	0.1%
Total customer funds	**32,758**	32,286	1.5%	**2,978**	3,376	-11.8%	**11,164**	11,574	-3.5%	**5,664**	5,898	-4.0%	**18,161**	15,914	14.1%

(1) Includes commercial paper in the Retail, Companies and Corporate & Investment Banking segments.

Note: Loans to companies and total customer funds on monthly average balances, excluding the foreign business segment.

RETAIL NETWORK IN PORTUGAL

The Retail segment in Portugal posted a negative net contribution of 135.8 million euros in 2012, compared favourably with the negative amount of 146.4 million euros posted in 2011.

The decrease in net interest income is due to the lower volume of the loan portfolio and the reduction of the average customer rate for loans, namely mortgage loans, following the fall in the Euribor which serves as the benchmark index. The contraction of the loan portfolio is in line with the strategic priority of reducing the commercial gap, combined with greater selectivity in credit concession and lower demand for loans.

The decrease in other net income is related to lower commissions, in particular those related to loans to customers, despite the higher commissions associated with demand deposits.

Credit impairment charges decreased relative to 2011, as a result of the greater effort undertaken in 2011, essentially reflecting the impact of the Special Inspections Programme (SIP). The commercial gap evolved favourably, relative to 31 December 2011, due to the decrease in loans to customers having exceeded the reduction in balance sheet customer deposits. Loans to customers thus decreased by 6.7%, to stand at 26,166 million euros as at 31 December 2012, following the slowdown in mortgage loans and consumer credit. Total customer funds grew by 1.5%, to stand at 32,758 million euros as at 31 December 2012, resulting mainly from the increase in debt securities.

During 2012, the activity of the Retail Network was constrained by the persistence of the economic and financial crisis and deterioration of the economic and financial conditions of national agents, reflected in the increased unemployment, decline of disposable income, higher uncertainty and reduction of confidence. In this context, the strategic priorities for the development of the activity of the Retail network were essentially based on the completion of the process of segmentation of its Customer base, focus on the growth and retention of funds, repricing of the credit portfolio, recovery of overdue loans and deleveraging of the balance sheet.

SEGMENTATION

With the implementation of the Customer segmentation plan, the Bank now has a new model of commercial approach which, combined with the implementation of new Customer Intelligence tools, enables improved adjustment of the value proposition to each segment, allowing for the provision of better service to Customers.

Two new integrated solutions were launched in early 2012 – "More Portugal" aimed at Residents Abroad and "Millennium GO! TOP" targeting young people at the beginning of their career. These two novelties reinforced the concept of integrated solution, in existence since 2004, through the Frequent Customer service, enabling the achievement of 650,000 active solutions, reflecting the interest of our Customers in products adjusted to their daily financial needs.

Regarding to the Affluent Segment, particular note should be made of the development of the Prestige Programme, designed to offer more benefits to Customers, with extension of that to their respective family members. At the same time, and as a way of intensifying the involvement of its Customers with the Bank, Millennium bcp has sought to gain a better understanding of the investor profile of each Customer, with a view to improving the service and value proposal presented.

During the first half, the Bank completed a new segmentation of its Corporate Customers, based on their size and overall requirements for financial products and services arising from the type of economic activity developed. This new segmentation and the implementation of a new model of commercial approach have enabled improving the value proposal, offering more personalised monitoring of to a higher number of Customers.

The new segmentation of Customers highlighted the segment of Residents Abroad, with implications on the governance model, through the creation of a new department, reporting directly to the Executive Committee – the Department of Residents Abroad (DREX). This segment is of particular importance to the Bank's strategic objectives of growth of funds and profitability, as well as enhanced proximity to the different Portuguese communities resident abroad.

GROWTH AND RETENTION OF FUNDS

During 2012, Millennium bcp developed a commercial strategy focused on the growth and retention of customer funds, with the ongoing concern of supporting and monitoring its Customers while the focus on savings underpinned commercial actions.

To this end, various initiatives were carried out which, simultaneously, sought the stabilisation of the portfolio of savings products, through the launch of medium and long-term products, favouring financial investments which contribute to increasing balance sheet funds and the expansion of the Customer base through the active marketing of products attracting programmed small savings and the success of the share capital increase operation, which was completed in October 2012 and helped increase the Bank's shareholder base.

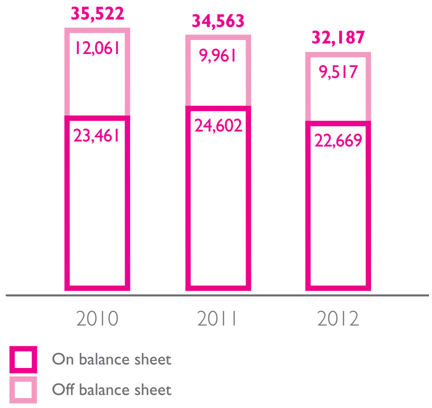
During the first half of 2012, various products were launched supported by a variety of advertising campaigns of major visibility in the media, in particular the "Monthly Income Deposit", the "Special One Top Deposit" and the "Olympic Deposit". "Premium Savings" was launched in July 2012, with a view to the expansion of the Customer base of programmed small savings, based on a minimum value of constitution/top-up of 10 euros, leading to a significant increase in new programmed savings during the second half.

Millennium bcp launched various issues of Short-Term Securities, favouring higher investment values, essentially targeting the segment of Affluent Customers.

Regarding the Business segment, the focus on the strategy of attracting customer funds was embodied in the promotion of increased transactions with Customers, a process favoured by the placement of solutions, namely the Frequent Business Customer service, where participation surpassed 39,000 integrated solutions. Other integrated solutions were also produced, through the creation and development of partnerships with external entities, for the purpose of complementing the current offer with non-financial products and services of relevance to business management.

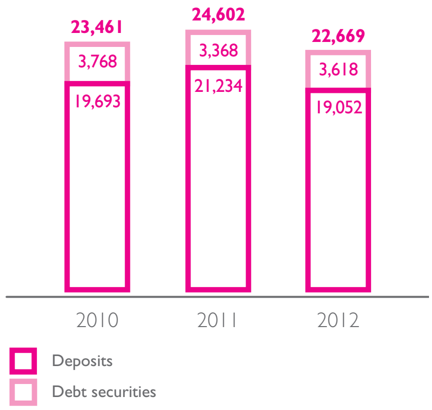
CUSTOMER FUNDS – RETAIL

Million euros (on a comparable basis)



BALANCE SHEET FUNDS – RETAIL

Million euros (on a comparable basis)



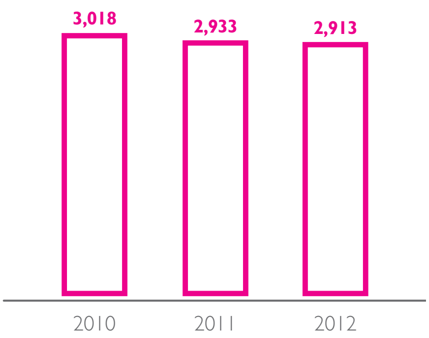
INCREASED LOYALTY AND EXPANSION OF THE CUSTOMER BASE

The policy of encouraging Customer loyalty was reaffirmed through the creation of innovative new products in terms of pricing and directed so as to award the best Customers, namely those who have maintained long-standing relations with the Bank. The auto vehicle insurance Móbis was launched for this purpose. Characterised by a simplified process in terms of its simulation and subscription, this product allows the user, with a minimum of interactions (at branches or on the website www.millenniumbcp.pt), to obtain a first quote and issue the "provisional certificate" at that time.

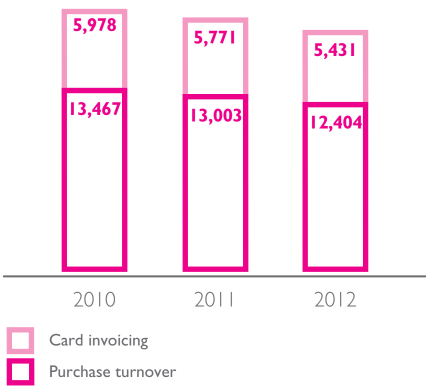
Médis Health Insurance represents another example of retention of the loyalty of Millennium bcp Customers. During 2012, a new subscription process was developed, totally online and unique in Portugal, which enables any Millennium bcp Customer to subscribe to this insurance for all household members, in a fully secure and convenient manner. Médis continues to maintain its position as a product and brand of excellence in the sale of insurance against risk at Millennium bcp, having been elected "Trustworthy Brand" for the fourth time, "SuperBrand" for the seventh time consecutively and "Memorable Brand" in the Category of Health Care.

Throughout 2012, there was also renewal of the offer of Plans for the Protection of Salaries, Domiciliation or Payment of Instalments, as well as the reinforcement of Housing Multi-risk coverage which offers Extension of the Guarantee for Domestic Electrical Appliances coverage. The quality of the offer of these products has also been recognised by consumer defence group DECO, which elected the Mortgage Loan Life Insurance of Ocidental Vida as the "Right Choice".

TOTAL NUMBER OF CARDS
Thousands



EVOLUTION OF CARDS INVOICING AND TURNOVER OF PURCHASES
Million euros



Regarding the card business, in 2012, several initiatives were developed to encourage the purchase and use of cards and defence of the respective P&L account, of which the following are of particular interest: i) offer of prepaid cards, especially the Free Refeição, a card which simultaneously enables lower costs for companies and higher disposable income for its employees; ii) promotion of cash-back conditions and refunding of annuities, relative to the Blue card of American Express with cash-back of 5% on purchases; iii) launch of the 3-D Secure system, strengthening security in electronic trade; iv) stimulation of the placement of Cartões Gémeos, resulting in an additional 25,000 cards and v) beginning of the roll-out of the first contactless cards during the last month of 2012.

In 2012, the recessive pressure of the economy determined a negative net change in the invoicing of cards, of 4.6%, from 13.0 billion euros to 12.4 billion euros. However, the portfolio measured in terms of number of cards remained stable throughout the year, with approximately 3 million cards.

In the American Express business area, the acquiring activity was strengthened through the growth of the points of sale network, with an increase of 4,500 new businesses. Multi-issuer acquiring was implemented at the same time in order to accommodate the new issuer of Amex cards and the maintenance of high services levels were assured to points of sale. As a result, the American Express Acquiring operation was once again distinguished by Amex/Global Network Services for the size, variety and excellence of coverage and services, ranking it as one of the best acquiring operations of the brand at an international level.

Maintaining its strategic positioning of proximity, convenience and innovation, Millennium bcp has focused on the modernisation of its platforms with a view to facilitating the implementation of its lines of action. The shift of consumer preferences towards alternative channels to the branch has created the need for ongoing innovation, a role that is not neglected by Millennium bcp. As a result, the Bank has developed a series of initiatives, in particular:

- Regarding Instruments of Payment and Self Banking, the principal lines of action were concentrated on two main aspects: i) ongoing search for solutions which reduce the circulation of cash and favour greater attraction in the Business segment, through various commercial actions of placement of Point of Sale Terminals (POS) and ii) maintenance and optimisation of the ATM machine network, one of the most modern and sophisticated, representing an offer which is better than that traditionally provided by the network of Multibanco services, with access to distinctive and high value added services.

- Direct Banking has defined as a priority the continuity of the provision of an innovative and quality service to Customers using these channels (Internet, telephone, mobile) and services (response to claims). For this purpose, a series of projects have been completed, including: i) launch of the new website for Individuals, offering a number of new services, in particular, the Personal Finance Manager, the new Investments area and Real Estate, which is of a strategic importance for the Bank's current objectives; ii) expansion of the Bank's mobile offer which now has a Finance Manager on the Millennium App for iPhone and iPad, as well as a new application for Windows Phone; iii) renewal of the Business area of the Companies portal and offer of new products relative to Treasury Management, Trade Finance and Factoring; iv) implementation of the Multichannel Attendance Platform, a solution which has endowed the call centre with new technology and new facilities for Customers; v) implementation of the Internet and Mobile Support Line, a service aimed at clarification and settlement of questions made by Customers who use these channels and vi) award of the Call Center Trophy 2012, in the area of Social Responsibility, an initiative of the IFE/*Call Center Magazine*.

During 2012, another highlight was the introduction of iPAC 3, creating a Unique Platform of Multichannel Service and Customer Contact Management, for use by the branches and the contact centre. This new approach simplifies the work of the commercial networks and contributes to the reduction of operating risk.

RECOVERY, REPRICING AND DELEVERAGE

The persistence of the international economic and financial crisis, the socio-economic context at a national level and the low level of confidence of investors and consumers characterised the entire year of 2012. The introduction of new regulatory frameworks, along with increased banking supervision, namely with respect to the reduction of the commercial gap, adjusting the degree of asset liquidity to the degree of liabilities term, has been reflected in the adoption of stricter credit concession policies.

In spite of the extremely adverse economic scenario, the Bank has continued to support the funding needs of its Customers. Accordingly, Millennium bcp has developed various internal initiatives with a view to increasing Personal Credit, aimed at stimulating consumption, namely through the adjustment of the offer and actions to boost the product.

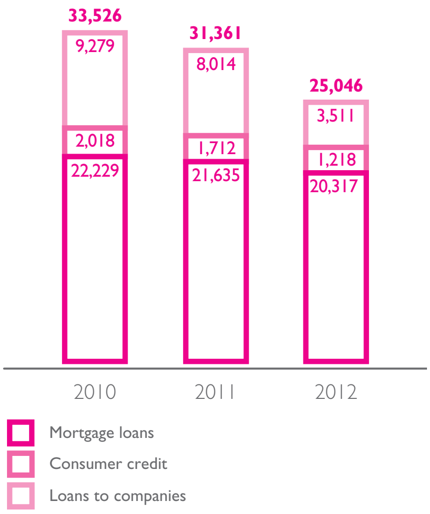
At the same time, the Bank continued to distinguish the best Businesses Customers through the Applause Customer Programme, according to contribution to the economy and involvement with the Bank, strengthening the granting of credit line to commercial activity and supported business projects and initiatives through agreed credit facilities.

With the goal of preventing overdue credit, the Bank has developed and implemented a series of solutions aimed at overcoming this type of situation and has continued to offer partnership solutions for the settlement of default on Mortgage Loans and Personal Credit, with special focus on periods up to 90 days, acting immediately in the event of default. Therefore, during 2012, the Bank maintained an intense activity of collection and restructuring of overdue loans in the entire Retail Network, which has contributed to decelerating the growth of non-performing loans.

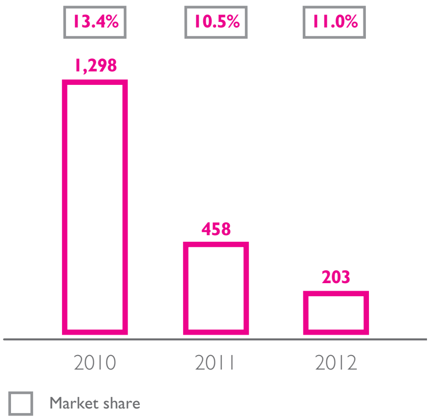
The management of the deleveraging process was also a priority for 2012. The Bank promoted various campaigns during the year, encouraging the early repayment of the principal of Mortgage Loans, favouring customer's funds acquisition, in order to reduce the commercial gap.

Simultaneously, the Bank maintained its focus on the sale of real estate properties, enabling the release of capital and reduction of the inherent maintenance costs. In view of the impact on the profit and loss account, various publicising and marketing actions were developed, namely alteration of the promotional financing conditions underlying the sale of these properties.

LOANS TO CUSTOMERS – RETAIL
Million euros



MORTGAGE LOANS NEW PRODUCTION
Million euros



ACTIVOBANK

The activity of ActivoBank, in 2012, was guided by the strategic objectives of growth of the Customer base and enhancement of the involvement of its Customers with the bank. The strategic guidelines consisted of the following:

Attraction of Customers

- Growth and consolidation of the commercial network through the continued expansion of the Bank's branch network;
- Reinforcement of the expansion of the strength of non-banking recommendation (Members) and addressing of employees of companies identified as the bank's target group (Worksites);
- Launch of institutional communication campaigns and reinforcement of proposal of value, together with the launch of new and differentiating products and services.

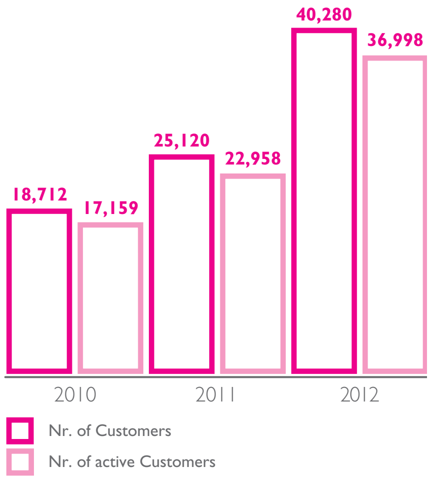
Retention of Customer loyalty

- Implementation of a model aimed at strengthening binding and segmentation, directed at the identification and satisfaction of the financial needs of Customers;
- Launch of new products intended to meet a series of needs identified amongst its Customers;
- Recovery of an important position and leadership in the online investment solutions banking offer.

In order to achieve the focus on growth of the Customer base and respective Customer involvement, a series of initiatives were developed throughout 2012, in particular:

CUSTOMERS AND ACTIVE CUSTOMERS

Units



Attraction of Customers

In 2012, ActivoBank strengthened its presence with the opening of an Activo Point in Chiado, in Lisbon, and another in Norte Shopping, in Matosinhos.

Priority was given to the expansion of the strength of non-banking recommendation, as well as the reinforcement of addressing employees of companies identified as the bank's segment, partially capitalising on the expansion of the Activo Point network at a national level.

The three advertising campaigns aimed at the attraction of Customers via radio, television (cable channels), Internet and cinema, carried out during 2012, challenged the market with their irreverence, clearly catching the attention of the target group, first on the second anniversary of ActivoBank, under the motto "Whenever it's our birthday, the other banks always appear older", and then later in October and December with the campaign "Activo Battles", focusing on the competitive advantages that distinguish ActivoBank from the competition, which led to an increasing recall of the brand and a higher growth rate of its Customer base. Furthermore, the directed communication campaign carried out, promoting the new investments website, together with a stock market promotional offer, enabled the bank to strengthen one of its main pillars on the market, that of investment.

Throughout the year, the intensification of the permanent advertising presence on the Internet, especially through campaigns on Google and social networks, enabled the development of a channel for the attraction of new Customers aligned with the online behaviour of ActivoBank's target group, composed of recurrent users of search engines such as Google to research and compare a variety of different financial solutions.

Retention of Customer loyalty

ActivoBank has reformulated its offer of insurance, savings and investment products, in order to continue to meet the needs of its Customers. In this regard, the implementation of a new Customer Relationship Management (CRM) and segmentation model developed by the bank, which seeks firstly to cement the relationship with its Customers concerning daily aspects, and then later focus on meeting the financial needs which arise over the Customers' life-time, represented yet another step towards ensuring sustained and long-term involvement with the Customer.

Special note should be made of the launch of the BOOST product, a demand account with the already recognised advantages of ActivoBank in addition to a prepaid card and benefit programme with over 200 partners, targeting Customers aged between 18 and 30 years old, which enabled the bank to sustain new forms of attracting and retaining Customer loyalty.

The set of actions carried out, combined with the continuous focus on innovation, also contributed to the rise to 40,000 Customers of ActivoBank by 2012, as well as to the recognition of the bank by the international financial community, expressed in the attribution of awards such as "Best Commercial Bank in Portugal" by the *World*

Finance magazine (Banking Awards 2012), and the awards given in 2012 by *Global Finance* in the categories of "Best Consumer Internet Bank", "Best Website Design" and "Best in Social Media", all attributed in the context of the European Area.

COMPANIES

Companies recorded a negative net contribution of 131.9 million euros in 2012, compared with a negative net contribution of 124.1 million euros in 2011.

The decrease in net interest income in 2012, compared with 2011, resulted from the fall in turnover and the increase in funding cost, despite the effort to reprice credit operations.

With regard to operating costs, the increase registered in 2012 results from the readjustment of the business platform which materialised into a higher number of Employees.

The decrease of credit impairment charges, despite the adverse macroeconomic context and the deterioration of the economic and financial conditions of companies, reflects the increase of charges undertaken in 2011, within the scope of the Special Inspections Programme.

Loans to customers decreased by 16.5%, relative to 2011, reaching a total of 9,290 million euros at the end of 2012, with emphasis on funding to Customers, syndicated loans, real estate promotion and real estate leasing loans.

Total customer funds fell by 11.8%, relative to 2011, to stand at 2,978 million euros as at 31 December 2012.

COMPANIES NETWORK

The evolution of the Portuguese economy, during 2012, was heavily constrained by the implementation of the measures established in the Memorandum of Understanding signed in May 2011 between the Portuguese State, the ECB, the IMF and the European Commission. The need to comply with the measures specifically aimed at the financial sector, namely with respect to capital and deleveraging indicators, was reflected in a greater selectivity by the Financial Institutions in the granting of loans and advances to companies. This factor, combined with the reduction in internal demand, culminated in a strong slowdown of economic activity and in the expressive increase of the number of company insolvencies at a national level. Even so, the positive evolution of exports mitigated the contraction of economic activity, constituting an opportunity for companies, especially Small and Medium-sized Enterprises (SME).

In this context, during 2012 the activity of the Companies Network was guided by the following strategic priorities:

- Control of the commercial gap based on the simultaneously attracting customer funds and reducting credit granted;

- Prevention and recovery of overdue loans, through the early detection of signs of default and the development and implementation of restructuring solutions for the operations in the portfolio;

- Support for sustainable companies, especially SME, using agreed credit facilities under protocol, namely the SME Growth line and support for daily activity, in particular through commercial credit and factoring;

- Increased profitability through the adjustment of the credit operations to the new economic reality and the creation of solutions suited to company needs in terms of treasury management;

- Optimisation of capital consumption through the reinforcement of the collateral of Customers with high capital consumption and reduction of exposure to high risk Customers.

The implementation of the strategy defined above was ensured through the development of a series of initiatives, in particular:

Resegmentation of the Customer base

- Implementation of new parameters of segmentation in the Companies Network, henceforth defining the SME Network as composed of companies with an annual turnover between 2.5 and 50 million euros, with a view to boosting the creation of value through a more personalised approach.

Control of the commercial gap

- Focus on the attraction and retention of funds, especially for companies where there are stronger relations in terms of the granting of loans;

- Granting of new credit to companies showing sustainable economic and financial structures, namely export-driven companies (due to their lower dependence on the domestic market), preferably using agreed credit line facilities under protocol and commercial credit;

- Adjustment of financial solutions with associated repayment plans to support investment in detriment of short -term operations.

As a result, in 2012, there was a decrease in the commercial gap of 1.5 billion euros.

Prevention and recovery of overdue credit

- Close monitoring of company activity, aimed at the early identification of possible signs of difficulty or default;

- Swift and proactive management of risk incidents, seeking to prevent exacerbation of situations;

- Definition of restructuring solutions, adjusting debt service to the economic and financial situation of Customers, together with the Credit Department or other areas of special support (namely specialised credit and real estate business), in a context of constant interaction with the companies.

Support to sustainable companies, especially SME

- Promotion of the agreed credit line facilities, including: i) the good performance of the PME Crescimento line, through the presentation of 3,124 proposals, totalling 248 million euros, with the Mutual Guarantee Societies, during 2012, reaching a market share of 13.6% in number of the operations and 10.2% in terms of value; ii) the support to 1,100 companies which used the moratorium of the PME Invest lines to obtain of a grace period for the repayment of principle of 12 months for instalments of previously contracted PME Invest operations; iii) the subscription, in June 201,2 with Turismo de Portugal of new protocols to support tourism enterprises in three areas (granting of a grace period for the repayment of principle to existing loans, support to company treasury and assistance in the requalification of the existing offer, under which loans of a value above 1.5 million euros have already been approved) and iv) signing of the Protocolo Investe QREN, whose objective involves the provision of preferential funding conditions to companies with projects that have been approved under National Strategic Reference Framework (QREN) Incentive systems, thus enabling their undertaking;

- Support for daily activity, namely credit for a specific purpose and/or commercial credit, where activity in terms of factoring has particular importance, with market share of 16.9% in December 2012, highlighting the support payment to suppliers via confirming, with a market share of 31.5%.

Increase in profitability

- Increased attraction of company surplus liquidity, strengthening the overall partnership paradigm in relations with Customers, with special focus on the reinforcement of transactions with the Bank, compensating the support that has already been provided by the Bank in terms of credit granted;

- Continuing to readjust of the pricing of credit operations in accordance with the new economic and financial environment and the evolution of company risk;

- Promotion of actions to replace short-term financial credit with factoring, enabling an improvement of the guarantees and profitability;

- Creation of new solutions for the attraction of surplus liquidity, where particular note should be made of the launch of the Free Refeição card, a prepaid card equivalent to the Meal Voucher which enables the payment of the meals allowance, with tax benefit for the company and its employees.

Optimisation of capital consumption

- Renegotiation with Customers for the strengthening of collateral associated to credit operations, principally with companies with higher capital consumption;

- Improvement of the risk of the Bank's credit portfolio through actions to replace financial credit with commercial credit and of personal guarantees to asset-backed guarantees;

- Focus on credit operations with mutual guarantee, in particular agreed credit line facilities (PME Crescimento).

SPECIALISED CREDIT

Regarding Specialised Credit, the principal lines of action were centred on three aspects: i) selectivity in undertaking new operations based on small and medium-sized businesses; ii) definition of pricing that is adjusted to company risk and iii) promotions of factoring in view of its potential increase of funds and reinforcement of the position of Millennium bcp as a partner of the Customers in treasury management. For this purpose, the following initiatives were carried out:

- Launch of a factoring business management platform (XFACT), fully integrated in all other applications of the Bank, enabling improvement in terms of reduction of operating risk and control of overdue credit;

- Support to the commercial networks in the promotion of factoring, both in terms of its replacement of financial credit and expansion of the Customer base;

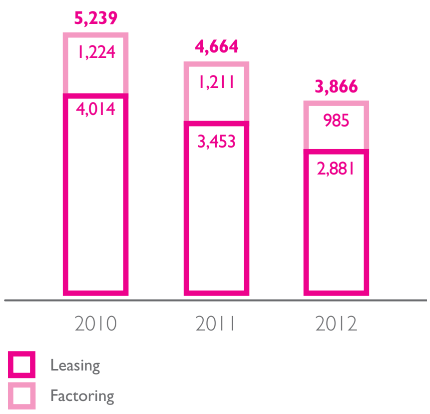
- Support for the commercial networks in the implementation of the initiatives aimed at the repricing of operations and recovery of specialised credit.

The portfolio of leasing and long-term rental (LTR) credit recorded, at the end of 2012, a reduction of 16.6% relative to the same period of the previous year. The new leasing business decreased by 32.3%, to stand at 204 million euros, with real estate leasing having shown an increase of 19.3%, based on the credit restructuring operations and sale of real estate properties of the Bank. The leasing of equipment and vehicles recorded reductions of 65.8% and 72.9%, respectively. According to data from the Portuguese Leasing and Factoring Association, in Portugal the new production of real estate leasing declined by 20.8% in 2012 and equipment leasing fell by 44.6%.

Regarding factoring, the invoices taken in 2012 reached a total value of 3,574 million euros, which represents a decrease of 20.5% relative to 2011, with the average credit balance showing a reduction of 23.1%. In terms of the sector, data from the Portuguese Leasing and Factoring Association show a reduction of 20.8%, with the credit portfolio having reached a total of 5,759 million euros.

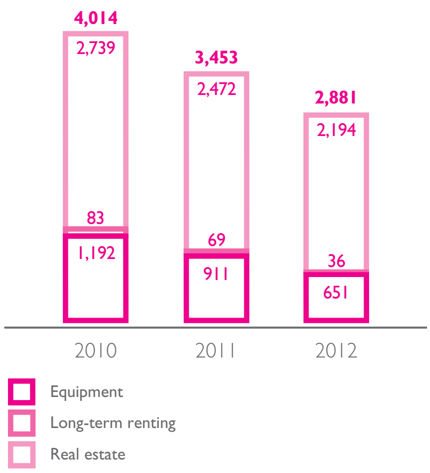
SPECIALIZED CREDIT PORTFOLIO

Million euros (on a comparable basis)



LEASING PORTFOLIO

Million euros (on a comparable basis)



REAL ESTATE BUSINESS

The Real Estate Business Department (DNI) focused its main strategic priorities for 2012 on four fundamental pillars: i) strengthening of the recovery of loans granted for property development with systematic monitoring and preventative action amongst the property developers; ii) strengthening of the organic structure of real estate project management; iii) reduction of the time of legalisation of the properties and consequent increase of the properties placed in condition to be sold and iv) boosting of sales. The achievement of these objectives was assured by a series of initiatives which, combined with the completion of the process of reorganisation of the operating structure of the DNI, enabled an optimisation of the real estate business in all its aspects, in particular:

- Monitoring of the credit portfolio, with interventions in terms of credit recovery and preventative actions aimed at the mitigation of risks and boosting of debt service capacity;

- Pursuit of the policy of adjusting pricing to projects, considering for this effect their intrinsic liquidity risk and credit risk;

- Continued focus on prevention and recovery of overdue loans, reduction of impairment and improvement of quality and strengthening of guarantees, as well as the optimisation of the associated profitability, with strengthening of the models of diagnosis, financial structuring and project risk monitoring;

- Continuation of the careful analysis of stock and treatment of properties which have remained for the longest time in the portfolio;

- Sale of real estate assets mainly derived from foreclosures, termination of leasing contracts, foreclosure or removal from operations, with consolidation of the reorganisation of the commercial team carried out during the previous year and strengthening of partnerships with real estate entities suited to the sale of these assets;

- Segmented campaigns for the sale of properties, open to all real estate agents (four at a national level and a further four of a more specific nature). 39 auctions of a national, regional and international scope were also held;

- Launch of the M-Imóveis website in September, already a reference in the market, with an average of 50,000 visits per month.

As a result, the balance of the portfolio of property development loans amounted to 2,399 million euros, a decrease of 9.2%, with net interest income improving over 2011, needed to face the growing level of sector risk.

INTERFUNDOS

In 2012, the activity of Closed Real Estate Investment Funds showed a negative evolution, having been strongly affected by the sharp retraction of the real estate market in Portugal, widespread on all its business fronts. This situation was further exacerbated by the implementation of a new package of supplementary tax measures which will be extended in 2013, contributing to the contraction of the Real Estate Investment Fund business.

Under this scenario, the strategic direction of Interfundos was based on focus on achieving higher efficiency in the management of the available funds, with a view to the business continuity of the 47 funds under its management, both through the continued development and restructuring of the real estate projects of each fund. At the same time, and counteracting the unfavourable tax environment, Interfundos focused its activity on the preparation of the launch of a group of four Closed Private Subscription Real Estate Investment Funds (FIIFSP) and one Real Estate Investment Fund for Residential Rentals (FIIAH). In this context, the Securities Market Commission (CMVM) authorised the constitution of the Grand Urban, MR, Imocapital, Predicapital and MRenda Real Estate Investment Funds.

It should be noted in particular that Interfundos consolidated its position of leadership in the market in FIIFSP management in 2012, with a market share of 17.2%, through the management of 47 Real Estate Investment Funds, involving a total of 1,206 million euros of net assets under management, corresponding to an increase of 1.1%, year-on-year.

MICROCREDIT

In 2012, Millennium bcp Microcredit financed 259 new operations, with 3.1 million euros of total credit granted and helping create 371 jobs (values include transactions made under the protocols with the Associação Nacional de Direito ao Crédito and Região Autónoma dos Açores). The total amount loaned to the 1,035 transactions in the portfolio until 31 December 2012 was 9.0 million euros.

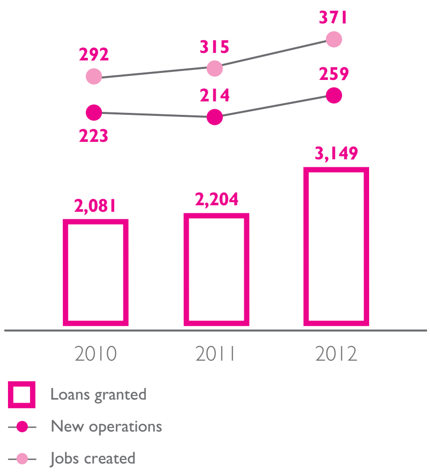
There was an increase of 21% in the number of projects financed, the approved credit increased 42.9% and the jobs created had a positive evolution of 17.8%, compared with 2011.

The non-performing loans control remains a constant concern, with default events to be accompanied with flexibility and according to the financial capacity of the Clients, through the proposal of repayment plans adjusted to the specific conditions of each microentrepreneur.

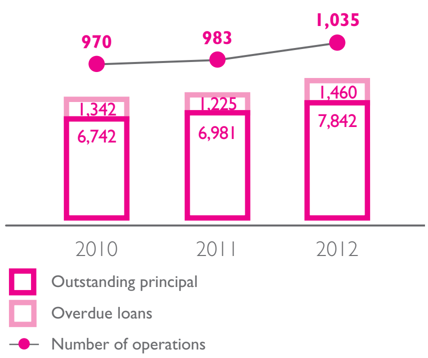
In 2012, about 41% of microentrepreneurs who resort to Millennium bcp Microcredit were in a situation of unemployment, with the increase of a new interested segment, composed of university graduates or finalists, which now represents 13% of the current portfolio.

The strategic priorities of Millennium bcp Microcredit, in 2012, were based on the publicising of Microcredit in different regions of the country, through entities of local action, closest to the target population, namely city halls, parish councils, universities and vocational schools. It also streamlined coordinated with the Bank's Retail Network, enabling the generation of synergies.

MICROCREDIT ACTIVITY
Thousand euros



MICROCREDIT LOAN PORTFOLIO
Thousand euros



CORPORATE & INVESTMENT BANKING

The Corporate & Investment Banking segment recorded a net contribution of 8.5 million euros in 2012, compared with the net contribution of 18.2 million euros in 2011.

The increase in credit impairment charges, relative to 2011, results from the increase in signs of impairment in the loan portfolio, following the persistence of an adverse macroeconomic context, and of the deterioration of the economic and financial conditions of companies, namely in the construction and tourism sectors.

The 4.4% increase in net interest income is associated to the decrease of the customer rate on customer funds. In turn, the decrease in other net income also results mainly from the lower commissions related to financial services and credit operations.

Loans to customers decreased by 9.9% relative to the previous year, to stand at 12,456 million euros, with emphasis on the decrease of funding in national currency, loans for real estate development and commercial paper.

Total customer funds decreased by 3.5%, to stand at 11,164 million euros as at 31 December 2012, as a result of the decrease in debt securities, despite the increase in deposits.

CORPORATE

The implementation of the measures stipulated in the Memorandum of Understanding signed by the Portuguese State, in May 2011, were embodied in an austerity policy which constrained the evolution of the Portuguese economy in an expressive manner in 2012 and likewise the activity of companies with operations based in Portugal, consisting of a strong incentive for them to target markets abroad, contributing to the correction of the Portuguese external deficit.

The strategic priorities of the Corporate Network, in 2012, consisted of the:

- Reduction of the commercial gap, simultaneously focusing on the attraction of the surplus liquidity of companies and rationalisation of the granting of credit, especially to companies of the State corporate sector and civil construction sector;

- Ongoing monitoring of overdue credit, through permanent proximity to companies, preventing and swiftly resolving any possible signs of default;

- Reduction of capital consumption, seeking to optimise the distribution of risk in the portfolio and ensuring a process of constant improvement of the collateralization of credit operations;

- Maximisation of profitability, pursuant to a paradigm of management of reciprocal arrangements with Customers who have greater shares of credit and adjustment of the pricing of credit operations to the evolution of the risk of companies.

Particular note should be made of the following initiatives developed with a view to implementing the priorities referred to above:

Reduction of the commercial gap

- Tight control of the maturity dates of credit operations, aimed at minimising restructuring and ensuring the effective repayment of the loans that have been granted;

- Granting of credit preferably to export companies focused on high growth markets (Poland, Brazil, China, Angola and Mozambique) and for operations with a clearly established purpose;

- Reduction of the credit to public sector companies, adjusting credit limits to respective needs;

- Reinforcement of the Bank's involvement in company treasury, following a logic of partnership and management of reciprocal arrangements with special focus on the economic groups in which the Bank is most present in terms of lending operations.

Ongoing monitoring of overdue credit

- Ongoing monitoring of the maturity dates and amortisations of the loans in progress, aimed at the early detection and prevention of any possible default;

- Maintenance of close proximity to company activity, in a preventative perspective so as to enable the identification of any possible signs of difficulties, seeking to establish, in partnership with the Customers, solutions aimed at the adjustment of payment plans to the generation of cash-flow.

Reduction of capital consumption

- Continuation of the process of strengthening the collateralization of credit operations, with a view to the overall negotiation with Customers of the Bank's entire lending involvement;

- Strengthening of the requirement of greater collateralisation in the granting of new credit operations, and adequating deposit remuneration to the determinations of Bank of Portugal.

Maximisation of profitability

- Stimulation of cross networking, seeking to identify and boost the opportunities of support to companies, together with Investment Banking and the Bank's operations abroad;

- Pursuit of the processes of adjustment of spreads and commissions of the credit portfolio, in order to reflect the evolution of the risk of companies;

- Tight control of the leakage associated to the commissions charged for operations, favouring the general application of the standard pricing list;

- Stimulation of the use of automatic channels, due to the benefits they offer in terms of easy transactions and interconnectivity with the companies' own systems, also enabling potential cost reduction.

LARGE CORPORATES

With a view to responding to the new challenges posed in terms of relations with larger Company Customers, the Bank created the Large Corporates Department, at the end of 2012, whose objective is the monitoring of a selected set of Groups called Large Corporates, which, in addition to Portugal, currently develop (or are in progress of developing) their activity in various geographic areas, namely Poland, Angola, Mozambique and the East, aimed at creating Treasury, Investment Banking, Trade Finance and other operations. Hence, apart from the franchise in Portugal, making the most of the Group synergies of BCP in the different geographic areas in which it is present, it will now be possible to place at the service of Customers excellent products and services which will enable them to enter and develop their business in these geographic zones with the quality and security offered by Millennium bcp in its activity, combined with the high value added brought in by local partners.

INVESTMENT BANKING

With a market share close to 7%, representing a modest improvement relative to 2011, the Bank maintained a reference position on Euronext Lisbon in 2012. Even in an adverse context, it was possible to attract even more Customers for direct access to the trading room and also maintain strong activity in the publicising of the national market to resident and non-resident investors. The work developed by the research team kept up its past consistency, reflected in the contents published on websites and in the service rendered to national and international institutional Customers. Continuing its innovative programme, Millennium bcp consolidated its preeminent leadership in the trading of passive management products on Euronext Lisbon, with a market share above 50%. The exponential growth of the turnover of Certificates highlights the importance of Millennium bcp as an issuer of Certificates and the growing interest shown by medium-high wealth individuals in this type of investment in stock markets, benefiting from the positive performance of the main indices over the last three years. The expected continuation of their favourable evolution on stock markets, during 2013, enables perceiving, with enthusiasm, the challenge of strong growth of these investments.

In the debt segment, the year of 2012 was marked by the return of Portuguese issuers to the international debt market. Indeed, the more positive confidence of investors during the second half of the year was reflected in a considerable narrowing of the spreads on the secondary market and resulted in opening various windows of opportunity for the undertaking of new public issues on the international debt market, which were seized by several issuers. In this regard, Millennium investment banking acted as the joint issuer of the issues of EDP (750 million euros) and Brisa Concessão Rodoviária (300 million euros). This operation was particularly distinguished by the specialised press at European level, due to the interest it raised amongst a very broad base of investors and due to representing the reopening of the international market to Portuguese issuers. At a domestic level, the deleveraging process, transversal across the entire Portuguese financial system, greatly limited the undertaking of new operations. In this context and on the Portuguese market, special mention should be made of the Commercial Paper Issue Programme led by the Bank for Estoril Sol III (20 million euros) and the issue of bonds for the Pestana Group (20 million euros). The corporate bond issue market for the Retail segment (small savers) continued to be very buoyant, with Millennium investment banking having jointly led the Public Subscription Offers of bonds of EDP (250 million euros), Brisa Concessão Rodoviária (225 million euros), PT (400 million euros) and FC Porto SAD (30 million euros). It should also be noted that, in the first half of 2012, the Bank structured two securitisation operations based on assets derived from Millennium bank in Greece: Kion Mortgages Nr. 3, composed of the securitisation of a portfolio of mortgage loans to individuals, and Kion CLO Nr.1, which involved a portfolio of credit to companies. Both these securitised portfolios included credit denominated in euros and Swiss francs. We also highlight the activity developed in the organisation 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 2,852 million euros. Amongst the different structures, special note should be made of Investimento Mundial and Investimento Europa, equity products whose yield is associated to the performance of shares and share indices, reflecting greater Customer demand for potentially high yield products in view of the decline in the interest rates of risk-free investment products.

In spite of difficulties related to the macro and microeconomic environment, during 2012, positive results continued to be achieved from the sale of treasury products, both in the area of cash products (spot and forward foreign exchange transactions, short-term investments and loans at fixed interest rates), and regarding interest rate, exchange rate and commodity risk hedge derivative products. Although the deleveraging process has limited the opportunities to hedge new operations, the renegotiation or refinancing of existing operations has been reflected in the need for adjustment of hedge structures on the part of some Customers.

In the area of corporate finance, the Bank participated in various major projects, in particular the financial advisory services provided to EDP in the operation of structuring and placement of an issue of bonds targeted at the national retail sector. The Bank continued to develop various projects providing advisory services to Customers in the merger and acquisition segment, where its action as financial advisor of the SGC Group in the sale of Biovegetal and valuation of Dierre Ibérica were particularly noteworthy. It should also be noted that Millennium investment banking was mandated by Parpública to undertake the economic and financial appraisal of CTT – Correios de Portugal. Millennium investment banking successfully provided financial advisory services to VINCI – Concessions, S.A.S., the winning company of the privatisation tender of ANA – Aeroportos de Portugal, S.A. Millennium investment banking provided financial advisory services to EDP in relation to the entry of CTG as a minority shareholder and holder of supplies of wind farms in Portugal's EDPR, under the strategic partnership EDP/CTG in the context of the acquisition by CTG to Parpública of a share holding of 21.35% in EDP. The signing of the transaction was completed in December 2012, with the financial closing and settlement scheduled for the first half of 2013.

During 2012, the Bank maintained an active role in the area of equity capital markets, where we highlight the overall joint coordination of the organisation and structuring of the Public Acquisition Offer of Brisa – Autoestradas de Portugal, S.A., announced by Tagus Holdings S.A.R.L., a company held by the José de Mello Group and Arcus Infrastructure Partners, the overall coordination of the Public Acquisition Offer of Fisipe – Fibras Sintéticas de Portugal, S.A., announced by the SGL Carbon Group, as well as the organisation and structuring of the Bank's own share capital increase, of the value of 500 million euros.

In the area of structured finance, Millennium investment banking successfully completed the financial restructuring processes of the Soares da Costa, Monte and Edifer groups, having, relative to the two latter groups, carried out the divestment of loans to an Investment Fund and also participated in medium-term syndicated loans to support their activity. The restructuring of a syndicated loan of 50 million euros was also carried out (in which the Bank holds close to 14%), granted to Holmes Place Iberia Group. This restructuring involved alteration of the corporate structure and new capital inputs, by the banking syndicate and new Shareholders.

For 2013, 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, the maintenance of its position as a reference institution in the national market, the 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 in the strategic axis of China/Macao – Portuguese-speaking Africa – Europe, and close monitoring of the Customers and operations currently in the portfolio.

Public Offer for the Acquisition of

Brisa

2012

Millennium investment banking

SGL GROUP THE CARBON COMPANY

Public Offer for the Acquisition of

FISIPE

4.3 million euros

Global Coordinator

2012

Millennium investment banking

Millennium bcp

Share capital increase

500 million euros

Global Coordinator

2012

Millennium investment banking

Brisa Concessão

Bond Issue through a Subscription of a Public Offer

225 million euros

Join Leader

July 2012

Millennium investment banking

PT

Bond Issue through a Subscription of a Public Offer

400 million euros

Join Leader

July 2012

Millennium investment banking

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edp

edp renováveis

Financial Advisory in the sale of 49% of the share capital of EDPR Portugal

359 million euros

2012

Millennium investment banking

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arcus INFRASTRUCTURE PARTNERS

JOSÉ DE MELLO

Financial Advisory in the Public Offer for the Acquisition of

Brisa Concessão

2012

Millennium investment banking

Financing of the Acquisition of 7.5% of

HIDROELÉCTRICA DE CAHORA BASSA

2012

Millennium investment banking

SGC GRUPO

Financial Advisory in the sale process of

BIOVEGETAL

2012

Millennium investment banking

INTERNATIONAL

The strategic priority of the Financial Institutions Group of the International Department was to continue disclosing economic and financial information on the country and the Bank in the approximately 350 meetings held with the areas of credit and relations with the financial entities with which the Bank works.

Focus was placed on maintaining and attracting new facilities and ceilings to ensure the international operations of Customers and on publicising multilateral trade programmes to support external trade operations and investment projects, with a view to mitigating risk and lower capital consumption.

Initiatives were developed to make a difference to the service, quality and range of products offered, which was reflected, by the end of 2012, in the following market shares: 41% of total assets under custody held by non-resident institutional investors in the national market, 25% of commercial payments and 24% of the export support business.

The service of institutional custody of securities, provided throughout 2012, merited the attribution of the highest classification of top rated by *Global Custodian* magazine, a highly reputed leader in the coverage of this industry.

Millennium Trade Solutions, the centre of competences of the International Department, covering all aspects of the international business, from treasury management to trade finance, directly supported over 5,000 export companies.

The team of specialists was strengthened over 2012 in order to meet the requests of Customers seeking advice on the geographic areas where they intend to operate or the most suitable financial solutions to export with security and minimum risk.

In 2013, the Bank will continue to deepen its relations with export/import companies in relation to trade finance, presenting encompassing value propositions in accordance with the Customers' internationalisation needs. The offer of products and services will be improved through greater coordination with the banks of the Group and partner banks.

ASSET MANAGEMENT & PRIVATE BANKING

The Asset Management & Private Banking segment, considering the geographical segmentation criteria, registered a net contribution of 13.3 million euros in 2012, compared favourably with the negative net contribution of 56.7 million euros in 2011.

The increase in net interest income is underpinned by the Private Banking business in Portugal, reflecting the effort to reprice credit operations.

The decrease in credit impairment charges results from the increase of charges undertaken in 2011, despite the adverse macroeconomic context and the deterioration of economic conditions.

The decrease in operating costs results from the decrease in staff costs, as a result of the readjustment of the business platform which led to a fall in the number of Employees.

Loans to customers decreased 26.3% overall, relative to 31 December 2011, mainly as a result of the contraction of the loan portfolio of International Private Banking.

Total customer funds decreased by 4.0% relative to 2011, to stand at 5,664 million euros as at 31 December 2012, influenced by the decrease in customer deposits and assets under management, despite the increase in debt securities.

ASSET MANAGEMENT

The Asset Management area incorporates Millennium Gestão de Ativos, covering the activities of management, development and promotion of securities and real estate investment funds of the brand Millennium on the domestic market, Millennium Sicav, which groups four subinvestment funds incorporated in Luxembourg, targeting institutional investors and Customers of the Group abroad, and the discretionary management of individual portfolios.

2012 was, in general, a positive year for Asset Management activity, concerning the performance of the securities investment funds on the domestic market, and very challenging, regarding the net income of the Asset Management business area as a whole. This performance essentially reflects the negative evolution of net commissions, partially offset by strict and permanent cost control. The evolution of net commissions was particularly impaired by the downward trend in the evolution of Real Estate Funds and the impact of non-recurring redemptions recorded in May and June in domestic mutual funds and Sicav. Millennium was not offset by the benefits resulting from changes in the rate of commission distribution applied since the beginning of the year and the gradual growth of turnover, since the start of the second half and marked the last quarter, the activity Management Discretionary

Funds and Securities. Reducing the level of operating costs by approximately 6% reflects fewer charges registered with the pension fund, the non-recurring costs related to the implementation of the restructuring process, and, significantly, the savings achieved in most other aggregates administrative costs.

The adverse context, especially in first half of the year, caused an important impact on turnover and, therefore, unable to maintain the level of return in all business units of the Asset Management area.

In 2012, we highlight the performance of the Millennium investment funds, in particular with respect to the activity of Millennium Gestão de Ativos in the national market. All the securities investment funds showed positive one year returns, with one only exception, which is related to good markets performance at the year end and the adequation of the management strategy.

In terms of relative performance, Millennium funds of fund, European shares and (one of the) PPR (Retirement Savings Plan) categories compared favourably with the domestic competition of securities funds, holding the three first places of the national ranking by category of one year return, published by the Portuguese Association of Investment Funds, Pensions and Assets (APFIPP). Particular note should be made of Millennium Eurocarteira fund, which consistently showed the best performance of its category since the beginning of the year –first place in a total of 15 Stock Funds of the EU, Switzerland and Norway.

Regarding the behaviour of the open real estate investment funds, in spite of the deterioration of the indicators of the Portuguese economy, most of these funds recorded positive returns, albeit with a downward trend.

The AF Portfólio open fund followed the market trend, penalised by the difficulties portrayed in the main segments, namely with respect to asset devaluation, rent reductions, default and sluggish demand for vacant properties.

In 2012, Millennium Asset Management maintained its fifth position in terms of market share of domestic securities investment funds, measured by the volume of assets under management. Although having shown overall growth of 5.5% during the year, the rate was lower than that of the market.

The domestic industry of securities investment funds grew by 13.5% in terms of total volume of assets under management, which was even more impressive considering that this represented an inversion relative to previous years, in particular since 2009, having grown from 10,835 million euros in 2011 to 12,295 million euros in 2012. Millennium Asset Management increased by 5.5%, having grown from 937 million euros to 988.6 million euros, corresponding to a market share of 8.0%, a minor reduction relative to the share in the beginning of the year, which stood at 8.7%. Limiting the analysis to the universe of harmonised funds, which represent approximately half the market, Millennium Asset Management held a market share of 13.8%, slightly lower than that of the previous year (14.9%).

This growth resulted partially from the promotion of commercial activity, which sought to respond to the preference demonstrated by the Customers, mostly with a conservative profile, for investments characterised by low volatility and almost immediate availability, as a result of the current climate of risk aversion, and took place in harmony with the strategy of the commercial networks which constitute the main placers of Millennium investment funds – the Retail network and Private Banking network.

The restructuring of the offer of securities funds carried out by Millennium Asset Management, as well as various adjustments of commission rates, have produced a favourable impact on the activity.

In terms of classes of funds, Millennium Asset Management has maintained its leadership of one of the segments of funds with highest value added – Funds of Funds – with a market share of 55.6% – and upheld the second place in Funds of Assets, with a market share of 19.8%. It has also achieved second place in Floating Rate Bond Funds (31.9%), representing close to one third of the market.

Concerning the real estate investment funds managed by Millennium Asset Management, the volume of assets under management stood at 350 million euros in December 2102, 9.0% less than in December 2011. However, it is important to note that most of the open real estate investment funds on the market showed a decline (-2.6%). The redemptions observed, namely by private investors, are largely explained by the decline in the yield of funds which took place during 2012.

With respect to the funds marketed abroad, the amount of assets under management of the Millennium Sicav funds, domiciled in Luxembourg, showed a decrease of 70.9%, having fallen from 227 million euros managed at the end of 2011 to 66 million euros, corresponding to a reduction of 160 million euros following redemptions by institutional Customers.

PRIVATE BANKING

The strategic priorities of Private Banking, underlying the commercial action in 2012, consisted of the:

- Provision of an excellent and ethically irreprehensible service with faultless operations;
- Full observance of the compliance laws in retribution of the confidence entrusted by Customers;
- Expansion of the proposition of value, unique in Portugal, to the entire group of its Customers, with particular focus on the most recent;
- Increase of the net worth under management, with permanent concern for the preservation of the asset;
- Diversification and strengthening of the net worth towards higher value added products;
- Expansion of the Customer base;
- Control of credit risk and prevention of impairment.

These strategic priorities are embodied in the commitment of Private Banking to careful and personalised follow-up, cementing relations of trust and seeking to adjust the offer to the Customers' risk profile, on the one hand, while monitoring and stimulating the performance of the portfolios, on the other hand.

The commitment referred to above is based on the Advisory model, one of the pillars of the value proposal of Private Banking, which has been consolidated over time through close collaboration between the teams of Investment Specialists and Private Bankers and the monitoring of the Investment Control Committee.

During 2012, the following initiatives were of particular importance:

- Network resizing through the creation of new business units and reinforcement of the commercial team, where we highlight the opening of a new commercial space to boost business in the Minho region. This expansion has enabled ensuring the broadening of the Customer base;
- Focus on the attraction of funds and reduction of credit, aimed at improving the commercial gap;
- Stimulation of the offer of Discretionary Management, a product which has shown good results;
- Provision of an informative area on the activity and characteristics of the Private Banking segment on the new website of Millennium bcp.

For 2013, the comercial dynamics of the Private Banking network will continue to pursue its challenge of placing the diversity of the offer and quality of service as differentiating factors for the Customer and contributing to the sustained growth of the Bank.

FOREIGN BUSINESS

The negative net contribution of the Foreign Business segment, considering the geographical segmentation criteria, of 56.0 million euros in 2012 compares unfavourably with the positive 177.8 million euros registered in 2011. This performance was determined by the operation in Greece, despite the positive evolution of the contribution of the operations in Poland, Mozambique and Angola.

The decrease in net interest income relative to the same period of 2011 is mainly due to the Greek operation and is supported by the increase in customer rates on deposits and by the higher funding costs in the monetary market. The solid performance of the operations developed in Poland and Angola is worthy of mention.

The increase in other net income reflects, primarily, the performance of the operations in Greece, Mozambique and Angola.

Operating costs decreased by 1.1% relative to 2011, influenced by the reductions posted in Greece, Romania and Poland, which offset the increases registered in Mozambique and Angola, as a result of the organic growth strategy.

The increase in credit impairment charges relative to 2011 is associated with the higher level of provisioning recorded in the subsidiaries in Greece, Poland and Romania, partially offset by the lower charges in Mozambique, Angola and Switzerland.

Total customer funds increased by 14.1%, to stand to 18,161 million euros as at 31 December 2012, with emphasis on the 12.0% year-on-year increase in deposits. The growth of the balance sheet funds registered in the operations in Poland, Romania, Switzerland, Mozambique and Angola is worthy of mention.

Loans to customers increased by 0.1%, to stand at 16,327 million euros as at 31 December 2012, in which the decrease in operations in the Cayman Islands, Greece, Switzerland and Mozambique was only partially offset by the increases registered in Poland, Romania and Angola.

BUSINESS IN EUROPE

Poland

Bank Millennium announced a new strategy for 2013-2015, at the end of October 2012, at the time of the third quarter earnings presentation. The definition of the new strategy was based on the future prospects for the macroeconomic environment, trends for the banking industry in Poland and the ambition to achieve a higher performance and generate value for Shareholders, Customers and Employees.

The macroeconomic scenario for Poland assumes moderately optimistic medium-term prospects, consisting of positive conditions to support banking business growth, in spite of the volatility induced by the sovereign debt crisis. On the other hand, unfavourable circumstances such as the recent slowdown of GDP growth, increased unemployment and the level of credit default continues to justify conservative risk management practices.

The medium-term objectives defined for 2015, pursuant to the new strategy, consist of achieving:

- Return on equity of 14-15%;
- Cost to income of 50%;
- Loan-to-deposit below 100%;
- Core Tier I ratio above 10%;
- Customer satisfaction index above 90% (satisfied and very satisfied Customers);
- Weight of credit granted to companies (including leasing) in the total credit portfolio of 30-35%.

The strategic priorities for 2013-2015 involve:

- Focus on areas which bring in value and redirection of product mix to products with high margins;
- Improved efficacy of network sales;
- Improved balanced sheet structure and profitability of the franchise for companies;
- Preparation of the bank for the future, investing in business analysis and a multichannel platform;
- Sustained efficiency advantage through rigorous management of the platform and discipline in cost saving.

Bank Millennium will seek to implement the following actions with a view to undertaking the strategic initiatives:

- Increase consumer credit and its weight in total Retail loans;
- Become a reference bank in savings solutions, developing a broad range of savings solutions for Customers, to balance their liquidity and investment needs;
- Consistent development of innovative star products supporting Customer acquisition;
- Optimise the use of multiple sales channels and business analysis with the objective of enhancing convenience, increasing sales productivity and efficiency in product distribution;
- Position Bank Millennium to take advantage of the next phase of digital banking, seeking to achieve a position of leadership in mobile banking;
- Explore opportunities in the market of credit to companies, combining the focus on micro and small companies with the targeting of medium-sized companies;
- Establish strategic partnerships with the main corporate Customers.

With a view to ensuring the sustainable growth of Bank Millennium, all strategic initiatives should ensure a high capital base, comfortable liquidity, conservative risk management, permanent cost control and simplified processes. Bank Millennium closed 2012 with a strong position of capital and liquidity, a Core Tier I ratio standing at 12.9%, clearly above the objective assumed under the new medium-term strategy, and a loan-to-deposit ratio below 100%. Bank Millennium also managed to improve the efficiency of its operations, with its cost to income ratio standing below 60%. In terms of profitability, net income increased in relation to 2011 in spite of the return on equity having been affected by the strengthening of equity, induced by the supervisor's recommendations for Polish banks to retain the entire profit for 2011 in their capital base.

BANK MILLENNIUM – POLAND

Million euros

	'12	'11	'10	CHAN.%'12/'11	'11	CHAN. % '12/'11
					excluding FX effect	
Total assets	**12,946**	11,404	11,820	13.5%	12,479	3.7%
Loans to customers (gross)	**10,179**	9,545	9,541	6.6%	10,444	-2.5%
Loans to customers (net)	**9,875**	9,271	9,242	6.5%	10,145	-2.7%
Customer funds	**11,485**	9,292	10,043	23.6%	10,168	13.0%
Of which: on Balance Sheet	**10,272**	8,484	9,001	21.1%	9,284	10.6%
off Balance Sheet	**1,214**	808	1,042	50.2%	884	37.3%
Shareholders' equity	**1,184**	1,029	1,029	15.1%	1,126	5.2%
Net interest income	**278.2**	277.4	231.4	0.3%	273.6	1.7%
Other net income	**190.1**	181.5	196.8	4.8%	179.0	6.2%
Operating costs	**268.5**	273.1	269.9	-1.7%	269.3	-0.3%
Impairment and provisions	**57.1**	42.2	56.6	35.2%	41.6	37.1%
Net income	**113.1**	113.3	81.3	-0.2%	111.8	1.2%
Number of Customers (thousands)	**1,242**	1,180	1,125	5.3%		
Employees (number) (*)	**6,001**	6,289	6,135	-4.6%		
Branches (number)	**447**	451	458	-0.9%		
Market capitalisation	**1,316**	1,034	1,495	27.3%	1,132	16.3%
% of share capital held	**65.5%**	65.5%	65.5%			

Source: Bank Millennium.

FX rates:

Balance Sheet 1 euro =	4.074	4.458	3.975	zlotys
Profit and Loss Account 1 euro =	4.1739625	4.11623333	4.0078625	zlotys

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

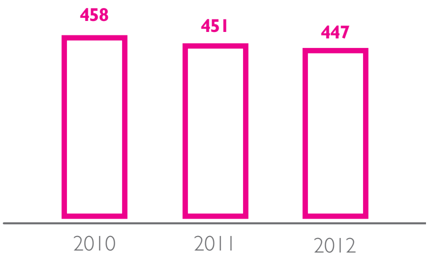
In spite of some slowdown of the Polish economy since the third quarter of 2012, Bank Millennium achieved a solid business volumes growth. In 2012, total customer funds increased by 13.0%, as a result of the concentration on sales efforts, adjustment of pricing and targeted product campaigns. In turn, Bank Millennium's credit portfolio reached 41.5 billion zlotys by the end of 2012, corresponding to a decrease of 2.5%. However, in euros and due to the apreciation of zloty, credit portfolio increased by 6.6%. Mortagage loans (which represent 66.1% of the credit portfolio) fell by 3.6%, standing at 27.4 billion zlotys by the end of 2012, as a result of the exchange rate evolution which particularly affected this portfolio. Consumer credit reached 3.4 billion zlotys at the end of 2012, having increased by 5.1%. Loans to companies (including leasing) decreased by 2.1% in 2012, accounting for 25.7% of total credit portfolio.

The solid growth of volumes was accompanied by net interest income stability, in spite of the decline in market interest rates during the second half of 2012, enabling a recovery of net interest income, which is the main component of banking income. Net interest income reached 278.2 million euros, representing an increase of 0.3% relative to 2011. Operating costs fell by 1.7% in relation to 2011, to stand at 268.5 million euros, essentially reflecting the 3.7% reduction of other administrative costs. Staff costs increased by 1.9% in 2012, as a result of increased social security contributions. The combination of banking income growth, stable operating costs and increased impairment charges resulted in a slightly higher net income (in zloty) than in 2011.

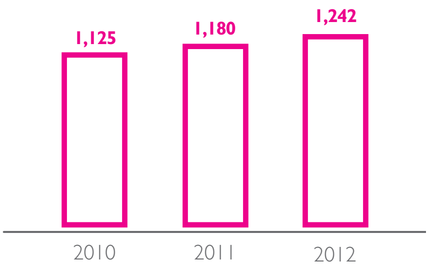
2012 was also a year that was particularly focused on the definition of the highest standards in terms of the quality of the service provided to Customers. A special project aimed at improving quality was implemented in 2011, covering the areas of Customer relations, namely branches, call centres, Internet services and back-office. During 2012, the bank continued this project and its results can be perceived through the external recognition gained by Bank Millennium: "The Best and Friendliest Internet Bank" and "The Second Friendliest for Individuals" granted by *Newsweek*, with the bank awarded the highest classifications in the categories of communication channels, operations, service quality, Customer acquisition and retention; "The Best Internet Bank for Clients in Central and Eastern Europe" by *Global Finance*; "The Medal-winning Bank in the Service Quality Programme" by the *Polish Weekly Wprost*; "The Second Best Bank for Companies" by *Forbes*, for the quality of the offer and service in the SME segment.

Service quality improvement has been one of the pillars continuously developed by the bank over the past few years with a view to support business growth. The other pillars constitute the current strengths of the bank and include a well-distributed branch network supported by a multichannel infrastructure, high recognition of the brand and a successful franchise in mortgage loans, credit cards and specialised credit (leasing and factoring).

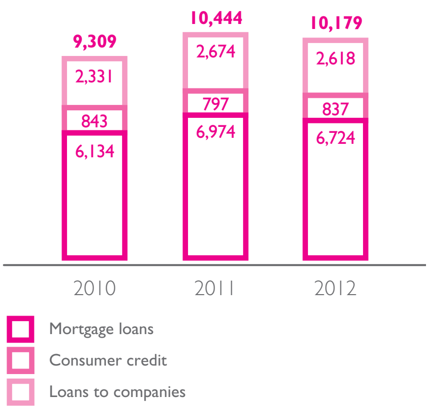
NUMBER OF BRANCHES
Units



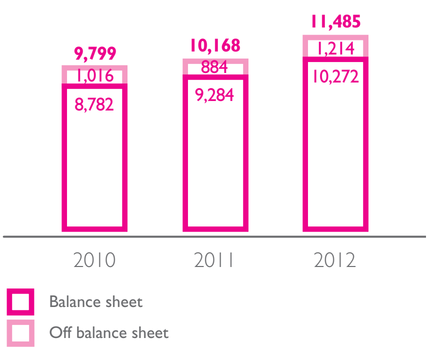
NUMBER OF CUSTOMERS
Thousands



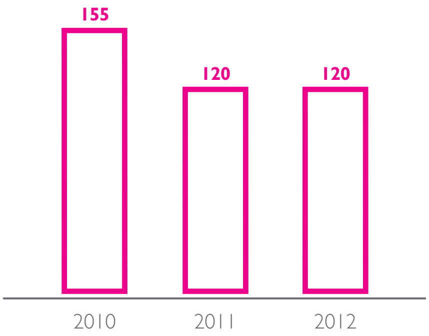
LOANS TO CUSTOMERS (GROSS)
Excluding FX effect
Million euros



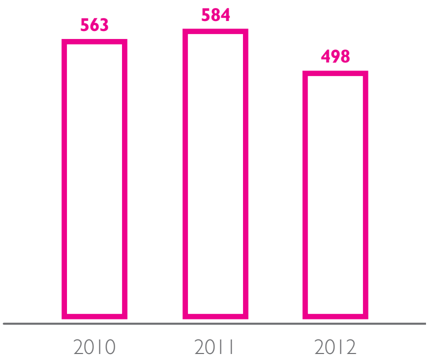
TOTAL CUSTOMER FUNDS
Excluding FX effect
Million euros



NUMBER OF BRANCHES
Units



NUMBER OF CUSTOMERS
Thousands



Greece

Millennium bank operates in Greece since 2000. Its activity is focused on Retail through a universal offer of a complete range of financial products and services for affluent and business Customers via a unique multi-segment network. Millennium bank's customer base of around 500 thousand Customers served through a unified network of 120 branches, located over the entire national territory of Greece.

The banking system continued to face unprecedented challenges in 2012 through the combined effects of the adverse economic conditions (the Greek economy is undergoing its fifth consecutive year of recession), loss of access to international markets, outflow of deposits (76 billion euros over the last three years), and the restructuring of Greek sovereign debt. The outflow of deposits from the Greek banking system reached 13 billion euros in 2012, leading the banks to use the ECB and the Greek Central Bank funding through the ELA (Emergency Liquidity Assistance). The poor macroeconomic prospects have increased non performing loans and consequent increase in impairment charges, combined with the insufficient capitalisation after participation in the Private Sector Involvement plan (PSI) and additional requirements arising from the new regulatory framework.

In December 2012, the Bank of Greece announced after an assessment of needs to restructure and recapitalize the Greek banking system, the allocation of an amount of 50 billion euros for the implementation of the economic adjustment program, with the purpose of the restructuring and recapitalization of the banking sector in Greece, to be finalized by April 2013.

Millennium bank has continued to rapidly adjust to the increased uncertainty in the market, by focusing on four strategic pillars:

- Equity: strengthening of the bank's capital base with a view to complying with the new capital requirements. Together with other measures aimed at the improvement of equity, such as measures for the optimisation of RWA and repurchase of liabilities, the bank completed a share capital increase of 139 million euros in December. As at 31 December 2012, the estimated solvency ratio was 8.9% and Core Tier I stood at 4.8%.

- Liquidity: the bank implemented various measures with the objective of protecting its deposit base, albeit in this context of high outflow of deposits from the system, slightly increasing its deposits market share to 1.6%. The gross credit portfolio declined by 155 million euros relative to December 2011, reducing the structural funding needs of the bank.

- Non-performing loans: During 2012, the bank continued to improve risk management and risk control processes with a view to reducing the increase of overdue loans.

- Efficiency: Millennium bank completed a restructuring plan in December 2011, with a view to achieving cost optimisation through rationalisation measures. The new cost optimisation measures launched in 2012 including the renegotiation of rents and contracts with suppliers, improvement of organisational design, implementation of economies of scale and competences to reduce administrative costs (e.g. cash management processes, digital statement services, insurance), maintenance costs and outsourcing. The measures referred to above contributed by 13.5% to savings on recurrent costs compared with the previous year.

The intensification of the economic recession and developments in the sovereign debt crisis were reflected in the earnings.

- Banking income fell by 38% relative to 2011, to stand at 56.3 million euros (excluding non-recurrent item in 2011). This reduction is essentially attributable to lower net interest income, which has been strongly affected by higher costs of funding.

- Operating costs reached 101.9 million euros, representing a decrease of 14.6% relative to the previous year (excluding non-recurrent items in 2011), reflecting cost control measures which included the voluntary leaving programme and reduction of the network by 35 branches relative to the end of 2011.

- Impairments reached 278.5 million euros in 2012 compared with 92.6 million euros in 2011, reflecting the impact of the adverse economic conditions. In spite of the significant reduction of operating costs, the higher funding costs and increased impairments affected Millennium bank's net income, which recorded a loss of 266.4 million euros.

- The total assets of Millennium bank stood at 4,831 million euros, representing a decrease of 24.1% relative to December 2011, essentially as a result of lower interbank funding, the impact of the PSI and deleveraging of loans. Loans to customers (gross) stood at 4.7 billion euros, corresponding to a decline of 3.2% relative to December 2011. Customer deposits reached 2.9 billion euros, decreasing 0.9% in relation to December 2011, a modest decline compared with the reduction of deposits on the Greek market of approximately 10% (estimated) in 2012.

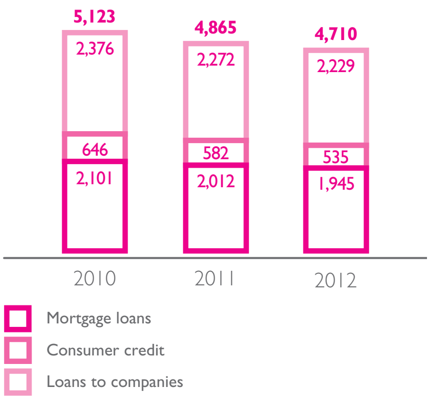
MILLENNIUM BANK – GREECE

Million euros

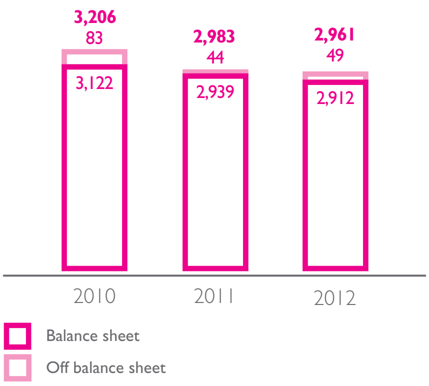
	'12	'11	'10	CHANGE % '12/'11
Total assets	**4,831**	6,364	6,858	-24.1%
Loans to customers (gross)	**4,710**	4,865	5,123	-3.2%
Loans to customers (net)	**4,236**	4,654	4,997	-9.0%
Customer funds	**2,961**	2,983	3,206	-0.7%
Of which: on Balance Sheet	**2,912**	2,939	3,122	-0.9%
off Balance Sheet	**49**	44	83	12.2%
Shareholders' equity	**198**	474	372	-58.3%
Net interest income	**11.6**	197.5	127.5	-94.1%
Other net income	**44.7**	28.7	32.5	55.8%
Operating costs	**101.9**	129.5	124.1	-21.3%
Impairment and provisions	**278.5**	92.6	57.3	200.9%
Net income	**-266.4**	-3.5	-16.0	-7,476.1%
Number of Customers (thousands)	**498**	584	563	-14.7%
Employees (number)	**1,186**	1,212	1,470	-2.1%
Branches (number)	**120**	120	155	0.0%
% of share capital held	**100%**	100%	100%	

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

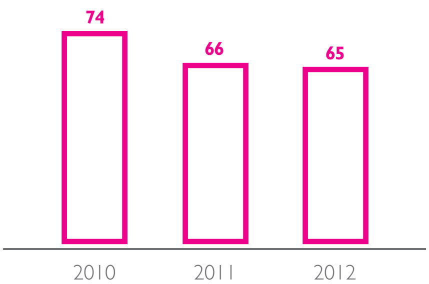
LOANS TO CUSTOMERS (GROSS)
Million euros



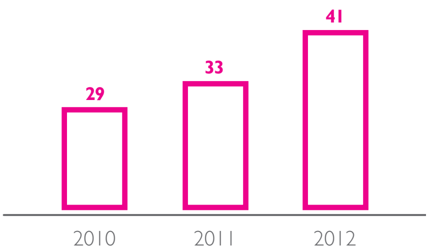
TOTAL CUSTOMER FUNDS
Million euros



NUMBER OF BRANCHES
Units



NUMBER OF CUSTOMERS
Thousands



On the commercial front, the bank focused on expanding customer deposits with a view to improving its deposit base, as well as on repricing efforts and increased commission rates. 2012 also represented a year of innovation in Millennium bank's alternative distribution channels. The mobile banking launched in December 2011 introduced new functionalities, including a larger number of transactions, information on credit cards, a graphic presentation of the bank's commercial relation with the Client and credit card expenses by category, a functionality for branch location, as well as a news section keeping Customers close to the bank wherever they are. eBanking continues to offer updated services to users with an improved view of the relationship with the Client (graphic presentation of the overall relationship and credit card expenses by category of expenditure) and more transactions at a low cost but with maximum convenience and security.

At the same time, non-Customers are offered improved services through the bank's marketing website with the option of opening an account online or taking out motor vehicle insurance and issuing the contract at home merely through a few clicks (also available for Customers). Regarding the Contact Centre, there has been an improvement in services with 168 new payments available, while the information on the bank's products and services is also available via the "Click to Call" functionality (through the marketing website), with Millennium bank currently being the only bank offering this service in Greece. The latest innovation in the bank's ATM network, providing a new demonstration of mobile banking at all ATM's in-lobby, as well as the introduction of payments through the debit of an account.

Romania

Banca Millennium, a greenfield operation launched in Romania in 2007, currently operates with a network of 65 branches, which includes seven corporate centres located in the main Romanian cities. In completing its fifth anniversary, Banca Millennium has consistently strengthened its position in the Romanian banking sector, supported by the sustainable business growth and a growing reputation in the market.

2012 continued to be marked by a highly competitive environment in the Romanian banking sector, further fuelled by the deceleration of GDP and by the fact that this sector is very fragmented, with over 40 banks developing their activity, most of them with market shares below 1%. As a result, the cost of funding remained high, in particular funds in foreign currency, exacerbated by the fact that the parent companies of the main Romanian banks no longer grant funds to their subsidiaries. The banking sector has also been penalised by the implementation of important regulatory changes which have limited the concession of loans in foreign currency, implying a switch to local currency loans. Consequently, the combined effect of the sluggish demand for deposits with the restrictive policies on credit concession has constrained the expansion of the latter. The deceleration of GDP together with a devaluation of the collateral underlying mortgage loans resulted in maximum historical values for credit impairment.

In spite of the extremely adverse and challenging environment for the development of banking activity in 2012, Banca Millennium has continued to consolidate its position in the Romanian banking sector through the expansion of its customer base and increased business volumes.

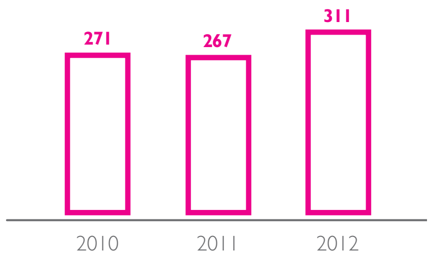
In this context, the following strategic priorities were defined:

- Optimisation of the Customer acquisition model, focused on target products and segments;
- Increase of corporate business, through the development of banking relations with small and medium-sized enterprises, namely via acceleration of credit portfolio growth;
- Higher efficiency levels and maintenance of a conservative approach in relation to risk management;
- Change of credit concession policy by reducing the share of loans in foreign currency.

LOANS TO CUSTOMERS (GROSS)
Excluding FX effect
Million euros

Compliance with the strategic objectives defined above was ensured through a series of lines of action, in particular:

TOTAL CUSTOMER FUNDS
Excluding FX effect
Million euros



- With respect to Retail area, the priorities of Banca Millennium were based on the concentration of the sales force on attracting new Customers (new current accounts), through the signing of protocols with companies aimed at increasing the number of salary accounts. After an initial period of preparation, the results achieved during the last quarter of the year have reinforced the bank's belief that it is on the right path.
- The development of the business of small and medium-sized enterprises represented another priority of the bank, based on the continuous and sustained growth of volumes and profitability. In this context, the bank has diversified its Customer base, focusing on specific sectors of the economy. The development of Customer relations has also been ensured by the acceleration of credit portfolio growth arising from the use of current accounts, the increased number of banking transactions and trade finance operations.
- During 2012, the bank continued its policy of improving efficiency indicators. For this purpose, the main initiatives were concentrated on cost reduction. This was carried out through the renegotiation of outsourcing contracts (namely with respect to information technology and rents) and the rationalisation of processes in key businesses, embodied in lower number of Employees and administrative and communication costs savings.
- Concerning credit risk, the continuation of a conservative loan granting policy was transversal across all Retail and Companies segments. The maintenance of a rigorous mortgage loan granting policy, favouring loans in local currency, limiting the offer to Customers with salary domiciliation and a solid credit risk historical record, enabled achieving the objective of reducing the share of credit granted in foreign currency. In this context, it is important to highlight the good performance of the bank over the past 12 months, in managing to reduce the share of loans in foreign currency from 89.1% to 77.9%. The completion of the operation of sale of consumer loans portfolio in default, carried out in June 2012, in the amount of 20.8 million euros, contributed positively to the improvement of credit quality indicators.

BANCA MILLENNIUM – ROMANIA

Million euros

	'12	'11	'10	CHANGE % '12/'11	'11	CHANGE % '12/'11 excluding FX effect
Total assets	**578**	522	521	10.8%	508	13.9%
Loans to customers (gross)	**436**	398	344	9.6%	387	12.7%
Loans to customers (net)	**395**	346	304	14.1%	337	17.3%
Customer funds	**311**	275	282	13.3%	267	16.5%
Of which: on Balance Sheet	**311**	275	282	13.3%	267	16.5%
Shareholders' equity	**79**	86	80	-8.2%	83	-5.6%
Net interest income	**14.7**	21.2	16.8	-30.9%	20.2	-27.4%
Other net income	**9.3**	8.8	9.9	6.4%	8.3	11.8%
Operating costs	**34.1**	38.6	40.7	-11.8%	36.8	-7.3%
Impairment and provisions	**12.9**	12.3	13.7	4.3%	11.7	9.7%
Net income	**-23.8**	-17.8	-23.6	-33.8%	-16.9	-40.6%
Number of Customers (thousands)	**41**	33	29	26.0%		
Employees (number)	**639**	690	731	-7.4%		
Branches (number)	**65**	66	74	-1.5%		
% of share capital held	**100%**	100%	100%			

FX rates:				
Balance Sheet 1 euro =	4.4445	4.3233	4.262	new romanian leus
Profit and Loss Account 1 euro =	4.4531375	4.2372625	4.21037083	new romanian leus

During 2012, the Bank managed to uphold a solid situation in terms of solvency, at values above the average for the sector and in line with its peers. This factor benefited from the maintenance of a conservative approach to risk management, enhanced by the injection of capital of 20 million euros, concluded in February 2012.

At the same time, Banca Millennium continues to show comfortable levels of liquidity, with the loan-to-deposit ratio remaining stable throughout 2012, a situation favoured by the stand-by credit facility of 75 million euros and by the extension, until 2016, of a medium-term loan of the value of 150 million euros, both granted by the parent company.

In spite of the trend of reduction of net losses observed up to the end of 2011 and the significant cut in operating costs, the bank's net income deteriorated in 2012. Various factors contributed to this scenario, especially the following: i) high provisioning effort, following the deterioration of the financial situation of various companies which were under a process of recovery in the medium-term; ii) devaluation of the collateral underlying the real estate loans and iii) necessity of the partial annulment of the deferred tax created in 2009 by the bank which, according to the forecasted business projections, will generate insufficient taxable revenue until 2016 to compensate for the use of total fiscal losses of 2009.

The performance of income was relatively modest, having been constrained by the low rate of attraction of new Customers, which affected the business volumes' growth and earnings derived from cross-selling, in spite of the positive impacts of deposits cost reduction and repricing of the companies loans portfolio.

In 2013, Banca Millennium will focus on the significant improvement of net income, in order to contribute positively to the achievement of the break-even point forecast for 2014. Hence, the principal initiatives to be developed during this next financial year will concentrate on increasing the income base, in particular through: i) expansion of the customer base, mainly in Retail; ii) growth of the deposit base, increasing the share of current accounts so as to decrease the cost of funds; and iii) boosting of the activity of granting loans to SME, especially in specific economic sectors, aimed at maximising revenue derived from cross-selling. Simultaneously, the bank intends to maintain its strategic guidelines concerning improved efficiency, through strong cost discipline and streamlining of processes related to key businesses. Although the targets that have been defined are fairly ambitious, Banca Millennium intends to uphold a conservative policy in line with the economic reality, in order to ensure appropriate levels of solvency and liquidity.

Switzerland

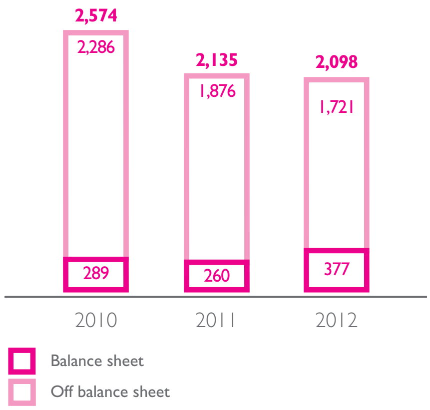
Millennium bcp Banque Privée, constituted in Switzerland in 2003, is a private banking platform offering services to Group's Customers with high net worth, namely on matters of discretionary management, financial advisory and order execution services.

One of the key strategic priorities in 2012 consisted in positioning the bank as a pure asset management player, reducing the loan to assets under management ratio, through the reduction of the Clients credit portfolio. During 2012, the bank managed to reduce its credit portfolio from 406 million euros to 280 million euros, concentrating the deleveraging effort on high risk loans and simultaneously improving the diversification of the assets used as collateral.

The focus on deleveraging resulted in increased profitability associated with lower level of loan impairment. Additionally, in 2012, Millennium bcp Banque Privée proceeded to a restructuring of IT costs, credit repricing and commission increase and the impacts will be fully visible in 2013, when new initiatives to reduce costs, in order to improve profitability, will be implemented.

The reduction of the loan portfolio, as well as the use of equity and customer deposits to finance short-term loans through exchange rate swaps, enabled the bank to achieve autonomy in terms of funding, significantly reducing interest and equivalent costs and substantially increasing its contribution to the Group's liquidity.

TOTAL CUSTOMER FUNDS
Excluding FX effect
Million euros



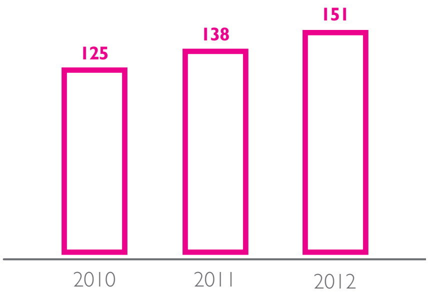
MILLENNIUM BCP BANQUE PRIVÉE – SWITZERLAND

Million euros

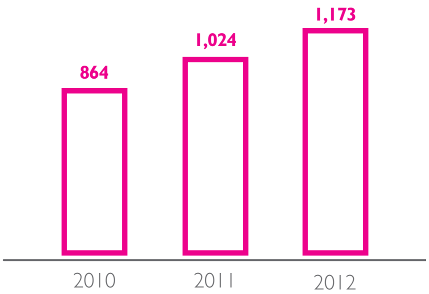
	'12	'11	'10	CHANGE % '12/'11	'11	CHANGE % '12/'11 excluding FX effect
Total assets	**525**	570	745	-8.0%	574	-8.6%
Loans to customers (gross)	**280**	406	602	-31.0%	409	-31.5%
Loans to customers (net)	**251**	369	568	-32.0%	372	-32.4%
Customer funds	**2,098**	2,121	2,485	-1.0%	2,135	-1.7%
Of which: on Balance Sheet	**377**	258	279	46.3%	260	45.3%
Assets under management	**1,721**	1,863	2,207	-7.6%	1,876	-8.2%
Shareholders' equity	**97**	94	103	3.4%	95	2.7%
Net interest income	**6.2**	9.5	8.5	-34.1%	9.7	-35.8%
Other net income	**16.4**	16.0	20.1	2.4%	16.4	-0.2%
Operating costs	**19.1**	17.4	18.1	9.5%	17.9	6.8%
Impairment and provisions	**0.2**	23.9	4.9	-99.3%	24.5	-99.3%
Net income	**2.5**	-12.0	4.2	121.0%	-12.3	120.5%
Number of Customers (thousands)	**2**	2	2	1.9%		
Employees (number)	**68**	69	71	-1.4%		
Branches (number)	**1**	1	1	0.0%		
% of share capital held	**100%**	100%	100%			

FX rates:				
Balance Sheet 1 euro =	1.2072	1.2156	1.2504	swiss francs
Profit and Loss Account 1 euro =	1.20428333	1.2348875	1.37895	swiss francs

NUMBER OF BRANCHES
Units

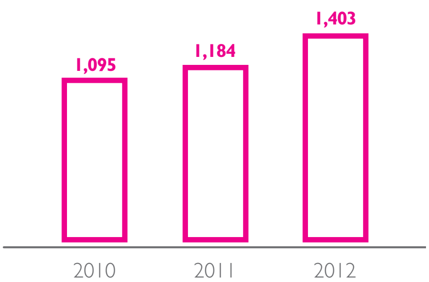


NUMBER OF CUSTOMERS
Thousands



LOANS TO CUSTOMERS (GROSS)
Excluding FX effect
Million euros

TOTAL CUSTOMERS FUNDS
Excluding FX effect
Million euros



OTHER INTERNATIONAL BUSINESS

Mozambique

In 2012, Millennium bim strengthened its leadership as the largest financial Group in Mozambique. With 151 branches distributed throughout the entire country, the bank has the largest distribution network and highest geographical penetration in that country. During this period, in terms of the provided alternative channels services, the bank expanded its capillarity by increasing its total number of ATM (385) and POS (4,058). Millennium bim is also distinguished as the largest employer of the sector, as one of the highest tax contributors, by its asset volume, and by having a reputable social responsibility programme, recognised at a national and international level.

The robustness of its equity, high solvency level and maintenance of appropriate liquidity levels are among the main indicators which make Millennium bim the most solid bank of the Mozambican market.

In the ranking defined by the magazine *The Banker,* in relation to the 300 most important African banking institutions, Millennium bim is the number one Mozambican bank, holding the 65th position of the ranking, thus reflecting the commitment and contribution assumed in the economic and financial development of Mozambique, as well as its leadership role in the process of increasing the banking penetration level.

Positioned as a universal bank, Millennium bim has cemented its leadership with a value proposal sustained on three pillars: i) the implementation of a segmentation strategy for its Customers portfolio, which exceeded 1.17 million of Customers in December 2012; ii) the launch of innovative products and services in order to meet Customers' needs and expectations; and iii) the maintenance of the branch network expansion plan.

The bank has developed a value proposal for the Prestige segment, a dynamic and competitive sector, and adjusted its Corporate offer to the needs of Mozambican companies. This way, the bank maintained its leadership position in the Corporate, Prestige (Companies and Individuals) and Retail Banking segments during 2012.

In addition to new spaces designed specifically for the comfort and convenience of its Customers, the Prestige offer included value proposals that were innovative and differentiating on the market which are now being offered to Individual and Company Customers. The respective proposals offer not only a personalised and proximity service, but also a series of advantages in terms of debit and credit cards, insurance, transfers, the use of automatic channels, amongst others.

Pursuing its leadership tradition and search to surpass the requirements of its external and internal Customers, Millennium bim has continued to present market innovations, namely introducing applications which significantly simplify banking operations at branches, offering a differentiated Internet banking solution on the Mozambican market, thus expanding the set of functionalities at the disposal of Customers, introducing the "confirming" concept, as well as computerised solutions which facilitate the management and payment of customs duties, collection of social levies, and payment of social security contributions.

These factors greatly contributed to Millennium bim's repeated distinctions, by various national and foreign institutions, for "Best Bank" and "Best Financial Group" in Mozambique, in addition to receiving a large number of other distinctions, namely: "Bank of the Year in Mozambique" attributed by *The Banker* of *Financial Times*; "Best Bank in Mozambique" by *emeafinance*, as well as "Best Banking Group in Mozambique" by the *World Finance* and "Bank of the Year in 2012" by *InterContinental Finance*.

Furthermore, Millennium bim was distinguished as the "Best Brand of Mozambique in the banking sector" by the multinational GFK, and considered an excellent "Superbrand" by *Superbrands Mozambique*. Amongst the many awards received, Millennium bim was also distinguished with the "International Quality Summit Award" by BID-Business Initiative Directions.

The exchange rate stability of the metical and inflation rate control, which stands at historically low values, led to a change in the Bank of Mozambique's monetary policy, reflected in the reduction of the Permanent Lending Facility by 550 basis points (six cuts over the year). These alterations constituted a clear sign of support for the country's credit expansion, albeit with a negative impact on the net interest income of the banking system.

In spite of the economic circumstances, the consolidated net income of Millennium bim reached 3.14 billion meticais, approximately 86 million euros, achieving a return on equity (ROE) above 26%. By the end of the year, total assets reached 73 billion meticais, corresponding to year-on-year growth above 18%. Notwithstanding the impact of the branch network expansion programme (exerting upward pressure on costs) and the macroeconomic situation (narrowing margins), cost to income ratio remained at a level below 45%.

MILLENNIUM BIM – MOZAMBIQUE Million euros

	'12	'11	'10	CHAN. % '12/'11	'11	CHAN. % '12/'11
						excluding FX effect
Total assets	**1,872**	1,793	1,293	4.4%	1,586	18.0%
Loans to customers (gross)	**1,049**	1,061	854	-1.2%	939	11.6%
Loans to customers (net)	**976**	986	808	-1.1%	873	11.8%
Customer funds	**1,403**	1,338	991	4.9%	1,184	18.5%
Of which: on Balance Sheet	**1,403**	1,338	991	4.9%	1,184	18.5%
Shareholders' equity	**331**	316	195	4.7%	280	18.3%
Net interest income	**133.2**	143.5	95.6	-7.1%	159.6	-16.5%
Other net income	**81.0**	60.8	55.8	33.3%	67.6	19.8%
Operating costs	**95.4**	76.8	65.1	24.2%	85.4	11.7%
Impairment and provisions	**13.7**	17.6	21.2	-22.0%	19.6	-29.9%
Net income	**85.5**	89.4	52.8	-4.4%	99.5	-14.0%
Number of Customers (thousands)	**1,173**	1,024	864	14.5%		
Employees (number)	**2,444**	2,377	2,088	2.8%		
Branches (number)	**151**	138	125	9.4%		
% of share capital held	**66.7%**	66.7%	66.7%			

FX rates:				
Balance Sheet 1 euro =	39.175	34.665	43.305	meticais
Profit and Loss Account 1 euro =	36.66770833	40.78	45.63333333	meticais

Business evolution followed the bank's strategy, focused on the reinforcement of customer funds attraction, stimulating savings, and prudential management of loans granting, factors which promoted the bank's solidity and financial stability.

During 2012, Millennium bim's subsidiary, Seguradora Internacional de Moçambique, a leader in the insurance market, recorded a net income of 423 million meticais and a combined ratio of 54.0%.

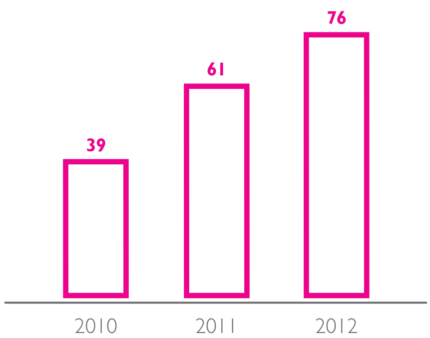
Aware that its role is determinant in the development of Mozambique, Millennium bim places great importance on socially responsible conduct, integrating and promoting policies that support and encourage the well-being of communities, especially in the areas of education, health, culture and sports. These actions have been conducted through its Social Responsibility Programme "More Mozambique for Me", currently in its seventh year of existence.

Angola

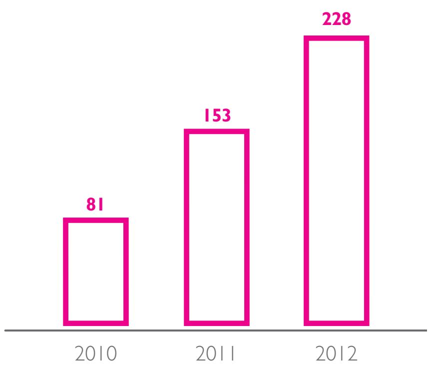
Banco Millennium Angola (BMA) was constituted on 3 April 2006, through the transformation of the local branch into a bank under Angolan law. Benefiting from the strong image of the Millennium bcp brand, BMA presents distinctive characteristics such as innovation and dynamic communication, availability and convenience. In Angola, the Group aspires, with the investment in progress, to become a reference player in the banking sector in the medium-term. BMA also aspires to become an important partner of oil sector companies, through the constitution of a specific corporate centre, providing trade finance operations to these companies.

The bank established the main strategic guidelines for 2012 as being the growth of the business, which includes the expansion of the Customer base, strengthening of its position on the market, through the increased attraction of funds in all business segments, and the higher penetration of financial products amongst Customers. In order to achieve these objectives, BMA embarked on the expansion of its distribution network nation wide, in order to increase capillarity, to offer innovative and personalised products and services, designed to meet the needs and expectations of different market segments, to strengthen staff recruitment and training programmes, and to reinforce its risk management and monitoring processes aimed at ensuring excellent service to its Customers.

NUMBER OF BRANCHES
Units



NUMBER OF CUSTOMERS
Thousands



During 2012, BMA inaugurated 15 new branches, including three Prestige Centres, and created a new Corporate Centre, specifically designed for the oil industry and a Central Treasury, having reached, by the end of December, a total of 76 branches in the Retail Network (of which 39 are open to the public on Saturday morning), three Prestige Centres and six Corporate Centres. The number of Customers stood at approximately 228 thousand in December 2012, having grown by 49.2% in relation to the previous year.

BMA launched DP Net, an online three month term deposit (aimed at increasing the number of Internet banking service users); Diamond Deposit (180 days term deposit), for investments in USD with attractive interest rates; five new Visa debit cards for Individuals in Classic, Prestige and Platinum versions and for Companies in the Business and Corporate ranges.

Under the "Angola Invests" programme, the bank signed a memorandum of understanding with the Economy and Finance Ministries, on 5 June, aimed at supporting Angolan entrepreneurs through subsidised interest rates for Micro, Small and Medium-sized Enterprises, in a total funding facility of up to 1.5 billion USD divided between 19 banks operating on the market and consequently launched the MPME subsidised credit line supported by an advertising campaign in the press and at the branches.

On the other hand, BMA began sending electronic statements of current accounts to managed Customers and created a campaign to attract new Customers, through the member get member methodology.

During 2012, BMA signed protocols with various entities, in particular with Ordem dos Médicos de Angola, for granting automobile loans to its members.

Emphasis is made to the participation of BMA in the Banking Syndicate to finance the project of requalification of Bay of Luanda, an infrastructure project of extreme importance to the country.

In 2012, BMA participated in the 2nd edition of Benguela International Fair (FIB) and the 29th edition of Luanda International Fair (FILDA) which was held under the motto "The Challenges of Attracting Investments".

The good performance, ongoing innovation, solid growth and ability to generate earnings above expectations were recognised by the market, with BMA having been considered, for the second time, the Best Bank with a majority of foreign capital in Angola, by *emeafinance* magazine.

It is BMA's priority to maintain an appropriate relationship between the volume of own funds and the risk levels incurred by the bank in the normal business activity. Throughout 2012, BMA maintained activities relative to the promotion and implementation of risk policies, early detection, measurement, control and monitoring of the different risk components arising from business growth, as well as the respective reporting.

BMA continues to focus on contracting Angolan staff, having attended the Elite Angolan Careers recruitment fairs which took place in Lisbon and Luanda, and made presentations to students at the main Universities of Angola. In December 2012, BMA's staff structure comprised 1,027 Employees, representing an increase of 134 Employees in relation to the previous year. The retention of the Employees and development of their competences continued to be one of the priorities of BMA in 2012, with 194 training actions having been conducted, corresponding to 3,811 hours of training, involving 924 Employees.

In the social responsibility area, Banco Millennium Angola donated 4,188,627 kwanzas to the Women Against Breast Cancer Foundation, as a result of the deposits attracted under the Woman Saving Plan, where, for every thousand USD invested by Customers, the bank set aside 10 USD to donate to the Foundation.

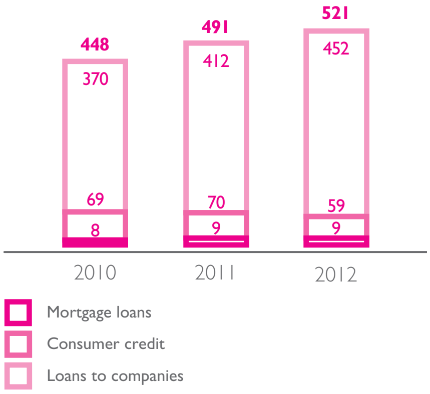
During the Christmas period, the sum usually allocated to presents was donated to Cáritas Angola for the construction of a house in Cacuaco, where it will be possible to house, feed and educate vulnerable children.

In 2012, BMA achieved a net income of 37.3 million euros, corresponding to a growth of 12.0% compared with the same period of the previous year. Banking income increased by 17.9% in relation to 2011, reaching 125.9 million euros, with the main contributions having been the positive evolution of net interest income, commissions and net income from trading activity, which grew by 9.1%, and 41.8% and 21.6%, respectively. Return on Equity (ROE) stood at 18.4% and cost to income at 53.3% (53.9% in December 2011).

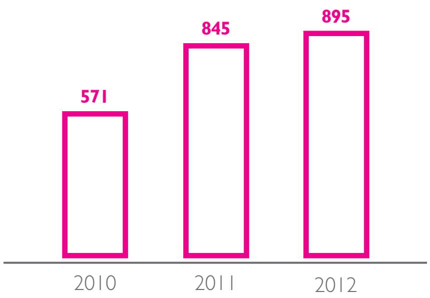
BMA's total assets reached 1,375 billion euros, reflecting an increase of 2.1% relative to 2011 (excluding FX effect). Customer funds's portfolio grew by approximately 5.9%, reaching a total of 895 million euros and gross loans to customers reached 521 million euros, representing an increase of 6.0% compared with 2011. The ratio of loan-to-deposit stood at 58.1% (similar level of December 2011).

Regarding credit quality indicators, it should be noted that the overdue loans by more than 90 days ratio stood at 2.9% in December 2012 (2.4% in December 2011) and the ratio of loans overdue by more than 90 days to coverage for impairments corresponded to 208.7% in December 2012 (215.6% in December 2011).

LOANS TO CUSTOMERS (GROSS)
Excluding FX effect
Million euros



TOTAL CUSTOMERS FUNDS
Excluding FX effect
Million euros



BANCO MILLENNIUM ANGOLA

Million euros

	'12	'11	'10	CHAN.%'12/'11	'11	CHAN.%'12/'11
						excluding FX effect
Total assets	**1,375**	1,388	1,012	-1.0%	1,346	2.1%
Loans to customers (gross)	**521**	506	465	2.8%	491	6.0%
Loans to customers (net)	**489**	480	447	1.9%	466	5.0%
Customer funds	**895**	872	593	2.7%	845	5.9%
Of which: on Balance Sheet	**895**	872	593	2.7%	845	5.9%
Shareholders' equity	**219**	186	140	18.0%	180	21.6%
Net interest income	**68.9**	63.1	51.0	9.1%	67.2	2.5%
Other net income	**57.0**	43.7	42.8	30.6%	46.5	22.7%
Operating costs	**67.1**	57.5	51.3	16.6%	61.2	9.5%
Impairment and provisions	**11.7**	12.1	14.1	-3.5%	12.9	-9.3%
Net income	**37.3**	33.3	23.6	12.0%	35.5	5.2%
Number of Customers (thousands)	**228**	153	81	49.2%		
Employees (number)	**1,027**	893	714	15.0%		
Branches (number)	**76**	61	39	24.6%		
% of share capital held	**50.1%**	52.7%	52.7%			

FX rates:				
Balance Sheet 1 euro =	126.37	122.55	121.60	kwanzas
Profit and Loss Account 1 euro =	123.45416667	131.39625	122.23	kwanzas

Macao

Millennium bcp's presence in the East goes back to 1993. However, it was only in 2010 that the Macao branch's activity was expanded, through the attribution of a full license (on-shore), aimed at establishing an international platform for business operations within the strategic diamond of affinity geographical areas: Europe, Brazil, China and Portuguese-speaking Africa.

The principal strategic guidelines, in 2012, consisted of reinforcing relations with the geographical areas of affinity – China, Portuguese-speaking Africa and Brazil, strengthening the Bank's presence in the local economy, viewing to increase balance sheet funds of exclusively local origin and expanding the services offer to the Bank's different networks, through the Macao platform.

In accordance with these guidelines, various initiatives were implemented, amongst which, in particular, the development of a commercial operations settlement platform especially directed at supporting Portuguese companies exploring Portuguese-speaking geographic areas where Millennium operates, the actions to attract new Institutional and Company Customers in the region of the Pearl River delta, (a key economic centre of Southern China) and the intensification of support to Portuguese Entrepreneurs intending to internationalise their companies, for internationalisation options in markets such as Mozambique, Angola, Poland and China (Macao), capitalising on the experience and presence of Millennium in these geographic areas.

During 2012, customer deposits increased significantly to 1,160 billion euros, with the credit portfolio having recorded a similar evolution, reaching 1,032 billion euros, with the loan-to-deposit ratio standing at 89.0%.

Cayman Islands

Millennium bcp Bank & Trust, with its head office in the Cayman Islands and a "B" category banking license, provides 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 business volumes recorded in 2012 essentially results from loans' reduction, following the objective to reduce the Group's consolidated commercial gap. The net income, in 2012, was 14.7 million euros.

MILLENNIUM BCP BANK & TRUST – CAYMAN ISLANDS

Million euros

	'12	'11	'10	CHAN.%'12/'11
Total assets	**2,618**	3,299	4,118	-20.7%
Loans to customers (gross)	**178**	279	565	-36.3%
Loans to customers (net)	**176**	277	559	-36.4%
Customer funds	**714**	852	1,070	-16.1%
Of which: on Balance Sheet	**703**	838	1,040	-16.2%
off Balance Sheet	**11**	13	30	-13.3%
Shareholders' equity	**272**	267	270	1.9%
Net interest income	**18.1**	4.0	6.8	349.4%
Other net income	**-0.6**	1.3	1.8	-149.9%
Operating costs	**3.0**	3.0	2.5	1.0%
Impairment and provisions	**-0.2**	-2.3	0.1	91.9%
Net income	**14.7**	4.6	6.0	217.1%
Number of Customers (thousands)	**1**	1	1	-22.7%
Employees (number)	**18**	19	15	-5.3%
Branches (number)	**0**	0	0	
% of share capital held	**100%**	100%	100%	

MILLENNIUMBCP AGEAS

The aggravation of the recessive economic environment in 2012 strongly constrained the performance of the national insurance market. Faced with the extremely adverse external environment, Millenniumbcp Ageas pursued the implementation of its new strategic agenda, called "Vision 2015", defined during the financial year of 2011, with the objective of strategically repositioning its business model, adapting it to the new market reality and ensuring its future development. After the dedication of 2011 to preparation, 2012 represented the year of implementation.

The guiding principles of the new strategic agenda, which is fully supported by the Shareholders, focus on the Non-Life branches, where Millenniumbcp Ageas has the best opportunities of growth due to the low levels of penetration, simultaneously maintaining a position of leadership in Life, which will continue to be the main source of earnings over the next few years.

The implementation of this strategy is based on three pillars: i) protection of the current franchise; ii) grow of the bancassurance business model and iii) expansion of the distribution capacity beyond the founding boundaries of the Company.

The overview of 2012 is extremely positive. The nine strategic projects launched under "Vision 2015" were concluded, with a significant part of them having been implemented or under implementation. Millenniumbcp Ageas grew at above market rates in Non-Life, achieved good technical results, continued to improve operating performance, cut costs, was distinguished by various independent and prestigious organisations, strengthened its balance sheet and solidity, and will continue to deliver results to its Shareholders in line with expectations.

However, this performance will only result in the creation of effective value if it is recognised by its Customers and the most relevant expression of the good work carried out by Millenniumbcp Ageas is the achievement of the highest levels of satisfaction ever.

In the Life branch, pursuing the behaviour shown in the previous year, but penalised by the current economic environment, the volume of premiums fell by around 9% as a whole over the year, reflecting the decline in saving capacity associated to the liquidity crisis in the economy. Millenniumbcp Ageas recorded a heavier reduction of the volume of premiums than that of the market. In contrast, the evolution of the volume of provisions under management was quite different, with Millenniumbcp Ageas having, inclusively, reinforced its market share in terms of mathematical provisions in 2012, upholding its leadership of the sector.

The Non-Life branch was likewise influenced by the negative behaviour of the economy, with the key economic indicators affecting this segment having strongly constrained the evolution of the group of Non-Life branches. During 2012, the negative evolution was even more severe in comparison to the same period of the previous year, with the sale of premiums having declined by close to 4%. Over the same period, Millenniumbcp Ageas differentiated itself from the rest of the market, having achieved a growth of 0.8% in the volume of premiums.

As a result of the development of its strategic agenda, the growth observed in both segments, Life and Non-Life, were allied to excellent technical results, improved operating performance and capacity to control costs, factors which proved to be fundamental in the achievement of a net income of 111 million euros in 2012, significantly higher than that recorded for the previous year. And, likewise, financial strength, embodied in a consolidated solvency ratio of 274% at the end of 2012, was also reinforced.

For 2013, the outlook is one of a continued difficult environment, with latent risks whose materialisation might negatively affect the performance of the entire insurance industry. The strategic initiatives aimed at strengthening the operation are fully underway, not only to meet the challenges of the external environment, but also – and above all – to make the most of the business development opportunities that tough periods, such as the one currently experienced, offer to market players which, such as Millenniumbcp Ageas, are prepared to capture.

SYNTHESIS OF INDICATORS

Million euros

	DEZ.'12	DEZ.'11	CHAN. %
DIRECT WRITTEN PREMIUMS			
Life	**763**	1,071	-28.7%
Non-Life	**228**	226	0.8%
TOTAL	**991**	1,297	-23.6%
MARKET SHARE			
Life	**11.0%**	14.5%	
Non-Life	**5.7%**	5.5%	
TOTAL	**9.1%**	11.3%	
Technical margin (1)	**226**	118	91.4%
Technical margin net of operating costs (2)	**141**	31	355.0%
Net profit (2)	**111**	36	204.4%
Gross claims ratio (Non-Life)	**62.2%**	64.5%	
Gross expense ratio (Non-Life)	**24.3%**	23.9%	
Non-Life gross combined ratio	**86.5%**	88.3%	
Life net operating costs/Average of Life investments	**0.75%**	0.84%	

(1) Before allocation of administrative costs.

(2) Before VOBA (Value of Business Acquired).

PENSION FUND

As at 31 December 2012, pension liabilities were fully funded and kept at a higher level than the minimum set by the Bank of Portugal, presenting a coverage rate of 119%. On the same date, the liabilities related to pensions came to 2,293 million euros, compared with 2,452 million euros recorded on 31 December 2011. The pension fund recorded, in 2012, a positive rate of return of 1.6%, compared with the negative rate of return of 0.7% in 2011.

In December 2012, the Bank changed the actuarial assumptions of the pension fund, leaving the discount rate at 4.5% (5.5% in 2011), the salary growth rate at 1.0% until 2016 and 1.75% after 2017 (2.0% in 2011) and the pension growth rate at 0% until 2016 and 0.75% after 2017 (1.0% in 2011), which resulted in negative actuarial differences of 90 million euros. The actuarial differences recorded in 2012, considering the financial, non-financial and those resulting from assumption changes, reached 164 million euros, of which 155 million euros were recognised in the first half of the year.

Actuarial differences in 2012 had a negative impact after tax and after corridor impact of 25 basis points in the Group's Core Tier I ratio. However, the impact, in 2012, increased to 133 basis points as a result of the additional negative effects associated to the transfer of pension liabilities to the General Social Security Scheme, neutralised for prudential purposes as at 31 December 2011 following the authorisation granted by the Bank of Portugal, and the depreciation of deferred impacts allowed by the Bank of Portugal.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RISK MANAGEMENT

RISK MANAGEMENT

In 2012, the Group's risk management and control continued to be developed under a particularly difficult economic and financial scenario, considering that the domestic business portfolio (Portugal) is preponderant within in the Group's total portfolio. Hence, the negative constraints of an extremely adverse environment and the demanding requirements of the Economic and Financial Assistance Programme to Portugal (PAEF) remained, with declining economic activity, growing unemployment and increasing tax burden on families.

Under this scenario, the Group continued to consolidate and develop its functional and organisational framework committed to the management, measurement and control of risks, pursuing its objectives of extending the advanced approach to the calculation of capital requirements for credit risk, namely with respect to the operation in Poland or to the use of own LGD (Loss Given Default) and CCF (Credit Conversion Factors) parameter estimates for the Corporate segment in Portugal.

The main activities developed in 2012 in the context of risk management – the set of actions relative to the identification, assessment, monitoring and control (or mitigation) of the different risks to which the Group is exposed as a result of its business activities – were the following:

- Continuing of the initiatives aimed at the effective implementation of the conditional remedies concerning the approval, by the Bank of Portugal, for the use of the IRB approach in the calculation of capital requirements for credit risk;
- Participation in the stress tests promoted by the European Banking Authority (EBA) and in the definition of the Funding and Capital Plan, under the agreement of external assistance to Portugal;
- Active participation in the quarterly reviews of the Group's Capital and Liquidity Plan and associated stress tests;
- Active participation in the Group's response to the On-Site Inspections Programme (OIP) conducted by the Bank of Portugal and its consultants, focusing on credit exposures to the construction and commercial real estate (CRE) segments;
- Follow-up of Workstream 3 (stress tests) of the Special Inspections Programme (SIP), in the second half of the year, in close collaboration with the Bank of Portugal;
- Implementation of the preparatory work for the future access to the derivative trading and reporting infrastructure, under the terms of the European Union's "E.M.I.R." Regulation;
- Production of the regulatory report relative to Pillar II of the Basel II Accord, and of the Credit Concentration Report;
- Participation in the execution of the Internal Control Reports for 2011/2012;
- Strengthening of the credit quality monitoring through the systematic follow-up, by the Credit Risk Monitoring Subcommission, of the evolution of the overdue credit/impairment indicators and of the main risk cases;
- Introduction of improvements in the credit process of operations abroad with a view to ensuring an integrated and overall vision of credit risk in the case of economic groups involved in credit operations in the different geographic areas in which the Group operates;
- Active participation in the process of approval of new products, suggesting the necessary adjustments and adaptations required to effectively control the inherent risks;
- Participation in the Working Party for the implementation of the requirements of the new legislation concerning the default of individuals and in mortgage loans.

BASEL II

The activities aimed at the extensions of the authorisation for the use of an Internal Ratings Based (IRB) approach to the calculation of the risk-weighted assets in Portugal, for the assessment of the regulatory capital requirements relative to credit risk and counterparty risk, continued to be developed in 2012. At the same time, the Group had also submitted a formal application for the authorisation to use the IRB approach in relation to the Polish operation, at the end of 2011.

Therefore, within this context, an ongoing dialogue was maintained with the Bank of Portugal, KNF (the Polish Financial Supervision Authority) and, in general, with the BCP Group College of Supervisors, which includes representatives of all the supervisors from the countries in which the Group operates.

Specifically, during the first days of 2012, the Group formally submitted to the Bank of Portugal applications for the authorisation to use internal rating models for the exposures to Real Estate Development in Portugal and to use its own estimates for the LGD and CCF parameters for the "Corporate" risk class (in Portugal).

In Poland, the Group received the approval for the IRB approach for the exposures of the Retail Portfolio collateralised by residential real estate and for the exposure represented by renewable positions of this portfolio. In the beginning of 2013, Bank of Portugal granted the extension of the IRB authorisation requested in relation to the own estimates for the CCF parameters applicable to the Corporate exposures already covered by this methodology.

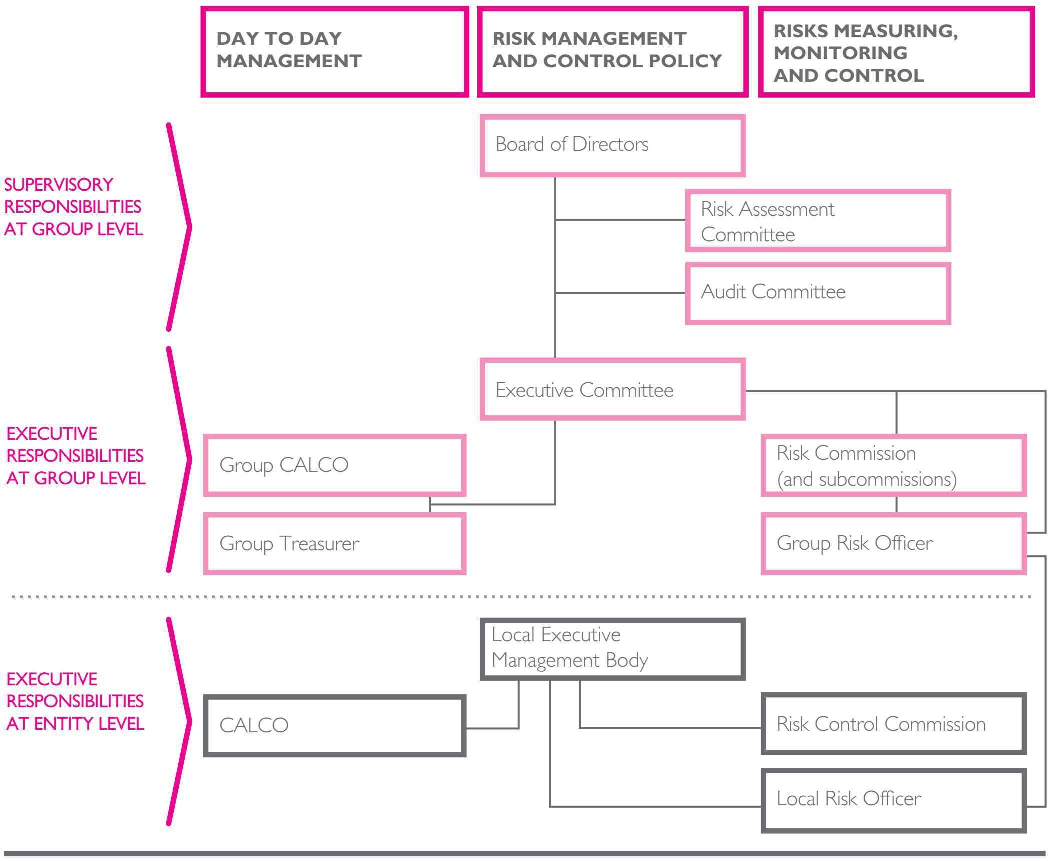
Concerning operational risk, the Group decided that it will submit to Bank of Portugal, in 2013, an application for the authorisation to use the Advanced Measurement Approach (AMA) to determine the regulatory capital requirements relative to this type of risk. Hence, by the last quarter of 2012, a number of steps have already been taken for the setup of this application, which will be beneficial for the Group since it implies the fine-tuning of the current high level of sophistication concerning the management of operational risk and its control and mitigation mechanisms.

RISK MANAGEMENT ORGANISATION

Changes to the corporate governance model of Banco Comercial Português that occurred in the first half of 2012 have implied some adjustments in risk management governance, after its reinforcement on the last quarter of 2011, when the Risk Commission established a Credit Risk Monitoring Subcommission (SCARC).

This Subcommission (composition and capacities detailed ahead) met every fortnight over 2012, systematically following-up the evolution of the overdue and impaired credit indicators, as well as the individually significant cases of Clients under credit recovery processes.

It should be recalled that the Risk Commission and its Subcommissions for the monitoring of specific types of risk – such as the aforementioned SCARC and the Pension Funds Risk Subcommission (SCRFP) – are executive bodies that stem from BCP's Executive Committee and fit into the overall framework of risk management and control governance as represented in the following figure:



The next paragraphs describe the competences and attributions of the bodies intervening in risk management governance at Group level – either with management or with internal supervisory capacities (besides the Board of Directors and its Executive Commission).

RISK ASSESSMENT COMMITTEE

The Risk Assessment Committee is composed of three non-executive members of the Board of Directors and has the following competencies:

- Monitoring the overall levels of credit, market, liquidity and operational risk, ensuring that these are compatible with the objectives, the available financial resources and the strategies approved for the development of the Group's activity;

- Advising the Board of Directors on matters related to the definition of risk strategy, capital and liquidity management and market risk management.

AUDIT COMMITTEE

The Audit Committee is composed of four non-executive members of the Board of Directors and has the following attributions:

- Supervision of management, of the financial reporting documents and of the qualitative measures aimed at the improvement of internal control systems, of the risk management policy and of the compliance policy;

- Supervision of the internal audit activity, ensuring the independence of the Certified Accountant and issuing recommendations for the contracting of External Auditors, as well as a proposal for their election and for the contractual conditions of their services;

- The reception of any notifications of irregularities presented by Shareholders, Employees or others, ensuring its follow-up by the Internal Audit Department or by the Client Ombudsman;

- 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 the governing bodies' members or reference Shareholders.

The Audit Committee is the main recipient of the Internal Audit's, Certified Accountant's and External Auditors' reports and holds regular meetings with the Board Member 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, at an executive level, for the follow-up of the 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.

It includes all of the members of the Executive Commission, the Group Risk Officer, the Compliance Officer and the Heads of the following departments: Internal Audit; Treasury and Markets; Research, Planning and ALM; Credit; Rating.

CREDIT RISK MONITORING SUBCOMMISSION

This body has the following duties and responsibilities:

- Monitoring the evolution of credit exposure and the 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 loan concession;
- Monitoring of the automatic decision-making and credit recovery processes.

The members of this Subcommission are the Executive Commission's members responsible for the financial area and for risk management and two other members of the Executive Commission, the Group Risk Officer and the Heads of the following departments: Credit; Rating; Retail Credit Recovery; Specialised Credit Recovery; Research, Planning and ALM; Specialised Monitoring; Real Estate; Marketing.

PENSION FUNDS RISK SUBCOMMISSION

The mission of this specialised Subcommission includes 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.

Its members are: the Executive Commission's members responsible for the financial area and for risk management, the Group Risk Officer, the Heads of Research, Planning and ALM and the Head of Human Resources. 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 Group (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 Executive Commission's member responsible for the financial area and a further four members of the Commission are also members of this body. The other members of the CALCO Group are the Group Risk Officer and the Chief Economist, as well as other members appointed by the Executive Commission, including, among others, the Heads of the following departments: Research, Planning and ALM; Treasury and Markets; Management Data; Corporate Business; Marketing.

GROUP RISK OFFICER

This is the person responsible for the risk control function for all entities of the Group. 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 general 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 Board of Directors or its Executive Commission.

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 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 Board of Directors and supports the work of the Risk Committee and the subcommittees that stem from this Committee – the Credit Risk Monitoring Subcommission and the Pension Funds Risk Subcommission – mentioned above.

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 level of incurred risks, thus requiring 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 product lines, 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 following figure:

RISK TYPES	SUBTYPE	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 organizational 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 recognizes the dependence of extreme events.

The following table presents the Group's overall risk position as at 31 December 2012 and 2011, represented by the value of the economic capital calculated on these dates:

ECONOMIC CAPITAL Million euros

	DEC.'12		DEC.'11	
	AMOUNT	**%**	AMOUNT	%
CREDIT RISK	**2,362.9**	**44.1%**	2,026.8	41.3%
MARKET RISKS	**1,840.2**	**34.4%**	1,552.4	31.6%
Trading book	**19.6**	**0.4%**	17.0	0.3%
Banking book – interest rate risk	**705.8**	**13.2%**	811.0	16.5%
Banking book – equity risk	**665.4**	**12.4%**	355.6	7.2%
Real estate risk	**449.4**	**8.4%**	368.8	7.5%
OPERATIONAL RISK	**370.0**	**6.9%**	398.1	8.1%
LIQUIDITY RISK	**134.8**	**2.5%**	134.8	2.7%
PENSIONS FUND RISK	**431.8**	**8.1%**	621.4	12.7%
BUSINESS AND STRATEGIC RISK	**213.0**	**4.0%**	177.7	3.6%
NON-DIVERSIFIED CAPITAL	**5,352.7**	**100.0%**	4,911.2	100.0%
Diversification benefits	**-1,196.8**		-1,164.6	
GROUP'S ECONOMIC CAPITAL	**4,155.9**		**3,746.6**	

At 31 December 2012, the increase in economic capital (after diversification effects) in relation to 31 December 2011 was of around € 409.3 M (+10.9%). The 2012 year-end position mainly results from:

- An increase in capital needs associated to credit risk, due to the worsening of the Bank's portfolio quality in Portugal and in Greece, especially in what concerns the Corporate portfolio;
- An increase in the equity risk and in the real estate risk, through exposure increases due to the acquisition of units of credit recovery mutual funds and to the increase in the real estate property portfolio (repossessed assets);
- The decrease in the interest rate risk of the banking book, mainly due to a decrease in volatility levels of the Portuguese Public Debt;
- The decrease of the risk associated with the Pension Fund, due to changes in the implicit assumptions related to the considered economic scenarios.

MODEL VALIDATION

The Models Control Unit (UCM) ensures the monitoring and independent validation of the credit and market risk models.

The implemented monitoring and validation framework also involves model owners, rating system owners, Validation Committees, the Risk Commission and Internal Audit.

During 2012, various actions relative to the follow-up and validation of credit and market risks models were carried out.

In what concerns the credit risk models, these actions were developed over the models for the Corporate and Retail exposure classes, concerning its main estimation components, for models used in Portugal and for some models used in non-domestic subsidiaries.

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, Small and Mid Corporate sub-segments, the models applicable to the real estate promotion portfolio and the TRIAD behavioural models –, the models used for the calculation of LGD estimates and the models for off balance sheet 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 the 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 concerning these issues.

ON-SITE INSPECTIONS PROGRAMME (OIP)

In the second half of 2012, the Bank of Portugal promoted a new and vast inspection of the banking system exposure to the construction and property development sectors in Portugal and Spain, with the objective of assessing the adequacy of the accounted impairment levels for the exposures to these sectors, designated by On-site Inspections Programme.

This inspection considered the Bank's accounts as at 30 June 2012 as the reference date and was developed with the support of external consultants appointed by the supervisor, conducted between July and November 2012.

In addition to considering the exposures to entities operating directly in the construction and property development sectors, OIP also included the exposures to i) holdings of these entities, ii) tourism sector entities, iii) entities with strongly related activity to the construction sector (essentially, suppliers) and iv) entities belonging to the same economic group as those referred to above (through a contamination concept), whenever the exposure of the first represented more than 25% of the total exposure of the economic group.

The Bank has dedicated special attention to the development of this project, having created a multidisciplinary team for its follow-up, involving staff from different areas, in particular from the Risk Office, Internal Audit and Credit Department, with weekly reporting to the Credit Risk Monitoring Subcommission and the Executive Committee.

The work was completed by the end of November 2012 and the results have been communicated simultaneously to the markets by the Bank of Portugal and by the eight banks involved in the inspection during the first days of the following month.

The analysis of the Bank's credit portfolio led to the identification of the need to reinforce impairment by of 290 million euros, corresponding to 3.1% of the assessed exposure, of which 232 million euros resulted from the analysis of data and events occurring after the reference date, such as new insolvencies/bankruptcies and revaluation of collateral.

The identified reinforcement of impairments was fully stated in the accounts for 2012 and the respective impact on the Tier 1 ratio as at 31 December 2012 was not materially relevant.

In parallel to the assessment of the credit portfolio, the OIP developed two additional aspects:

- Assessment of the management policies and procedures relative to the identification and marking of restructured credit and degree of compliance with Bank of Portugal's Instruction 18/2012;

- Assessment of the management policies and procedures regarding the real estate collateral execution and the call on guarantees.

In these aspects, the overall adequacy of the risk management and control policies and procedures was confirmed, even if some isolated improvement opportunities were identified.

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 type of risk – in itself very relevant and highly representative in terms of the Group's overall exposure to risk – is particularly incisive under adverse macroeconomic conditions (cases of Portugal and Greece), when families and companies are faced with financial difficulties.

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 structure units that are exclusively dedicated to loan recovery, for the defaults that occur.

For 2012, the following activities should be highlighted, as they were developed to strengthen the procedures of credit risk assessment, monitoring and control, for the various segments of the portfolio:

- On-site validation, by the Bank of Portugal, of the applications for the authorisation relative to the extension of the Internal Ratings Based (IRB) method for the Corporate exposures class; subsequently, authorisation was granted for the use of own estimates of CCF for these exposures, taking effect from the 31 December 2012 (inclusive);

- Approval for the use of the IRB approach for the Retail exposures secured by residential Real Estate and revolving exposures of Bank Millennium (Poland);

- Update of the LGD estimates for the Retail Portfolio exposures and calculation of estimates for the Corporate exposures, based on loan recovery information collected automatically through a process developed in collaboration with an external consultant;

- Development of an Expected Loss Best Estimate (ELBE) model for the defaulted Corporate exposures;

- Updating of the CCF estimates for the Corporate and the Retail Portfolio exposures, segmented by credit product type;

- Start-up of the internal development of new risk assessment models for the Real Estate Promotion portfolio;

- Permanent updating of the internal regulations on credit risk management and issuance of new regulations on the framework for defaulted credit, on the impairment calculation process and on the individual impairment analysis;

- Implementation of a new credit recovery model for Retail, making full use of the available capacity in the Commercial Network and stimulating a more effective interaction between the different participants in the credit recovery process;

- Implementation of behavioural models for the segmentation of defaulted clients, aimed at a greater rationalisation of the collection effort.

The next table illustrates the quarterly evolution of the main credit risk indicators over 2012, for the portfolios of Portugal, Poland, Greece, Romania, Angola and Mozambique. This evolution shows the decrease of the credit portfolio quality in Greece and Portugal, but the indicators also point to a potential decline in the negative trend of the domestic portfolio (Portugal), taking into account the values for the last quarter of 2012.

Million euros

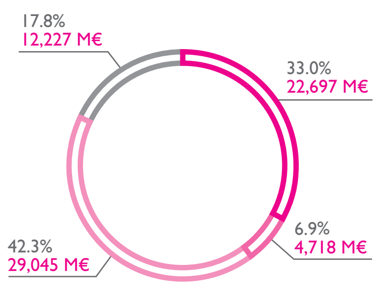
	DEC.'12	SEP.'12	JUN.'12	MAR.'12	DEC.'11
PORTUGAL					
Non-performing loans/Total loans (*)	**6.46%**	6.60%	6.51%	5.12%	4.58%
Past due Loans (> 90 days)/Total loans	**10.76%**	11.89%	11.92%	9.50%	8.44%
Impairment/Total loans	**5.23%**	5.49%	5.41%	5.29%	5.09%
POLAND					
Past due loans (> 90 days)/Total loans	**2.62%**	3.00%	2.55%	2.39%	2.24%
Impairment/Total loans	**2.98%**	3.11%	3.00%	2.93%	2.87%
GREECE					
Past due loans (> 90 days)/Total loans	**21.76%**	17.46%	16.04%	12.62%	12.88%
Impairment/Total loans	**10.09%**	6.67%	5.72%	4.70%	4.32%
ROMANIA					
Past due loans (> 90 days)/Total loans	**14.54%**	14.35%	14.68%	19.24%	18.65%
Impairment/Total loans	**10.48%**	8.78%	8.25%	13.08%	12.89%
MOZAMBIQUE					
Past due loans (> 90 days)/Total loans	**3.71%**	4.39%	4.33%	3.82%	3.41%
Impairment/Total loans	**6.61%**	7.29%	7.27%	6.90%	6.30%
ANGOLA					
Past due loans (> 90 days)/Total loans	**4.85%**	5.61%	5.18%	5.38%	5.45%
Impairment/Total loans	**5.50%**	5.33%	4.78%	5.19%	4.71%

(*) Bank of Portugal's ratio.

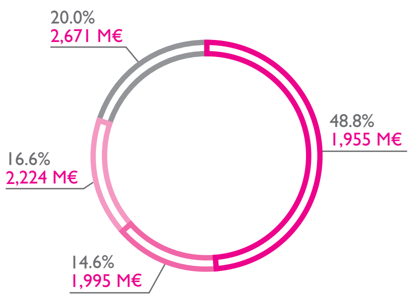
LOAN PORTFOLIO BREAKDOWN

The following charts present the breakdown of the loan portfolio as at 31 December 2012, in terms of EAD (Exposure at Default) and by Basel II exposure classes, in the main geographical areas in which the Group operates.

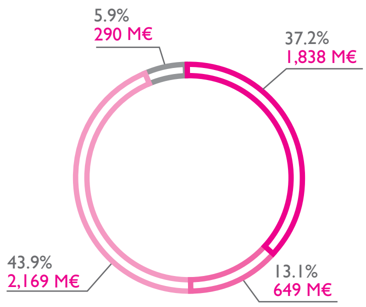
PORTUGAL



POLAND

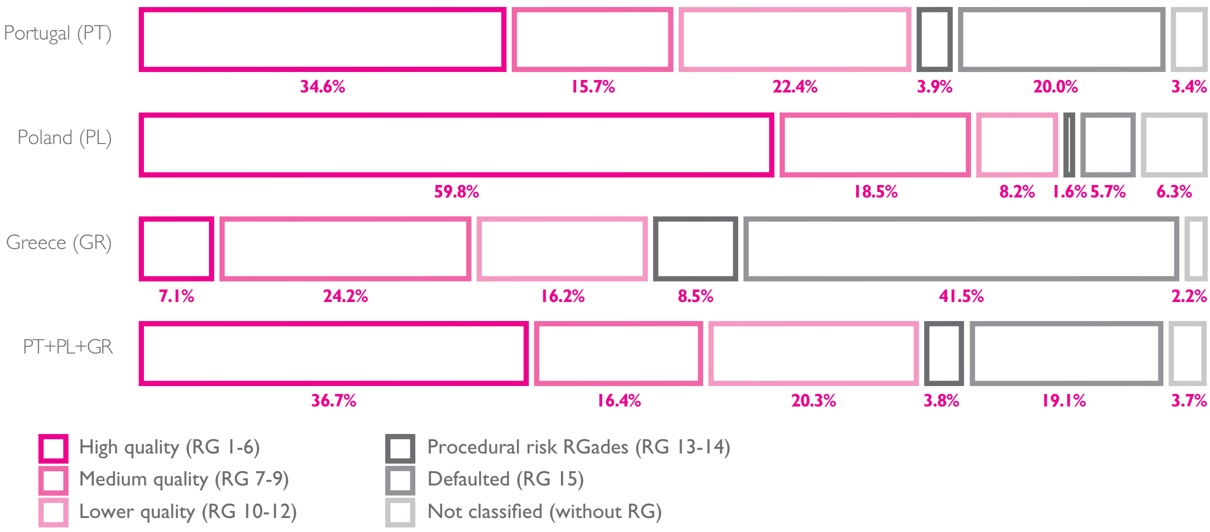


GREECE



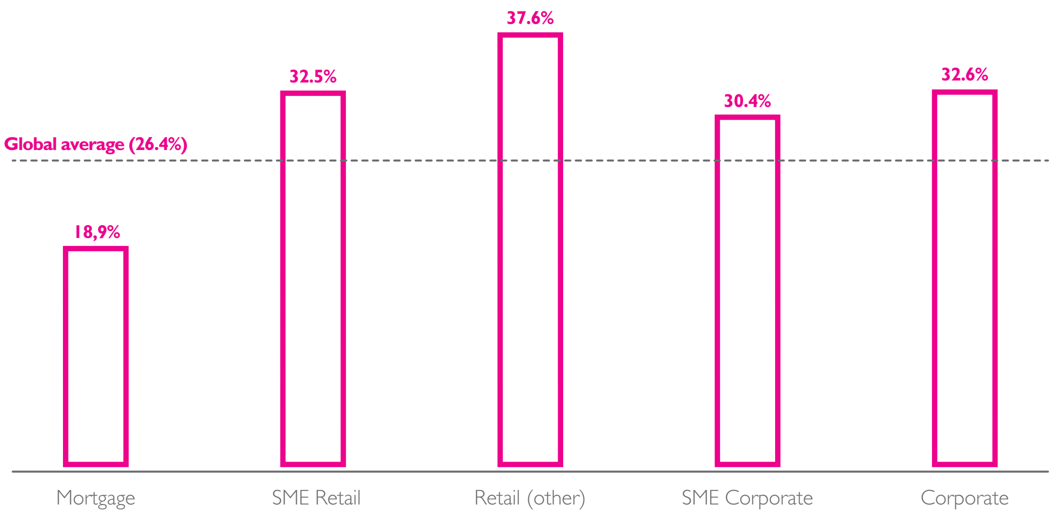
- Retail secured by real estate colateral
- Retail (other exposures)
- Corporate
- Banks and Sovereigns

Regarding the distribution of these exposures by risk quality, measured by the internally attributed risk grades (RG), the position as at 31 December 2012, for 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 2012 – measured by the weight of the 20 largest net exposures (without Banks and Sovereigns) 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 table of the next page.

The weight of these 20 largest net exposures Exposure at Default (EAD) in the total exposure of Portugal, Poland and Greece remained at the same level as that observed at the end of 2011 – 10.6% and 10.1% by the end of 2012 and 2011, respectively – demonstrating the stability of credit concentration exposure to the largest Customers. This stability is confirmed even with a significant reduction of the calculation base of this indicator, since the decrease in EAD for the three geographical areas in question, between 31 December 2001 and 31 December 2012, was approximately of 4 thousand million euros (5.15 thousand million euros in Portugal). This was largely the result of the deleveraging effort carried out by the Group in Portugal, which led to a reduction of the commercial gap of 7.3 thousand million euros, in a consolidated basis.

Regarding the weight of these 20 largest net exposures in the value of Consolidated Own Funds, of 48.8%, there has been a very significant decrease of this concentration indicator (which had been of 61.0% at the end of 2011). However, this evolution was due to the increased value of own funds arising from the injection of State capital in May 2012 (contingent capital/CoCo) and from the share capital increase which also occurred at this time.

It should be recalled that the requirements of the 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.

Clients' Groups	Net Exposure/Own Funds	EAD weight in total EAD
Group 1	7.5%	1.4%
Group 2	7.4%	1.6%
Group 3	4.9%	1.0%
Group 4	2.9%	0.7%
Group 5	2.7%	0.5%
Group 6	2.5%	0.5%
Group 7	2.1%	0.4%
Group 8	2.1%	0.5%
Group 9	2.1%	0.5%
Group 10	1.7%	0.3%
Group 11	1.6%	0.4%
Group 12	1.6%	0.3%
Group 13	1.4%	0.3%
Group 14	1.4%	0.4%
Group 15	1.4%	0.3%
Group 16	1.2%	0.3%
Group 17	1.1%	0.4%
Group 18	1.1%	0.3%
Group 19	1.1%	0.2%
Group 20	1.1%	0.4%
TOTAL	48.8%	10.6%

OPERATIONAL RISK

Operational risk materialises in the occurrence of losses as a result of failures or inadequacies of internal processes, systems or people or, 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 2012, 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 software 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 2012, the following achievements for operational risk management can be highlighted:

- Strengthening of the operational losses database, through the systematic identification of new events in the main operations of the Group;

- Execution of new risks self-assessment exercises in Portugal, Poland, Greece, Romania and Mozambique; in Portugal, these exercises included the macro-process owners, in order to allow for a broader perspective of the risks (top-down);

- Increased effectiveness in the monitoring of Key Risk Indicators (KRI) in order to facilitate the early identification of risks, for the main processes;

- Ongoing incorporation of the information provided by the risk management instruments in the identification of improvements that contribute to strengthening the control environment of processes;

- Preparations for the launching of the risk management framework in the Angola and Cayman operations;

- Execution of gap analyses in order to identify the developments required for the adoption of the Advanced Measurement Approach (AMA), pursuant to the decision taken to evolve to this methodology of calculation for the regulatory capital requirements for operational risk.

In the context of this last issue (the evolution towards AMA) it should be noted that the Bank has already taken specific steps towards the formalisation, in the very near future, of its application to join the ORX consortium (Operational Riskdata eXchange Association), currently composed of 60 banks and 18 countries, dedicated to the sharing of data on operating losses and exchange of information and experiences in all areas and aspects of operational risk management.

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 transversal vision 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.

As a result, 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 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 Processes and Banking Services Committee (CPSB) based on the recognition of their know-how and professional experience concerning the activities developed under the processes for which they are responsible. The CPSB 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 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 in each process, either actual or potential, through the respective 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).

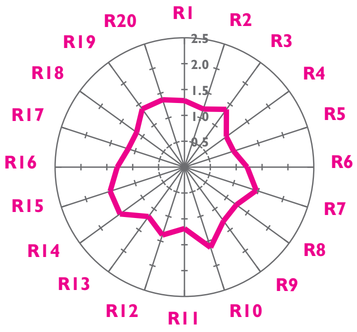
The RSA exercises are based on workshops, attended by the Risk Office and with the participation of the process owners (and process managers), or on answers to questionnaires sent to the process owners for the review of the previous RSA results, according to pre-defined updating criteria. It is noteworthy that in Portugal, the macro-process owners participate in the workshops of the main processes in order to support the self-assessment exercise and add a more comprehensive perspective of the risks (top-down).

In 2012, 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 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).

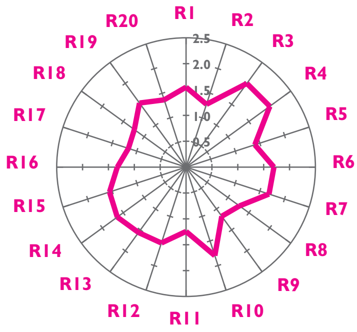
These actions will be placed in an order of priority according to the assessment made and its implementation will be monitored through the IT software supporting operational risk management.

The following 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 2.5 on a scale of 1 (lowest exposure) to 5 (highest exposure).

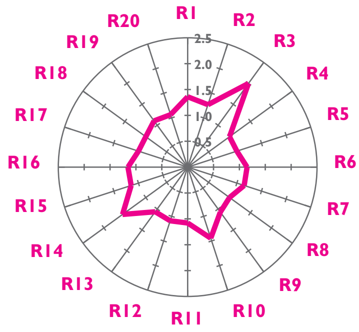
PORTUGAL



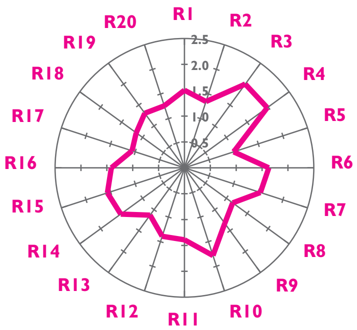
POLAND



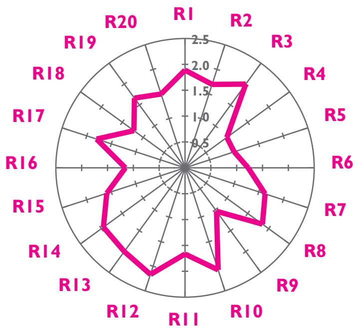
GREECE



ROMANIA

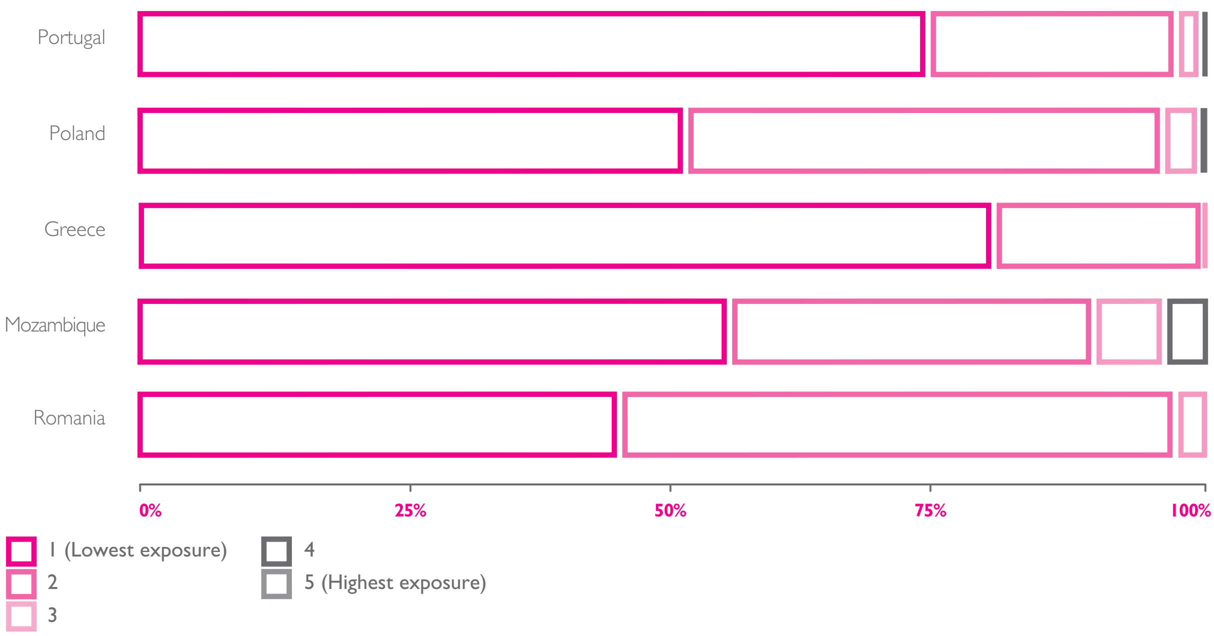


MOZAMBIQUE

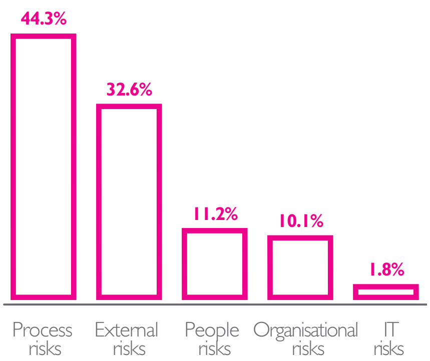


R1 Internal fraud and theft
R2 Execution of unauthorised transactions
R3 Employee relations
R4 Breach of work health & safety regulations
R5 Discrimination over Employees
R6 Loss of key Staff
R7 Hardware and software problems
R8 Problems related to telecom services & lines
R9 Systems security
R10 Transaction, 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

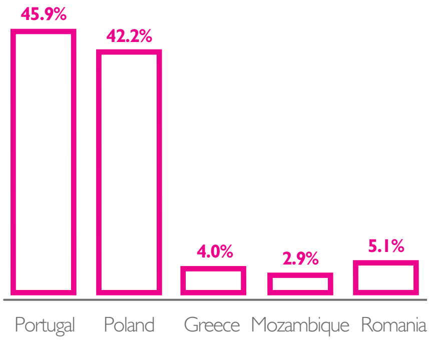
Another, more aggregate, perspective of these results for all of the 20 subtypes of operational risk, for the series of processes of each geographical area, is represented in the following chart:



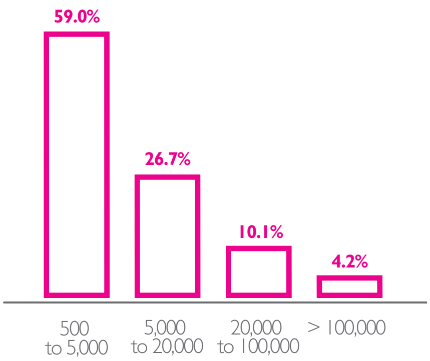
LOSS AMOUNTS DISTRIBUTION
By type of event



LOSS AMOUNTS DISTRIBUTION
By country



LOSS AMOUNTS DISTRIBUTION
By amount range (in euros)



OPERATIONAL LOSSES CAPTURE

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 to strengthen the awareness of this risk and to provide relevant information to process owners, for 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 the back-testing of the RSA results, enabling the evaluation of the assessment made on 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 executed by the Risk Offices (at Group and local levels), based on data provided by central areas.

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 related to one of the 20 subtypes of operational risk, being characterised by its 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 2012 is presented in the charts on the left, 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).

KEY RISK INDICATORS (KRI)

KRI are metrics that draw attention to changes in the profile of the operational risks or in the effectiveness of its control, enabling the identification of the need to introduce corrective actions within the 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, Romania and Mozambique).

The data 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 MANAGEMENT

Business continuity management covers two complementary components: the Business Continuity Plan, relative to people, facilities and equipment, and the Disaster Recovery Plan, relative to information systems, software and communication infrastructures.

Both plans are defined and implemented for a series of critical business processes, considering the relevant adjustments to market evolution, to the Bank's strategic positioning and to its organisational matrix. These plans are promoted and coordinated by a dedicated structural unit, whose methodology is based on a process of continuous improvement, guided by international good practices and the recommendations of the supervisory entities.

These continuity plans are regularly tested and updated, through regular exercises aimed at improving the response capacity to incidents and at a better coordination between the emergency response, the technological recovery, the crisis management and the business recovery, usually involving the implementation of critical activities 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 Committee.

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 volatilities.

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 actively managed, tradable without restrictions and can be valued frequently and accurately. The positions in question include securities and derivatives of sales activities;

- Financing: management of the Group's funding operations on the market – institutional and monetary (and any risk hedging) – excluding structural funding operations (e.g., by subordinated debt);

- Investment: management of all the positions in securities to be held to maturity (or for a long period of time), which are not tradable on liquid markets and are not held to achieve short-term gains (also including any positions in derivatives held for the purpose of mitigating the risk of positions in the investment portfolio);

- Commercial: management of positions stemming from the commercial activity with Customers;

- Structural: management of balance sheet elements or of operations which, due to their nature, are not directly related to any of the management areas referred to above;

- ALM – Assets and Liabilities Management: includes the operations determined by CALCO concerning the management of the Group's overall risk and centralises the risk transfer operations between the other areas.

The definition of these areas allows for 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. This definition of the trading portfolio is not the same as the accounting definition of trading portfolio: in this case, the concept of trading is directly related to the purpose of holding each position and not the respective accounting treatment.

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.

In addition to the market risk monitoring activities and representing relevant developments and achievements in the management of these risks in 2012, the following are particularly noteworthy:

- Full implementation, since the beginning of the year, within the daily management of market risks, of the Basel 2.5 requirements relative to the Stressed VaR measures (Value at Risk in stress situations);

- Preparatory works for the implementation of the new requirements stemming from Basel III, related to market risks, including those concerning the mitigation of the impacts of these requirements, from the perspective of capital optimisation;

- Participation in the half-yearly quantitative impact studies (EU-QIS) on the implementation of the regulatory capital framework (Basel III) promoted by the European Banking Authority (EBA).

TRADING BOOK MARKET RISKS

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. 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, verified by the Models Control Unit.

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 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 2011 and 31 December 2012:

TRADING BOOK'S MARKET RISKS

Thousands euros

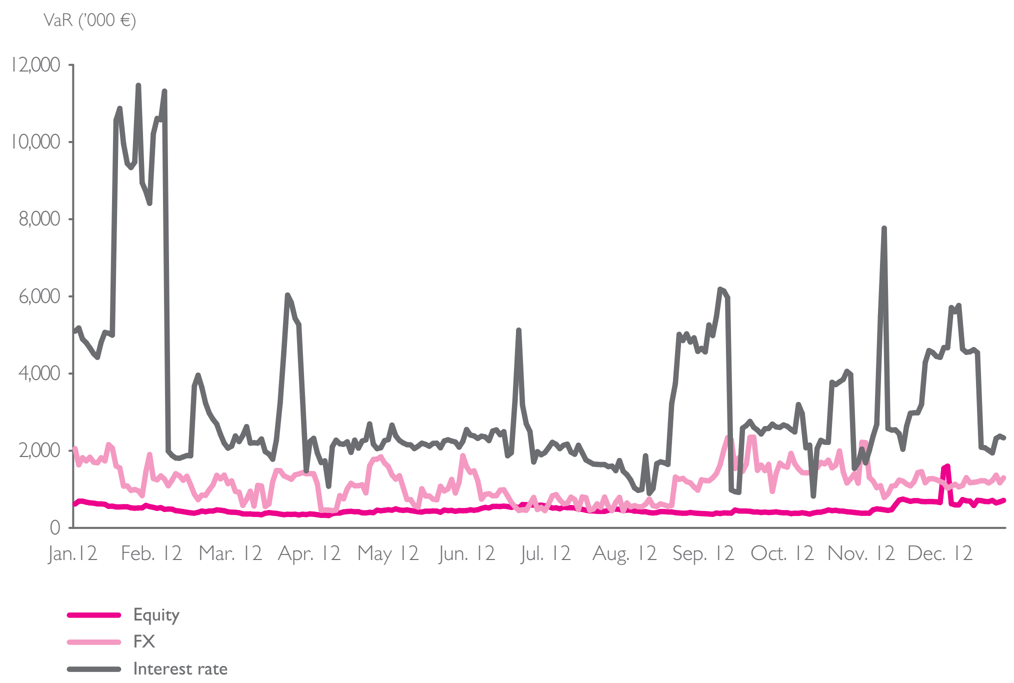
	'12				'11
	DEC.'12	**AVERAGE**	**MAXIMUM**	**MINIMUM**	**DEC.'11**
GENERIC RISK (VAR)	**3.576,1**	3.915,9	12.197,4	1.379,9	5.023,4
Interest rate risk	**2.370,7**	3.425,3	12.097,7	1.188,5	5.051,1
FX risk	**1.345,8**	1.199,0	1.243,7	573,1	1.761,2
Equity risk	**713,2**	483,4	480,4	434,8	664,4
Diversification effects	**853,6**	*1.191,8*	*1.624,4*	*816,5*	*2.453,3*
SPECIFIC RISK	**727,8**	797,6	3.445,2	567,3	1.298,5
NON-LINEAR RISK	**12,9**	112,0	723,1	4,4	379,8
COMMODITIES RISK	**46,9**	18,0	46,9	1,7	4,3
GLOBAL RISK	**4.363,7**	4.843,0	13.227,7	2.021,8	6.706,0

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).

Throughout 2012, the risk of the Group's trading book remained, to a large extent, at reduced materiality levels, with several peak moments arising from sharp increases of market volatility, mainly observed in relation to public debt. In general terms, the trends of the previous year were maintained, with high volatility in public debt markets. The Bank continued to follow a very prudent policy, even in terms of the size of its trading book.

The graph below identifies the interest rate risk as the main risk type present in the Group's trading book in 2012. The peaks registered for this risk type were associated with sharp increases in the volatility of public debt positions.



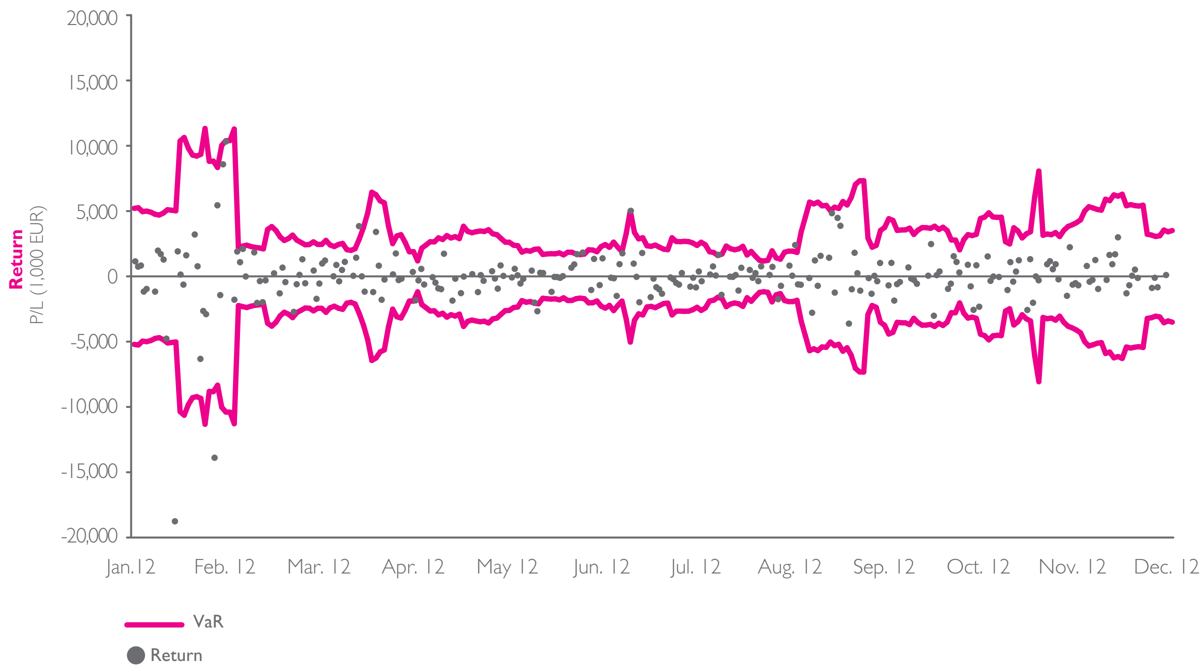
Despite the constraints arising from the markets' evolution, the risk level of the trading book did not exceed the limits established for its management.

VaR MODEL MONITORING AND VALIDATION

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.

VaR – (TRADING BOOK/PORTUGAL) – HYPOTHETICAL BACKTESTING



As shown by this graph, only three excesses over the hypothetical results of the model were observed (1.2% of frequency for 250 business days), thus confirming its adequacy for the assessment of the risks in question.

The occurred excesses – in particular, those at the beginning of the year (January/February) – were the result of sudden market variations, higher than the volatility estimated by the model, mainly related to Portuguese public debt instruments.

STRESS TESTS ON THE TRADING BOOK

As a complement to the VaR calculation and aiming to identify 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 2012, were as follows:

STRESS TESTS OVER THE TRADING BOOK

Million euros

Tested scenarios	Negative results scenario	Result
Parallel shift of the yield curve by +/- 100 b.p.	-100 b.p.	-7.3
Change in the slope of the yield curve (for maturities from 2 to 10 years) by +/- 25 b.p.	-25 b.p.	-1.5
4 possible combinations of the previous 2 scenarios	-100 b.p. and -25 b.p. -100 b.p. and +25 b.p.	-8.8 -5.8
Variation in the main stock market indices by +/- 30%	-30%	-2.8
Variation in foreign exchange rates (against the euro) by +/- 10% for the main currencies and by +/- 25% for other currencies	-10%, -25%	-2.6
Variation in swap spreads by +/- 20 b.p.	-20 b.p.	-0.5

The results of these stress tests demonstrate that the exposure of the Group's trading book to the different risk factors considered is limited, and that the main adverse scenario to take into account is the decrease of the interest rates level, especially if this also implies a reduction in the slope of their curves (*i.e.* when the decrease in long-term interest rates is higher than the decrease in short-term interest rates).

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 by 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.

This analysis, referred to 31 December 2012 and performed by assessing the difference between the present value of the interest rate mismatch (discounted at market interest rate levels) and the mismatch present value discounted at a +100 b.p. level (for all terms) results in, approximately, a 16 million euros negative impact for the position expressed in euros.

The table in the following page presents the impact on economic value of this interest rate variation, for each of the banking book management areas and for the different terms to maturity of the positions in question.

IMPACT OF A +100 B.P. PARALLEL SHIFT OF THE YIELD CURVE Thousands 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	31,872.2	84,013.5	31,751.6	-74.1	-1,544.8	146,018.3
Structural area activity	-15,788.4	92,536.4	139,553.9	11,477.3	18,820.6	246,599.8
SUBTOTAL	16,083.8	176,549.9	171,305.5	11,403.1	17,275.8	392,618.1
Hedging	-10,872.5	-177,591.7	-173,702.7	-12,254.9	-15,909.5	-390,331.4
COMMERCIAL AND STRUCTURAL TOTAL	5,211.3	-1,041.8	-2,397.2	-851.8	1,366.3	2,286.8
Funding and hedging	32,378.0	1,621.1	-5.5	-8.1	-316.5	33,669.1
Investment portfolio	-36,080.5	-36,593.1	-24,365.0	-12,086.5	-61,310.0	-170,435.1
ALM	-9,439.9	64,718.3	79,217.9	-12,052.4	-4,308.4	118,135.5
BANKING BOOK TOTAL IN DEC. 2012	**-7,931.1**	**28,704.4**	**52,450.3**	**-24,998.8**	**-64,568.5**	**-16,343.7**
Banking Book Total in Dec. 2011	8,222.9	21,287.5	-11,751.1	-27,290.9	-62,279.7	-71,811.4

Hence, the sensitivity of the banking book to euro interest rate variations decreased (measured in this way, at the end of each year): as at December 2011, an interest rate increase of 100 b.p. corresponded to an economic value loss of approximately 72 million euros, which would be of only 16 million euros (approximately) as at December 2012, for the same rates variation.

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 assessed daily through the VaR model.

EXCHANGE RATE RISK IN THE BANKING BOOK

The exchange rate risk of the banking book is transferred internally to the Trading area (Treasury), in accordance with the risk specialisation model followed by the Group for the management of the exchange rate risk of the Balance Sheet.

The only exposures to exchange rate risk 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 2012, the Group's financial holdings in USD, CHF and PLN were covered (in this last case, partially).

On a consolidated basis, these hedges are identified, in accounting terms, as Net Investment edges, pursuant to IFRS nomenclature. On an individual basis, for entities which have financial holdings with exchange rate risk, hedge accounting is also carried out, in this case through a Fair Value Hedge methodology.

EQUITY RISK IN THE BANKING BOOK

The Group maintains some equitiy positions of non-significant magnitude in the banking book which are not meant to be for trading purposes.

The management of these positions is carried out by a specific area of the Group, its risk being included in the Investment area and followed-up on a daily basis, through measurements and limits defined for the control of market risks.

These positions are very small in size and have a low risk within the Group's Investment Portfolio, only accounting for 6.5% of the VaR of this portfolio (as at 31 December 2012).

LIQUIDITY RISK

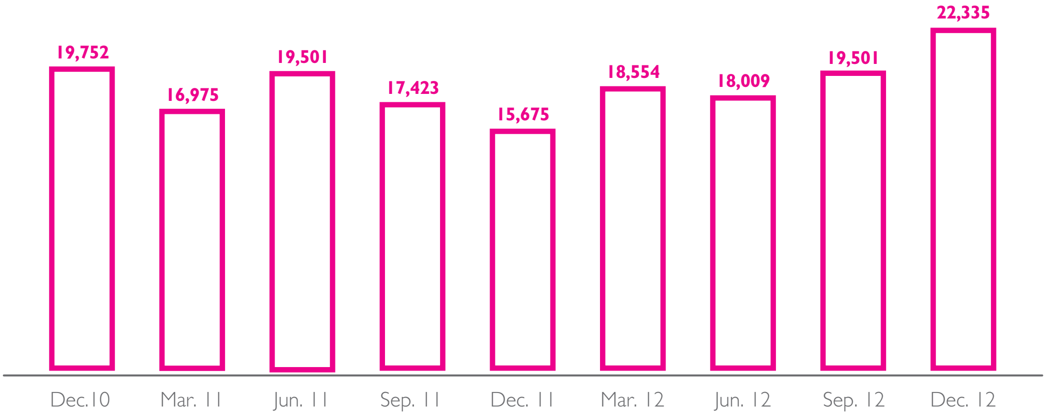
Liquidity risk reflects the Group's potential inability to meet its obligations at maturity without incurring significant losses, resulting from the deterioration of funding conditions (funding risk) and/or sale of its assets below market value (market liquidity risk).

In this context, 2012 was characterised by the generalised difficulty of Portuguese banking institutions in gaining access to short and medium/long-term funding markets, in spite of the moderate improvement denoted in the second half of the year, with the first medium/long-term issues by national financial institutions on the international.

Under these circumstances, during 2012, the Group continued to pursue the strategy of reduction of the commercial gap (difference between customer funds and loans to customers), with the objective of reducing its funding risk. As a result, in the activity in Portugal, the commercial gap decreased by 5.5 thousand million euros, with a favourable impact on the reduction of funding needs.

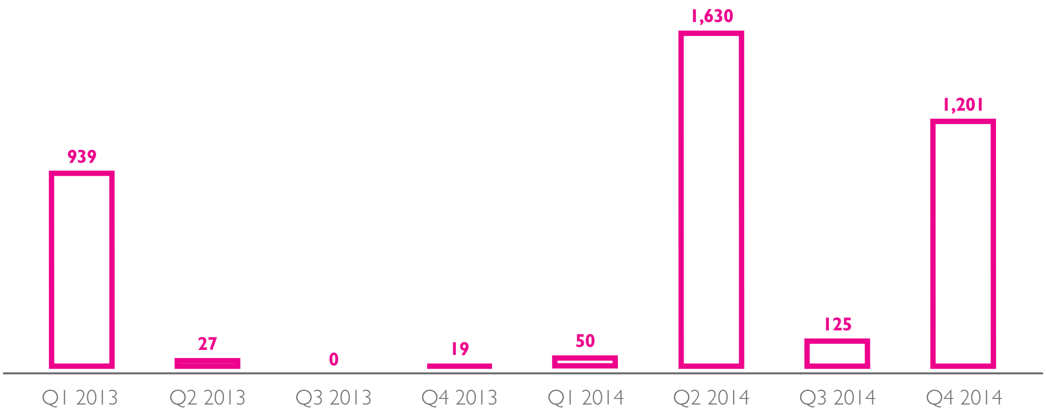
Simultaneously, as a complementary measure to mitigate liquidity risk, the Bank maintained its optimisation policy regarding of the management eligible collateral for discount at the European Central Bank (ECB) which, combined with the valuation of the main categories of assets included in the monetary policy pool, allowed for a significant reinforcement of these assets' portfolio along the year, as illustrated by the graph below.

ELIGIBLE ASSETS FOR DISCOUNTING AT THE ECB
After haircuts
Million euros



Future funding needs are permanently monitored, as highlighted, for example, by distribution over time of the maturity of medium/long-term debt in 2013 and 2014 represented in the graph below.

QUARTERLY DISTRIBUTION OF MATURITIES (2013-2014)
Medium/long-term debt
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 2012 and 2011, in terms of the relative importance of each of the instruments used:

LIQUIDITY BREAKDOWN

Wholesale funding

	31 Dec.'12	31 Dec.'11	Weight difference
MM	**2.4%**	0.0%	2.4%
ECB	**51.2%**	46.8%	4.4%
CoCo	**12.5%**	0.0%	12.5%
Commercial Paper	**6.1%**	5.3%	0.8%
Repos	**0.2%**	3.1%	-3.0%
Loan agreements	**4.1%**	4.3%	-0.2%
Schuldschein	**1.0%**	1.4%	-0.4%
EMTN	**12.1%**	25.8%	-13.6%
Equity Swaps	**0.1%**	0.4%	0.4%
Covered bonds	**8.9%**	11.5%	-2.6%
Subordinated debt	**1.4%**	1.3%	0.0%
TOTAL	**100.0%**	100.0%	-

It should be noted that there was a new source of funding in 2012, the contingent capital instruments (CoCo), with a weight practically on level of that of the EMTN (Euro Medium Term Notes) issues. The weight of these last instruments has fallen systematically over the last few years, in view of the impossibility of new funding in this market. On the other hand, the relative importance of the funding obtained from the ECB has grown slightly, and continues to be the main source of funding.

CONTROL OF LIQUIDITY RISK

The control of the Group's liquidity risk, for short-term time horizons (up to 3 months) is carried out on a daily bases, through 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 2012, 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	-244.5	-351.0
Romania	0.0	0.0
Angola	0.0	0.0

Note: Null values represent positive treasury positions (net of Highly Liquid Assets).

In all geographic areas, with the exception of Greece, there was surplus liquidity, according to the measure and methodology of these indicators, both in terms of immediate liquidity and quarterly liquidity, reflecting the prudent management of the different treasuries of the Group in relation to this risk.

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 loan-to-deposit ratio;
- The medium-term liquidity gaps;
- The wholesale funding coverage ratios, by Highly Liquid Assets (HLA).

As at 31 December 2011 and 2012, these indicators were as follows:

LIQUIDITY CONTROL INDICATORS

	Reference value	Dec. '12	Dec. '11
Accumulated net cash-flows up to 1 year as a % of total accounting liabilities	Not below -6%	**9.6%**	-1.6%
Liquidity gap as a % of illiquid assets	Not below -20%	**2.9%**	-8.2%
Loan-to-deposit ratio	Not above 150%	**a) 119.9%**	134.8%
		b) 127.8%	143.4%
Wholesale funding coverage ratios by Highly Liquid Assets (HLA)			
Up to 1 month	> 100%	**878.6%**	132.2%
Up to 3 months	> 85%	**357.4%**	96.4%
Up to 1 year	> 60%	**298.8%**	87.6%

a) Considering Balance-Sheet structured products equivalent to deposits.

b) As defined by Instruction nr. 16/2004 from the Bank of Portugal, in the current version.

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 Committee, 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 Subcommission is responsible for the regular monitoring of this risk and for the supervision of its management.

On 31 December 2012, the Fund attained a yearly net return of 1.62% (TWR – Time Weighted Return) and a balance of 2.4 thousand million euros, approximately.

This amount reflects the final transfer of the retired employees and pensioners to the General Social Security System, as defined by Decree-Law nr. 127/2011 of 31 December, which took place in June 2012, as well as the liquidation of the supplementary benefits plan which occurred in December 2012 (with reference to 1 January 2012).

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.

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 THE FINANCIAL CRISIS

The Group's portfolio does not have any exposure either to the US sub-prime/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 in relation to 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 daily 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 credit securitisation operations based on loans to individuals – mortgage loans and consumer credit – as well as 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, releasing 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 2012, the Group's net exposure to Portuguese sovereign debt was 5.4 billion euros, net exposure to Greek sovereign debt was 45 million euros, net exposure to Irish sovereign debt was 0.2 billion euros, net exposure to Italian sovereign debt was 50 million euros and net exposure to Spanish sovereign debt was 4 million euros, amongst which 235 million euros was recorded under the portfolio of financial assets held for trading and available for sale, and 7.9 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 situations is presented in Note 57 of the Consolidated Financial Statements.

The Group's accounting policies are described in Note 1 of the Notes to the Financial Statements, included in the Accounts and Notes to the Accounts of 2012. Further information on 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.

COMPLIANCE WITH THE RECOMMENDATIONS OF THE FINANCIAL STABILITY FORUM AND EUROPEAN BANKING AUTHORITY REGARDING TRANSPARENCY OF INFORMATION AND ASSET VALUATION

		PAGE
I. BUSINESS MODEL		
1.	Description of the business model (*i.e.* reasons for the development of the activities/businesses and respective contribution to the process of creation of value) and, if applicable, of any changes made (for example as a result of the period of turbulence).	AR (Management Report) – Business Model, page 17-27; Governance Model, page 48-50; Segmental Reporting – Business Areas Activity, page 102-136.
2.	Description of strategies and objectives (including those specifically related to the undertaking of securitisation operations and operations with structured products).	AR (Management Report) – Strategy, page 60-61.
3.	Description of the importance of the activities developed and respective contribution to the business (including in quantitative terms).	AR (Management Report) – Segmental Reporting - Business Areas Activity, page 102-136; (Accounts and Notes to the Accounts) – Indicators of the consolidated Balance Sheet and Income Statement by business and geographic segment.
4.	Description on the type of activities including a description of the instruments used, their operation and qualifying criteria that the products/investments must meet.	AR (Management Report) – Risk Management, page 140-164; (Accounts and Notes to the Accounts) – Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity.
5.	Description of the objective and extent of the involvement of the institution (*i.e.* commitments and obligations assumed) relative to each activity developed.	
II. RISKS AND RISK MANAGEMENT		
6.	Description of the nature and extent of risks incurred in relation to the activities developed and instruments used.	AR (Management Report) – Risk Management, page 140-164; (Accounts and Notes to the Accounts) – Earnings from trading and hedge operations; Earnings from financial assets available for sale; Risk Management.
7.	Description of risk management practices (including, in particular, under current circumstances, liquidity risk) of relevance to the activities, description of any identified weaknesses and corrective measures that have been adopted.	AR (Management Report) – Risk Management, page 140-164; (Accounts and Notes to the Accounts) – Risk Management.
III. IMPACT OF THE PERIOD OF FINANCIAL TURBULENCE ON EARNINGS		
8.	Qualitative and quantitative description of earnings, focusing on losses (when applicable) and the impact of write-downs on earnings.	AR (Management Report) – Financial Review, page 76-101; (Accounts and Notes to the Accounts) – Earnings from trading and hedge operations; Earnings from financial assets available for sale.
9.	Breakdown of write-downs/losses by type of product and instrument affected by the period of turbulence, namely, the following: commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), collateralised debt obligations (CDO) and asset-backed securities (ABS).	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 165.
10.	Description of the reasons and factors responsible for the impact incurred.	AR (Management Report) – Economic Environment, page 51-53.
11.	Comparison of i) impacts between (relevant) periods and ii) financial statements before and after the impact of the period of turbulence.	AR (Management Report) – Financial Review, page 76-101.
12.	Distribution of write-downs between unrealised and realised amounts.	AR (Management Report) – Risk Management, page 140-164; (Accounts and Notes to the Accounts) – Earnings from trading and hedge operations; Earnings from financial assets available for sale; Fair value reserves, other reserves and retained earnings.
13.	Description of the influence of the financial turbulence on the entity's share price.	AR (Management Report) – BCP Share, page 64-69.
14.	Disclosure of maximum loss risk and description how the institution's situation could be affected by the prolonging or exacerbation of the period of turbulence or by the market's recovery.	AR (Management Report) – Risk Management, page 140-164; (Accounts and Notes to the Accounts) – Fair value reserves, other reserves and retained earnings.
15.	Disclosure of the impact that the evolution of the spread associated to the institution's own liabilities had on net income, as well as the methods used to determine this impact.	AR (Management Report) – Financial Review, page 76-101; (Accounts and Notes to the Accounts) – Fair Value.

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continuation

		PAGE
IV. LEVELS AND TYPES OF EXPOSURE AFFECTED BY THE PERIOD OF TURBULENCE		
16.	Nominal amount (or amortised cost) and fair values of "live" exposure	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 165; (Accounts and Notes to the Accounts) – Financial assets held for trading and available for sale; Hedge derivatives; Financial assets held to maturity.
17.	Information on mitigation of credit risk (*i.e.* through credit default swaps) and the respective effect on existing exposure.	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 165.
18.	Detailed disclosure of exposure, with breakdown by: – Seniority level of exposure/tranches held; – Credit quality level (*i.e.* ratings, vintages); – Geographic origin; – Activity sector; – Source of the exposure (issued, retained or acquired); – Product characteristics: *i.e.* ratings, weight/portion of associated subprime assets, discount rates, spreads, funding; – Characteristics of the underlying assets: *i.e.* vintages, loan-to-value ratios, information on liens, weighted average life of the underlying asset, assumptions on the evolution of situations of prepayment, and expected losses.	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 165.
19.	Movements that have occurred in exposures between relevant reporting periods and the underlying reasons for these variations (sales, write-downs, purchases, etc.).	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 165.
20.	Explanation of exposure (including "vehicles" and, in this case, the respective activities) that have not been consolidated (or that have been recognised during the crisis) and the associated reasons.	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 165.
21.	Exposure to monoline insurers and quality of the insured assets: – Nominal value (or amortised cost) of the insured exposure, as well as of the amount of acquired credit protection; – Fair values of "live" exposure, as well as the respective credit protection; – Value of write-downs and losses, differentiated between realised and unrealised amounts; – Breakdown of exposure by rating or counterpart.	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 165.
V. ACCOUNTING POLICIES AND VALUATION METHODS		
22.	Classification of the transactions and structured products for accounting purposes and the respective accounting treatment.	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 165; (Accounts and Notes to the Accounts) – Fair value reserves, other reserves and retained earnings; Fair value.
23.	Consolidation of the Special Purpose Entities (SPE) and other "vehicles", and their reconciliation with structured products affected by the period of turbulence.	AR (Management Report) – Information on exposure to activities and products affected by the financial crisis, page 165; (Accounts and Notes to the Accounts) – Accounting Policies.
24.	Detailed disclosures on the fair value of financial instruments: – Financial instruments to which fair value is applied; – Hierarchy of fair value (breakdown of all exposure stated at fair value) and breakdown between liquid assets and derivative instruments, as well as disclosures on migration between hierarchical levels); – Treatment of day 1 profits (including quantitative information); – Use of the fair value option (including its conditions for use) and respective amounts (with appropriate breakdown).	AR (Management Report) – Risk Management, page 140-164; (Accounts and Notes to the Accounts) – 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.
25.	Description of modelling techniques used for the valuation of financial instruments, including information on: – Modelling techniques and instruments to which they are applied; – Valuation processes (including, in particular, assumptions and inputs underlying the models); – Types of adjustment applied to reflect model risk and other valuation uncertainties; – Sensitivity of the fair value (namely to variations in key assumptions and inputs); – Stress scenarios.	AR (Management Report) – Risk Management, page 140-164; (Accounts and Notes to the Accounts) – Fair Value; Risk Management.
VI. OTHER RELEVANT ASPECTS IN DISCLOSURES		
26.	Description of the disclosure policies and principles used in the reporting of disclosures and in financial reporting.	AR (Management Report) – Risk Management, page 140-164; (Accounts and Notes to the Accounts) –Accouting Policies; Fair Value; Risk Management.


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SUPPLEMENTARY INFORMATION

MAIN EVENTS IN 2012

JANUARY

- Presentation to Bank of Portugal, on 20 January 2012, of a Capital Plan, under the terms of the EBA communication of 8 December 2011.

- Participation of Millennium bcp Microcredit, at the invitation of Universidade Católica, in a debate with the Microfinance Chair of Lisbon MBA, on the topic "The evolution, current panorama and relevance of Microfinance in Portugal".

- Following the downward revision of the Portugal's rating from "BBB" to "BBB (low)", the rating agency DBRS, on 31 January 2012, downgraded the rating of Banco Comercial Português, S.A. from "BBB" to "BBB (low)" in relation to Long-term senior debt & deposits, and from "R-2 (high)" to "R-2 (mid)" with respect to the rating of Short-term debt & deposits. The outlook remains negative.

FEBRUARY

- Following the General Meeting of Shareholders, on 28 February 2012, were taken several deliberations of special importance: approval of the amendment and restructuring of the memorandum of association, aimed at the adoption of a one-tier management and supervisory model; election of the members of the Board of Directors (including the Chairman of the Executive Committee and Vice Chairman of the Board of Directors, Nuno Manuel da Silva Amado), Audit Committee, International Strategic Board and Remuneration and Welfare Board, for the term of office 2012-2014.

- Lending of 100 works of art to the Ministry of Health in accordance with the BCP's social responsibility project for the purpose of making various hospitals of the National Health Service more attractive to their users, at a ceremony held at the Emergency Unit of São José Hospital, attended by the Minister of Health, Paulo Macedo.

- "Safer Internet Day" was celebrated on 7 February, an initiative of Microsoft in partnership with Millennium bcp, EPIS and Cascais City Municipality (for the first time this year), with a conference for children and adults, attended by 600 people, dedicated to the topic "Let's discover the digital world together... in Safety".

- Within the "Come and Grow With Us" programme for university students, the Skill Seminar was held in February with the participation of 16 students of the Master in International Management (CEMS-MIM) of Universidade Nova de Lisboa.

- Following the revision of the rating of the Portuguese Republic from "BBB-" to "BB" and the revision of the Banking Industry Country Risk Assessment for Portugal, Standard & Poor's announced, on 14 February 2012, that it had revised the ratings of Portuguese banks. In this context, the long-term rating of Banco Comercial Português, S.A. was downgraded from "BB" to "B+" with "negative outlook", while the short-term rating was confirmed at "B".

MARCH

- Following the General Meeting of Shareholders held on 28 February 2012, during which the new members of the governing bodies of Banco Comercial Português, S.A. were elected, the Bank's Board of Directors appointed, on 1 March 2012, the Executive Committee, its first Deputy Chairman, Miguel Maya Dias Pinheiro, and its second Vice Chairman, Miguel de Campos Pereira Bragança.

- Disclosure of the overall results of the third and last part of the work of the Special Inspections Programme (SIP), conducted pursuant to the measures and actions agreed by the Portuguese authorities in relation to the financial system, under the Economic and Financial Assistance Programme, with this appraisal confirming that the BCP Group used the appropriate parameters and methodologies in the financial projections underlying the assessment of its future solvency, in the context of the stress test exercises.

- Communication of Banco Comercial Português, on 26 March 2012, of the result of the covered bonds repurchase offer. Investors conveyed total intentions of acceptance of up to 918,650,000 euros (nominal value), which were fully accepted by Millennium bcp. The offer took place under a set of initiatives carried out by the Bank, aimed at the management of its funding and capital structure.

- Support of the Millennium bcp Foundation to the "Make it Possible" Project, created by the International Association of Economics and Commercial Students (AIESEC) to promote Millennium Development Goals at secondary education schools.

- 40 young people played at "The Banking G@me", held in March, under the "Come and Grow With Us" programme for university students.

- Participation of Millennium bcp Microcredit in the "Bankers without Borders" project, a voluntary work programme of the Grameen Foundation, with over 5 thousand professionals worlwide who offer their time, experience and technical know-how to support microcredit institutions operating amongst the poorest population.

- As part of a partnership between the Millennium bcp Foundation and the National Confederation of Solidarity Institutions, the study "Private Social Solidarity Institutions in a Context of Economic Crisis" was presented at two events (Lisbon and Porto) attended in Lisbon by the Minister of Solidarity and Social Security, Pedro Mota Soares.

- Announcement by the rating agency Moody's of the completion, on 28 March 2012, of the process of the revision of Portuguese banks ratings, started on 15 February, following the downgrade of the Portuguese Republic from "Ba2" to "Ba3" on 13 February 2012. In this context, the long-term rating of BCP was maintained at "Ba3" with negative outlook (identical to the rating of the Portuguese Republic), and short-term rating at "Not Prime" (NP). The Bank Financial Strength Rating (Baseline Credit Assessment) of BCP were revised from E+(B1) to E+(B2), with negative outlook.

APRIL

- Millennium bcp was the official sponsor of the 6th EuroFinance Conference dedicated to the topic "Financial Management, Treasury and Risk for Companies in Portugal – carry the treasury beyond the crisis".

- Association of Millennium bcp Archaeological Centre (NARC) with the "International Day of Monuments and Sites" held on 18 April.

- Signing of a sponsorship contract between Millennium bcp and the Portuguese Olympic Committee (COP), to sponsor the COP and Portuguese Olympic Team at the London 2012 Olympic Games.

- Celebrating 25 years of the Ocidental Insurance Company.

- Donation of 50 works from the art collection of Millennium bcp to the Private Social Solidarity Institution (IPSS) – Entrajuda.

- Within the "Shared Art" project, the "Nets without Sea" exhibition was shown in the city of Aveiro, displaying 13 tapestries of Portalegre Tapestries Manufacturing belonging to the art collection of Millennium bcp.

- Pioneer agreement with the National Clearing House for the processing of transfers through the SRPN (Immediate Payments System) by Bank Millennium in Poland.

MAY

- Conclusion, with 41.33% of the share capital represented at the Annual General Meeting of Shareholders with the following deliberations, amongst others: approval of the management report, balance sheet and accounts (individual and consolidated), relative to the financial year of 2011; approval of the proposed transfer of the negative net income of the individual balance sheet, relative to the financial year of 2011, of the value of 468,526,835.71 euros, to Retained Earnings; approval of the remuneration policy for the members of the Board of Directors, including the Executive Committee, and the remuneration policy for the functional heads of function, directors and other Employees; approval of the proposed reformulation of equity headings, through reduction of the share capital with no alteration of the existing number of shares without nominal value and no alteration of net worth and consequent modification of nr. 1 of article 4 of the memorandum of association, with the reduction being composed of two distinctive components: a) 1,547,873,439.69 euros, for coverage of losses occurred in the individual accounts of the Bank relative to the financial year of 2011; b) 1,517,126,546.31 euros, allocated to the reinforcement of future conditions of existence of funds which may qualify under the regulations as distributable.

- Donation of works from the art collection of Millennium bcp, incuding serigraphs and prints produced mainly by Portuguese artists, to the Ronald McDonald Foundation (10 items) and Acreditar (32 items).

- Inauguration, on 10 May, at Condes de Castro Guimarães Museum-Library, in Cascais, of the painting exhibition "The Impulse of Love in the Millennium bcp Collection", under the ongoing "Shared Art" project.

- Participation of Conceição Lucas, member of the Executive Committee of the Board of Directors of Millennium bcp as a speaker in the debate "Female leadership – the change underway" at the seventh edition of the "Social Responsibility Week", organised by the Portuguese Association of Business Ethics (APEE).

- Holding of the "Rock in Rio Lisboa" event with the sponsorship of Millennium bcp.

- Launch, by Corporate Banking in Poland, of the Electronic Service of Cash Withdrawals, constituting an alternative to cheques and postal transfers.

- Launch of a new tool for Millenet Customers, to assist the user in improved management of the family budget, called "Finance Manager".

- Pursuant to its philosophy of contribution and support to the economic and social development of Mozambique, Millennium bim signed a new agreement with the Tax Authority, which promotes the simplification and increased efficiency of economic agents in compliance with their duties to pay taxes and rates to the Tax Authority of Mozambique through the use of Millennium bim banking channels.

- Millennium bim, under its social responsibility programme "More Mozambique for Me", promoted once again the National Campaign for Road Safety, in partnership with Top Produções and the Traffic Department of the General Command of the Police of the Republic of Mozambique.

- Integrated in the corporate voluntary work programme of Millennium bim – "Responsible Millennium bim" – approximately 60 volunteers, composed of Employees and their families, participated in an action which enabled rehabilitating various rooms of Mumemo Shelter, equipping them with technology and furniture.

- Donation of over 4 million kwanzas by Banco Millennium Angola to the Women Against Breast Cancer Foundation.

JUNE

- Communication of Banco Comercial Português, on 29 June 2012, that following i) the definition of principles announced to the public on 4 June; ii) the approval of the Capitalisation Plan by the Shareholders at the General Meeting of 25 June, whose terms were also made public and iii) the Order of the Minister of State and Finance relative to the Bank's Capitalisation Plan pursuant to the article 13 of Law nr. 63-A/2008, of 24 November, as currently drawn up, the Board of Directors of the Bank, with prior opinion of the Audit Board, deliberated the issue of subordinated debt hybrid instruments qualifiable as Core Tier 1 capital, to the total value of 3 billion euros, which have already been fully underwritten and paid-up by the State. Banco Comercial Português also disclosed that, with the successful completion of this issue, the Bank is now appropriately capitalised and ensures compliance with the requirements defined by Bank of Portugal in Notice nr. 5/2012 (9% by the end of June 2012, calculated in accordance with the strictest criteria, with a view to the creation of a temporary buffer of capital).

- Conclusion on 25 June 2012, with 42.7% of the share capital represented, of a General Meeting of Shareholders, attended by Shareholders with the following deliberations, amongst others: approval of the Bank's recapitalisation plan, with inclusion of public investment, under the terms of Law nr. 63-A/2008, of 24 November, upon the related commitments and obligations, as well as granting the management body the powers necessary to accomplish the plan; approval of the proposed suppression of Shareholders' preemptive right to the subscription of any issue or issues deliberated by the Board of Directors – with favourable opinion of the Audit Committee – of financial instruments which are convertible into shares and shares which are an integral part of public investment foreseen in the plan; approval of the proposal that "Core Tier 1 capital instruments underwritten by the State" which are convertible into shares and any shares that might be issued in the future to which the proposed suppression of preemptive right approved under the preceding point refers, should be destined for underwriting by the State.

- Following the deliberation at the Annual General Meeting of the Bank held on 31 May 2012, records were drawn up at the competent Commercial Registry to reduce the Bank's share capital from 6,064,999,986 euros to 3 billion euros, with no alteration of the existing number of shares without nominal value at that date, with the reduction being composed of two distinctive components: a) 1,547,873,439.69 euros, for coverage of losses occurred in the individual accounts of the Bank relative to the financial year of 2011; b) 1,517,126,546.31 euros, allocated to the reinforcement of future conditions of existence of funds which may qualify under the regulations as distributable. As a consequence, the share capital of Millennium bcp was 3 billion euros at the date, represented by 7,207,167,060 nominative, book-entry shares without nominal value.

- Launch of a telephone helpline for Shareholders of Millennium bcp, a telephone contact line, free of charge, available from 9h to 19h, every business day, for the clarification of any doubts that the Bank's Shareholders might have.

- Under the second edition of the "Microcredit for Disabled Micro-entrepreneurs" award, Millennium bcp Microcredit and the Direct Banking Department awarded 5 thousand euros to a Micro-entrepreneur who presented the best business project.

- Participation of Millennium bcp Microcredit as a speaker in the debate "Financial Solutions for Times of Crisis – The Role of the Banks" at the seventh edition of the "Social Responsibility Week", organised by the Portuguese Association of Business Ethics (APEE).

- Under the Festas Lisboa'12, the Millennium bcp Foundation inaugurated the exhibition "The Sardine is Ours!". The inauguration of this exhibition also marked the opening of a new space – Galeria Millennium, which will be used exclusively for exhibitions.

- In the context of the commemoration of the "International Day of the African Child": i) Millennium Angola carried out an initiative of the "Happy Child Programme", attended by Employees and some 200 children from various parishes of Luanda, in a programme filled with a variety of recreational activities and ii) Millennium bim carried out an initiative of the "A Clean City for Me" project, through a cleaning action in the coastal area and at Praia da Costa do Sol Beach, with the participation of students and teachers of the Portuguese School of Mozambique and Polana Caniço Complete School.

- Millennium bcp, represented by Employees of the Direct Banking Department, was distinguished with the Solidarity Award, given by Porto Salvo Parish Council as a result of various charity works carried out together.

- Downward revision of the Viability Rating of Banco Comercial Português from "b" to "cc" by Fitch Ratings on 18 June 2012. The long and short-term ratings were reaffirmed at "BB+"/"B", with continued negative outlook.

JULY

- In the context of the Festivities of the City of Porto in July, Millennium bcp inaugurated, in partnership with the Youth Foundation, the exhibition "*Martelinhos de São João*", with a display of 150 original ideas recreating the "*martelinho*" (little hammer), the symbol of these well-known Festivities of São João.

- Integrated in the Social Responsibility programme "More Mozambique for Me", Millennium bim marked its presence at two different stages of the "A Clean City for Me 2012" project, by supporting Cleaning actions which took place at Praia da Costa do Sol and some of the principal streets and avenues of the city of Maputo.

- Signing of a Memorandum of Understanding between Banco Millennium Angola and the Ministries of the Economy and Finance under the "Angola Invests" programme, aimed to encourage Angolan entrepreneurs through a credit facility of up to 1.5 billion USD divided among 19 banks operating on the market.

- Following the analysis of the implications of the recent recapitalisation measures adopted by Portuguese banks, Standard & Poor's decided, on 11 July, to maintain the main ratings (Long and Short-Term at "B+"/"B", respectively) and negative outlook for BCP.

- Fitch announced, on 17 July, the upgrade of the Viability Rating of BCP from "cc" to "b", Subordinated debt from "C" to "B-", and Preferred Shares from "C" to "CC". The long and short-term ratings were confirmed at "BB+"/"B", maintaining the negative outlook.

AUGUST

- Launch of the new mobile application "Personal Finance Manager" for Millennium Customers.

- In the context of the International Day of Disabled Persons, Millennium bcp Microcredit awarded a Microcredit for Disabled Micro-entrepreneurs award, with a view to supporting the creation of a viable business, according to a proposal presented by a disabled person without access to bank credit.

- Participation of Banco Millennium Angola in the 29th edition of Luanda International Fair, dedicated to the topic "The Challenges of Attracting Investment".

- Inclusion of Bank Millennium in the Respect Index, for the fourth time consecutively, composed of companies which are part of the Primary Market of Warsaw Stock Exchange and comply with the highest standards of Corporate Governance, institutional information and investor relations, as well as relations with the community and Employees.

- Distinction of the Millennium bcp Foundation by the working group appointed by the Portuguese Government, having been awarded the first place in the Banking sector in Portugal and amongst all the corporate Foundations listed on the Stock Exchange, and distinguished for its relevance, efficiency and sustainability.

- Bank Millennium in Poland started to provide the option of access to Term Deposits for its mobile banking Customers.

SEPTEMBER

- Pre-launch of the M Imóveis page about real estate on the millenniumbcp.pt website and provision of the respective application for smartphones.

- Under its social responsibility policy, Millennium bcp launched, in partnership with the Continente retail group, a game dedicated to the topic "Back to School" for fans of the Millennium Suggests page on Facebook, supporting Portuguese families.

- In the context of a social responsibility project, Employees of Bank Millennium participated, for the third time, in the construction of a building in Romania, in partnership with Habitat for Humanity, to help twelve families in need of a home.

OCTOBER

- Under the Bank's Capitalisation Plan, the share capital increase was successfully completed, through subscription reserved for Shareholders exercising their legal preference right, through the issue of 12,500 million new shares, for the total value of 500 million euros.

- Announcement, on 3 October, by the European Banking Authority (EBA) and the Bank of Portugal of the results of the final assessment of the capital exercise and compliance with the EBA recommendation of December 2011, informing that BCP exceeded the minimum requirement of a Core Tier I ratio of 9%, including the sovereign buffer as indicated in the mentioned EBA recommendation.

- Formalisation of membership of the European Progress Microfinance Facility, thus becoming the first bank in Portugal to access this mechanism, which aims to ensure Microcredit operations through support to microentrepreneurs and the creation of own employment in Portugal.

- Conducting the first real estate auction abroad, through video conference, enabling the sale of 40 properties.

- Launch, by Banco Millennium Angola, of Subsidised Loans for Micro, Small and Medium-sized Enterprises, under the Angola Invests programme, aimed at financing investment in tangible fixed assets and/or reinforcement of working capital.

- Promotion, by Millennium bim, of the cycle of lectures "More Knowledge for All", involving the participation of Customers, Business Partners and Employees, covering highly important topics for Organisations such as Management, Organisational Culture and Leadership.

NOVEMBER

- Communication, following the process of appraisal of alternatives in relation to the exposure of Millennium bcp in Greece, of the existence of four expressions of interest of different nature, of a merely preliminary and non-binding character, relative to Bank Millennium S.A. in Greece.

- Appointment of two Government representatives for the corporate bodies of Millennium bcp, Bernardo Sottomayor, as first non-executive director, and José Rodrigues Jesus, as second non-executive director (who are also part of the Audit Committee), under the Bank's recapitalisation process and in conformity with the provisions in article 14, nr. 2, of Law number 63-A/2008 (amended and republished by Law nr. 4/2012) and Order 8840-B/2012, of 28 June.

- Election of the winners of the first edition of the "Realizar" award, an initiative which will be held on an annual basis, with the objective of fostering entrepreneurial spirit.

- Within the "More Sports for All" programme, Millennium bim organised another edition of the running event with massive population and various emblematic figures of the Mozambican sports world.

• The launch, in partnership with the *Expresso* newspaper, of the Conference Series "Windows to the World", to inform Portuguese entrepreneurs of the options for internationalisation in markets such as Mozambique, Angola, Poland and China.

DECEMBER

• The On-site Inspections Programme (OIP) for the exposures to construction and real estate promotion sectors in Spain and Portugal, with reference to 30 June 2012, was completed. The Bank communicated the need to reinforce the recorded impairment by a total amount of 290 million euros.

• Promoting the importance of saving, Millennium bcp launched an innovative product on the market, the "Gift Voucher", a useful and original gift in the current economic and financial context.

• Adhering to the most recent technologies and for the purpose of presenting its art collection through two categories (Numismatic Museum and Shared Art), the Millennium bcp Foundation launched the Millennium bcp Foundation APP application.

• Under the Bank's Social Responsibility policy, the Millennium bcp Foundation and Molecular Medicine Institute (IMM) signed a three-year protocol establishing the donation of a total amount of 150 thousand euros, which will be used by IMM for research and development in the treatment of brain tumours.

• Under the social responsibility project of BCP, the Millennium bcp Foundation signed a three-year protocol with the League of Friends of Santa Maria Hospital, through which it will donate a total amount of 180 thousand euros, for the development of a research project of cases of congenital heart disease.

• Continuing the Social Responsibility project "More Mozambique for Me", Millennium bim promoted an action carried out at Xai-xai Provincial Hospital, aimed at restoration work and donation of furniture, education and recreational material, for two rooms of the paediatric wing.

• Millennium bcp received the exhibition "Alegria Matta Alegria", at the Millennium Gallery, in partnership with the House of Latin America and the City of Lisbon. The exhibition ran until the end of December.

• Reflecting the impact of the deterioration of credit risk as a result of the downward revision of its projections for growth of the Portuguese economy in 2013, the rating agency Moody's announced, on 4 December, that it had revised the ratings of BCP's long-term senior debt from "Ba3" to "B1", maintaining the negative outlook.

• Following the confirmation of the long-term rating of the Portuguese Republic at "BBB (low)", the rating agency DBRS reaffirmed, on 5 December, the rating of BCP at "BBB (low)" for long-term senior debt & deposits, and at "R2 (middle)" for short-term debt & deposits, maintaining a negative outlook.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

as at 31 December, 2012 and 2011

Thousands euros

	'12	'11
ASSETS		
Cash and deposits at central banks	**3,580,546**	2,115,945
Loans and advances to credit institutions	**829,684**	1,577,410
Deposits in credit institutions	**1,887,389**	2,913,015
Loans and advances to customers	**62,618,235**	68,045,535
Financial assets held for trading	**1,690,926**	2,145,330
Financial assets available for sale	**9,223,411**	4,774,114
Assets with repurchase agreement	**4,288**	495
Hedging derivatives	**186,032**	495,879
Financial assets held to maturity	**3,568,966**	5,160,180
Investments in associated companies	**516,980**	305,075
Non current assets held for sale	**1,284,126**	1,104,650
Investment property	**554,233**	560,567
Other tangible assets	**626,398**	624,599
Goodwill and intangible assets	**259,054**	251,266
Current tax assets	**34,037**	52,828
Deferred tax assets	**1,755,411**	1,564,538
Other assets	**1,124,323**	1,790,650
	89,744,039	**93,482,076**
LIABILITIES		
Amounts owed to credit institutions	**15,265,760**	17,723,419
Amounts owed to customers	**49,389,866**	47,516,110
Debt securities	**13,548,263**	16,236,202
Financial liabilities held for trading	**1,393,194**	1,478,680
Other financial liabilities at fair value through profit and loss	**329,267**	2,578,990
Hedging derivatives	**301,315**	508,032
Provisions for liabilities and charges	**253,328**	246,100
Subordinated debt	**4,298,773**	1,146,543
Current income tax liabilities	**15,588**	24,037
Deferred income tax liabilities	**2,868**	2,385
Other liabilities	**945,629**	1,647,208
TOTAL LIABILITIES	**85,743,851**	**89,107,706**
EQUITY		
Share capital	**3,500,000**	6,065,000
Treasury stock	**(14,212)**	(11,422)
Share premium	**71,722**	71,722
Preference shares	**171,175**	171,175
Other capital instruments	**9,853**	9,853
Fair value reserves	**2,668**	(389,460)
Reserves and retained earnings	**850,021**	(1,241,490)
Net income for the year attributable to Shareholders	**(1,219,053)**	(848,623)
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE BANK	**3,372,174**	**3,826,755**
Non-controlling interests	**628,014**	547,615
TOTAL EQUITY	**4,000,188**	**4,374,370**
	89,744,039	**93,482,076**

CONSOLIDATED INCOME STATEMENT

as at 31 December, 2012 and 2011 — Thousands euros

	'12	'11
Interest and similar income	3,615,922	4,060,136
Interest expense and similar charges	(2,592,337)	(2,480,862)
NET INTEREST INCOME	1,023,585	1,579,274
Dividends from equity instruments	3,873	1,379
Net fees and commission income	690,776	789,372
Net gains/losses arising from trading and hedging activities	401,128	204,379
Net gains/losses arising from available for sale financial assets	46,206	3,253
Net gains/losses arising from financial assets held to maturity	15,513	-
Other operating income	(52,047)	(22,793)
	2,129,034	2,554,864
Other net income from non banking activity	20,093	26,974
TOTAL OPERATING INCOME	2,149,127	2,581,838
Staff costs	815,413	953,649
Other administrative costs	565,161	584,459
Depreciation	78,065	96,110
OPERATING COSTS	1,458,639	1,634,218
OPERATING NET INCOME BEFORE PROVISIONS AND IMPAIRMENTS	690,488	947,620
Loans impairment	(1,684,179)	(1,331,910)
Other financial assets impairment	(74,699)	(549,850)
Other assets impairment	(260,655)	(128,565)
Goodwill impairment	-	(160,649)
Other provisions	(17,463)	13,979
OPERATING NET INCOME	(1,346,508)	(1,209,375)
Share of profit of associates under the equity method	55,659	14,620
Gains/losses from the sale of subsidiaries and other assets	(24,193)	(26,872)
NET LOSS BEFORE INCOME TAX	(1,315,042)	(1,221,627)
Income tax		
Current	(81,696)	(66,857)
Deferred	259,529	525,714
NET LOSS AFTER INCOME TAX	(1,137,209)	(762,770)
Attributable to:		
Shareholders of the Bank	(1,219,053)	(848,623)
Non-controlling interests	81,844	85,853
NET LOSS FOR THE YEAR	(1,137,209)	(762,770)
Earnings per share (in euros)		
Basic	(0.10)	(0.05)
Diluted	(0.10)	(0.05)

PROPOSED APPLICATION OF THE 2012 RESULTS

CONSIDERING:

- The difficult domestic and international macroeconomic environment that has affected the country in general and Banco Comercial Português, S.A., as the predominant Bank in the system;

- The various factors that affected net income in 2012, with special emphasis on the recording of impairments for estimated losses and the net loss generated by the operation in Greece, as well as impairments constituted – namely, under the Program of On-site Inspections (OIP) – and the impacts on net interest income of the decline in market interest rates and interest payments on hybrid instruments underwritten by the state;

- The combined effect of those factors and their significant magnitude led to Banco Comercial Português Group, S.A. to register, in 2012, losses amounting to 1,483,362,027.66 euros, which corresponded to the Group consolidated net losses of 1,219,052,760.89 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 Banco Comercial Português, S.A.'s by Laws, that:

1. The net loss recorded in the individual balance sheet for the financial year 2012, above mentioned, is transferred to Retained Earnings;

2. The resulting negative balance of the item "Retained Earnings" of 1,512,052,498.47 would be covered by the following captions: "Other Reserves" amounting to 1,033,600,450.04 euros; "Share Premium" which amounts to 71,721,552.82, and part of the "Legal Reserves" amounting to 406,730,495.61 euros.

Oeiras, 22 April 2012

The Board of Directors

AUDIT COMMITTEE ANNUAL REPORT

AUDIT COMMITTEE ANNUAL REPORT

I – INTRODUCTION

The Audit Committee (Committee) of Banco Comercial Português, S.A. (Bank) hereby presents its annual report on its supervisory functions, in compliance with the provisos of article 423-F (g) of the Portuguese Companies Code.

The Committee was elected at the General Meeting of Shareholders held on 28 February 2012, pursuant to the adoption of a new corporate governance model for the Bank. At the beginning the Committee was composed of three non-executive Directors.

Following the capitalization operation carried out by the Bank through state aid in June 2012, under Law 63-A/2008, of 24 November, the Government, by a decision issued on 2 December 2012 by the Minister for State and Finance, appointed two non-executive members for the Bank's Board of Directors (BoD), one of which was also appointed to the Audit Committee. On 6 February 2013, Banco de Portugal registered the two Directors appointed by the Government.

Under the terms of the applicable legal and regulatory provisos and of the articles of Association, the Committee is responsible for:

a) Calling the General Meeting of Shareholders, whenever the Chairman of the Board of the General Meeting fails to do so when he/she should;

b) Verifying if the accounting processes and valuation criteria adopted by the Bank lead to a correct valuation of assets and results;

c) Accessing call notices and minutes of the meetings of the Executive Committee and taking part in the meetings of that Committee wherein the Bank's annual accounts are appraised;

d) Verifying the regularity of the books, accounting records and documents supporting them;

e) Verifying the accuracy of the financial statements;

f) Monitoring the preparation and disclosure of financial information;

g) Supervising the audit of the Bank's annual report and financial statements;

h) Drawing up the report on its supervisory functions and issuing an opinion on the annual report and accounts and on the proposals presented by the directors, clearly stating its concurrence with the contents of the legal certification of accounts, if that is the case;

i) Supervising the efficiency of the risk management system, of the internal control system and of the internal audit system and issuing a prior opinion on the entity appointed by the Bank to assess the adequacy and efficiency of the internal control system;

j) Proposing to the General Meeting the election of the chartered accountant and of the external auditor and supervising their independence;

k) Issuing an opinion on the remuneration of the external auditor, ensuring compliance with the rules for the provision of additional services, ensuring that the external auditor has all the conditions to exercise its activity and assessing its performance every year;

l) Receiving the communications stating irregularities reported by shareholders, Bank employees or others and issuing an opinion on the regulations for the internal communications of irregularities;

m) Suspending directors and appointing substitute directors under the terms of the law and of the articles of association;

n) Issuing an opinion on the technical and professional profile of the candidates for the position of Head of Internal Audit of the Bank, if requested;

o) Issuing an opinion on the share capital increases resolved by the BoD.

Besides all the powers and duties attributed to it by the law or by the articles of association, the Audit Committee is also responsible for:

a) Issuing prior opinions on contracts entered into between the Bank and the members of corporate bodies, under the terms of article 397 of the Companies Code and of the articles of association;

b) Issuing a prior opinion on the credit operations, regardless of their form, or engagement of services to (i) members of the corporate bodies, (ii) shareholders with stakes over 2% of the Bank's share capital, computed under the terms of article 20 of the Securities Code, as well as to (iii) individuals or legal persons related to them.

The Audit Committee provides quarterly information to the BoD, in writing, on the work carried out and conclusions reached and draws up an annual report on its activities to be presented to the Chairman of the BoD.

II – ACTIVITIES CARRIED OUT

The Committee prepared and approved its Regulations, having also defined the matters that must functionally be reported to it by the Internal Audit Division and by the Compliance Office.

In the undertaking of its activities, the Committee held regular meetings with the Chief Financial Officer, the Chartered Accountant and External Auditor, the Risk Officer, the Compliance Officer, the Head of Internal Audit and the Head of Budget Planning and Control.

In 2012, the Committee met with members of the Bank's Executive Committee and, based on the power held by it for summoning any Manager it wishes to hear, met with the Heads of the Divisions for Accounting and Consolidation, Investment Banking, Real Estate Business, Quality and Network Support and Specialized Recovery and with the Company Secretary. The Committee also met with the Secretary-General of Fundação Millennium bcp and with a director of F&C Portugal.

During the 2012 financial year, the Audit Committee met 17 times, having drawn the minutes of all the meetings.

For the effective undertaking of its functions, the Audit Committee requested and obtained all the data and clarifications relevant for that purpose, which included the opportune and appropriate monitoring of the compliance with the articles of association and with the applicable legal and regulatory provisions, meeting no obstacles to its actions. The Committee regularly reported to the BoD on its activities.

Throughout the financial year, the Committee specifically undertook the following activities:

CHANGES TO THE SHARE CAPITAL

The Committee monitored the operation for the reduction of the share capital, maintaining the number of shares that represent it and without altering the equity.

The Committee appraised the Recapitalisation Plan drawn up by the Executive Committee, within the scope of the access to public investment to increase Core Tier I own funds, under the terms of article 9 (1) of the aforementioned Law 63-A/2008, and respective complementary regulations, and resolved to issue a favourable opinion. After the approval of the Recapitalisation Plan at the General Meeting held on 25 June 2012, the Committee issued an opinion in favour of the BoD resolving on the Bank's intervention in all acts and agreements for the execution of said Plan.

SUPERVISION OF THE PREPARATION AND DISCLOSURE OF THE FINANCIAL INFORMATION

The Committee examined the main accounting policies adopted, in particular those that could have an impact on the financial statements of the Bank and of its subsidiaries.

The Committee reviewed the information relative to the Pension Fund of the BCP Group and the actuarial assumptions used to determine the liabilities with retirement pensions. The Committee also paid close attention to the accounting of deferred taxes.

It also, regularly, monitored the largest credit exposures and impairments of the Group. The Committee also monitored the situation of the Group's exposure to Greek entities, to Bank Millennium (Greece) and to the sovereign debt of EU Member-States, as well as the development and results of the inspections to the Bank's credit portfolio, within the scope of the Special Inspections Programme (SIP) pursuant to the Financial Aid Programme and the On-site Inspection Programme (OIP) carried out by PricewaterhouseCoopers & Associados.

It appraised the Bank's exposure resulting from the acquisition of credits of charges of the Portuguese Electric System and the Bank's exposure to state-private partnerships, especially the amounts of the stakes held in various projects, guarantees received, risks involved and liabilities taken.

Based on the available information, the Committee appraised the monthly financial statements, on an individual and consolidated basis, and the earnings and key financial indicators of the Group companies. It also, periodically, analysed the Bank's liquidity, cost to income and solvency ratios.

In April 2012, and with reference to 2011, the Committee issued an opinion on the Bank's Annual Report, which included the impact of the partial haircut of Greek public debt. In the beginning of 2013, and with reference to 2012, the Committee appraised the Annual Report drawn up by the Executive Committee and the Legal Certifications of the Accounts and Audit Reports prepared by KPMG & Associados – SROC, S.A., on the individual and consolidated financial statements, which were issued without reservations or emphases.

In view of the result of the work carried out, the Committee issued a favourable opinion on the Bank's Annual Report, which includes the individual and consolidated financial statements for the year ended on 31 December 2012.

The Committee also appraised the Group Budget for 2013, examining the assumptions used, the earnings and activity indicators forecast, the risk factors, the market shares, investments and the evolution of own funds.

SUPERVISION OF THE EFFECTIVENESS OF THE RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT SYSTEMS

The Committee followed the revision of the internal control system, a revision complemented by the analysis and evaluation made by an external consultant chosen for this purpose (Deloitte & Associados, SROC, S.A.). It also monitored the drafting of the Internal Control Reports, under the responsibility of the BoD – with contributions from the Risk Office, Compliance Office and Internal Audit –, and issued the opinions on those Reports for the Board of Directors, which were sent to Banco de Portugal in June 2012. The Committee also monitored the making of the Report on the Prevention of Money Laundering and Terrorist Financing, on which it issued an opinion for the BoD. It also, regularly, monitored the implementation of the recommendations made in those Reports.

The Committee followed the activity developed by the Risk Office, appraising, namely, the monthly reports on risks, impairment and major credit exposure, as well as the Report on credit concentration risk, with information as of 31 December 2011, drawn up under the terms of Instruction 5/2011 of Banco de Portugal and the 2011 Report, also sent to Banco de Portugal, regarding the "Internal Capital Adequacy Assessment Process (ICAAP) – Interim Information". It also analysed the Group's new credit granting, monitoring and recovery model.

It assessed the Activity Plan of the Internal Audit for 2012, as well as the activity reports made at the end of 2011 and every quarter in 2012. The Head of the Internal Audit regularly informed the Committee on the inspection actions carried out by the supervision authorities of the different markets where the Group operates.

The Committee also monitored the activity developed by the Compliance Office, namely appraising the quarterly activity reports. It also analysed the changes to the internal regulations for the purchase of goods and services by divisions that purchase and engage services from qualified shareholders, so as to prevent eventual conflicts of interests.

It took cognizance of and analysed the changes made to the organizational model of the Real Estate Business Division.

The Committee was regularly informed on the correspondence exchanged between the Bank and supervision authorities.

SUPERVISION OF THE ACTIVITIES OF THE STATUTORY AUDITOR AND OF THE EXTERNAL AUDITOR

The Committee analysed the conclusions of the audit work on the individual and consolidated financial statements of 2011, carried out by the Statutory Auditor and External Auditor. Throughout 2012, it analysed the conclusions of the Desktop Reviews on the financial statements for the first and third quarters and of the Limited Review of the interim financial statements for the first semester. In 2013, it analysed the conclusions of the audit work on the 2012 individual and consolidated financial statements, carried out by the Statutory Auditor and External Auditor.

It analysed the conclusions on the Impairment Reports, on the Internal Control System and on the effectiveness tests carried out on a number of risk areas associated with the prevention of money laundering and terrorism financing, presented by the Statutory Auditor and External Auditor.

The Committee took cognisance of the 2012 fees proposal presented by KPMG & Associados – SROC, S.A., for audit services to the Bank and Group regarding the audit of the individual and consolidated financial statements.

The Committee appraised the proposals for contracting additional services to be provided by the External Auditor, within the scope of the Policy for the Approval of Audit Services provided by External Auditors.

The Committee supervised the independence of the Statutory Auditor and External Auditor and also assessed throughout the year, in a continuous manner, their performance, having concluded that both adequately exercised their duties. This conclusion was supported by a formal independence and performance assessment, arranged by the Committee in 2013.

ISSUE OF OPINIONS ON LOANS GRANTED TO MEMBERS OF THE CORPORATE BODIES AND TO QUALIFIED SHAREHOLDERS

The Committee assessed the Bank's credit exposure to members of the BoD and to qualified shareholders and entities related to them. It issued opinions on 20 loans proposed by the Executive Committee and afterwards approved by the BoD.

RECEIPT OF COMMUNICATIONS STATING IRREGULARITIES REPORTED BY SHAREHOLDERS, EMPLOYEES OR OTHERS

The Committee was regularly informed on the handling of complaints and claims from customers by the Client Ombudsman's Office and by the Quality and Network Support Division.

The Committee appraised the 2011 Market Conduct Supervision Report drawn up by Banco de Portugal and the benchmarking analyses made internally by the Client Ombudsman's Office, by the Compliance Office and by the Quality and Network Support Division.

III – ACKNOWLEDGEMENTS

The Committee expresses its gratitude to the Corporate Bodies and Services of the Bank it contacted, in particular the Head of the Support Office of the Board of Directors, for all the collaboration provided in the performance of its duties.

Lisbon, 22 April 2013

João Matos Loureiro (Chairman)

José Xavier de Basto (Member)

Jaime Santos Bastos (Member)

José Rodrigues de Jesus (Member)

OPINION OF THE AUDIT COMMITTEE

OPINION OF THE AUDIT COMMITTEE RELATING TO THE 2012 FINANCIAL STATEMENTS

1. Under the terms of the law and of the articles of association, the Audit Committee appraised the annual report of Banco Comercial Português, S.A. (Bank), for the 2012 financial year, drawn up by the Executive Committee and the Legal Certifications of the Accounts and Audit Reports, prepared by KPMG & Associados – SROC, S.A., on the individual and consolidated financial statements, which were issued without reservations or emphases.

2. The Audit Committee monitored the drawing up of the Annual Report, as well as the final version approved by the Executive Committee. In order to prepare the opinion given herein, the Audit Committee met with the Executive Committee, with the Chief Financial Officer, with those in charge of the competent divisions of the Bank, particularly the Accounting and Consolidation Division, the Audit Division, the Risk Office, the Compliance Office, the Research, Planning and ALM Division, the Company Secretary, as well as with the Statutory Auditor and External Auditor, requesting all the information and clarifications relevant to its functions, which included the timely and appropriate monitoring of the compliance with the articles of association and with the applicable legal provisos.

3. The underwriters declare, to the best of their knowledge, that the financial information analyzed was drawn up in compliance with the applicable accounting standards, giving a true and fair view of the assets and liabilities, of the financial situation and of the earnings of the Bank and of the companies consolidated by it, and that the annual report truthfully shows the evolution of the business, the performance and position of the Bank and of the companies consolidated by it, containing a description of the main risks and uncertainties faced by them.

4. Considering the result of the work carried out, the Audit Committee concurs with the contents of the Legal Certifications of Accounts and Audit Reports made by KPMG & Associados – SROC, S.A. and issues a favourable opinion on the Bank's Annual Report, which includes the financial statements, on an individual and consolidated basis, of the financial year ended on the 31 December 2012, approved by the Board of Directors, of which the members of the Audit Committee are part.

5. Pursuant to what is stated above, it is our opinion that the General Meeting of Shareholders of Banco Comercial Português, S.A. should approve:

   a) The directors report and other documents pertaining to the individual and consolidated financial statements, for the financial year ended on 31 December 2012;
   b) The proposal made by the Board of Directors for the appropriation of the net losses computed in the 2012 individual balance sheet, amounting to 1,483,362,027.66 euros.

Lisbon, 22 April 2013

João Matos Loureiro (Chairman)

José Xavier de Basto (Member)

Jaime Santos Bastos (Member)

José Rodrigues de Jesus (Member)

CONSOLIDATED FINANCIAL STATEMENTS – BANCO COMERCIAL PORTUGUÊS

CONSOLIDATED INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER, 2012 AND 2011

(Thousands of Euros)

	Notes	'12	'11
Interest and similar income	3	**3,615,922**	4,060,136
Interest expense and similar charges	3	**(2,592,337)**	(2,480,862)
Net interest income		**1,023,585**	**1,579,274**
Dividends from equity instruments	4	**3,873**	1,379
Net fees and commissions income	5	**690,776**	789,372
Net gains/(losses) arising from trading and hedging activities	6	**401,128**	204,379
Net gains/(losses) arising from financial assets available for sale	7	**46,206**	3,253
Net gains/(losses) arising from financial assets held to maturity	8	**15,513**	-
Other operating income/costs	9	**(52,047)**	(22,793)
		2,129,034	**2,554,864**
Other net income from non banking activities		**20,093**	26,974
Total operating income		**2,149,127**	**2,581,838**
Staff costs	10	**815,413**	953,649
Other administrative costs	11	**565,161**	584,459
Depreciation	12	**78,065**	96,110
Operating expenses		**1,458,639**	**1,634,218**
Operating net income before provisions and impairment		**690,488**	**947,620**
Loans impairment	13	**(1,684,179)**	(1,331,910)
Other financial assets impairment	14	**(74,699)**	(549,850)
Other assets impairment	27, 29 and 32	**(260,655)**	(128,565)
Goodwill impairment		**-**	(160,649)
Other provisions	15	**(17,463)**	13,979
Operating net income		**(1,346,508)**	**(1,209,375)**
Share of profit of associates under the equity method	16	**55,659**	14,620
Gains / (losses) from the sale of subsidiaries and other assets	17	**(24,193)**	(26,872)
Net loss before income tax		**(1,315,042)**	**(1,221,627)**
Income tax			
Current	31	**(81,696)**	(66,857)
Deferred	31	**259,529**	525,714
Net loss after income tax		**(1,137,209)**	**(762,770)**
Attributable to:			
Shareholders of the Bank		**(1,219,053)**	(848,623)
Non-controlling interests	45	**81,844**	85,853
Net loss for the year		**(1,137,209)**	**(762,770)**
Earnings per share (in Euros)	18		
Basic		**(0.10)**	(0.05)
Diluted		**(0.10)**	(0.05)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER, 2012 AND 2011

(Thousands of Euros)

	Notes	'12	'11
Assets			
Cash and deposits at central banks	19	**3,580,546**	2,115,945
Loans and advances to credit institutions repayable on demand	20	**829,684**	1,577,410
Other loans and advances	21	**1,887,389**	2,913,015
Loans and advances to customers	22	**62,618,235**	68,045,535
Financial assets held for trading	23	**1,690,926**	2,145,330
Financial assets available for sale	23	**9,223,411**	4,774,114
Assets with repurchase agreement		**4,288**	495
Hedging derivatives	24	**186,032**	495,879
Financial assets held to maturity	25	**3,568,966**	5,160,180
Investments in associated companies	26	**516,980**	305,075
Non current assets held for sale	27	**1,284,126**	1,104,650
Investment property	28	**554,233**	560,567
Property and equipment	29	**626,398**	624,599
Goodwill and intangible assets	30	**259,054**	251,266
Current income tax assets		**34,037**	52,828
Deferred income tax assets	31	**1,755,411**	1,564,538
Other assets	32	**1,124,323**	1,790,650
		89,744,039	**93,482,076**
Liabilities			
Deposits from credit institutions	33	**15,265,760**	17,723,419
Deposits from customers	34	**49,389,866**	47,516,110
Debt securities issued	35	**13,548,263**	16,236,202
Financial liabilities held for trading	36	**1,393,194**	1,478,680
Other financial liabilities at fair value through profit or loss	37	**329,267**	2,578,990
Hedging derivatives	24	**301,315**	508,032
Provisions for liabilities and charges	38	**253,328**	246,100
Subordinated debt	39	**4,298,773**	1,146,543
Current income tax liabilities		**15,588**	24,037
Deferred income tax liabilities	31	**2,868**	2,385
Other liabilities	40	**945,629**	1,647,208
Total Liabilities		**85,743,851**	**89,107,706**
Equity			
Share capital	41	**3,500,000**	6,065,000
Treasury stock	44	**(14,212)**	(11,422)
Share premium		**71,722**	71,722
Preference shares	41	**171,175**	171,175
Other capital instruments	41	**9,853**	9,853
Fair value reserves	43	**2,668**	(389,460)
Reserves and retained earnings	43	**850,021**	(1,241,490)
Net loss for the year attributable to Shareholders		**(1,219,053)**	(848,623)
Total Equity attributable to Shareholders of the Bank		**3,372,174**	**3,826,755**
Non-controlling interests	45	**628,014**	547,615
Total Equity		**4,000,188**	**4,374,370**
		89,744,039	**93,482,076**

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the consolidated financial statements

CONSOLIDATED CASH FLOWS STATEMENT
FOR THE YEARS ENDED 31 DECEMBER, 2012 AND 2011

(Thousands of Euros)

	'12	'11
Cash flows arising from operating activities		
Interest income received	**3,213,190**	3,640,315
Commissions income received	**965,186**	965,688
Fees received from services rendered	**100,683**	102,232
Interest expense paid	**(2,432,932)**	(2,319,143)
Commissions expense paid	**(292,784)**	(159,433)
Recoveries on loans previously written off	**23,582**	21,289
Net earned premiums	**26,150**	23,169
Claims incurred	**(13,328)**	(11,076)
Payments to suppliers and employees	**(1,625,076)**	(1,805,189)
	(35,329)	457,852
Decrease/(increase) in operating assets:		
Loans and advances to credit institutions	**619,383**	(1,054,839)
Deposits with central banks under monetary regulations	**(993,619)**	(133,961)
Loans and advances to customers	**6,357,851**	5,257,606
Short term trading account securities	**547,853**	3,083,023
Increase/(decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	**151,589**	25,050
Deposits from credit institutions with agreed maturity date	**(2,700,665)**	(2,608,353)
Deposits from clients repayable on demand	**611,382**	(151,127)
Deposits from clients with agreed maturity date	**1,133,056**	2,036,816
	5,691,501	6,912,067
Income taxes (paid)/received	**(34,344)**	(64,463)
	5,657,157	6,847,604
Cash flows arising from investing activities		
Dividends received	**8,805**	7,717
Interest income from available for sale financial assets and held to maturity financial assets	**490,014**	401,043
Proceeds from sale of available for sale financial assets	**19,555,462**	22,427,343
Available for sale financial assets purchased	**(69,710,243)**	(43,954,493)
Proceeds from available for sale financial assets on maturity	**46,249,984**	19,057,945
Acquisition of fixed assets	**(113,378)**	(103,172)
Proceeds from sale of fixed assets	**13,817**	6,002
Decrease/(increase) in other sundry assets	**(595,786)**	(1,237,633)
	(4,101,325)	(3,395,248)
Cash flows arising from financing activities		
Issuance of subordinated debt	**3,160,479**	416,100
Reimbursement of subordinated debt	**(43,921)**	(1,224,616)
Issuance of debt securities	**9,845,201**	3,098,189
Reimbursement of debt securities	**(13,383,919)**	(6,999,746)
Issuance of commercial paper and other securities	**20,687**	3,367,283
Reimbursement of commercial paper and other securities	**(1,445,406)**	(2,250,846)
Share capital increase	**487,405**	249,991
Dividends paid to non-controlling interests	**(10,746)**	(19,154)
Increase/(decrease) in other sundry liabilities and non-controlling interests	**(916,949)**	266,740
	(2,287,169)	(3,096,059)
Exchange differences effect on cash and equivalents	**25,083**	(40,190)
Net changes in cash and equivalents	**(706,254)**	316,107
Cash and equivalents at the beginning of the year	**2,268,554**	1,952,447
Cash (note 19)	**732,616**	691,144
Other short term investments (note 20)	**829,684**	1,577,410
Cash and equivalents at the end of the year	**1,562,300**	2,268,554

See accompanying notes to the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER, 2012, 2011

(Thousands of Euros)

	Total equity	Share capital	Preference shares	Other capital instruments	Share premium	Legal and statutory reserves	Other comprehensive income: Legal and statutory reserves	Other comprehensive income: Other	Other reserves and retained earnings	Treasury stock	Non-controlling interests
Balance on 1 January, 2011	**5,611,601**	**4,694,600**	**1,000,000**	**1,000,000**	**192,122**	**466,042**	**(166,361)**	**(1,756,772)**	**(233,593)**	**(81,938)**	**497,501**
Transfers to reserves (note 43):											
Legal reserve	-	-	-	-	-	30,065	-	-	(30,065)	-	-
Statutory reserve	-	-	-	-	-	10,000	-	-	(10,000)	-	-
Share capital increase through the issue of 2,512,567,060 shares, con version of perpetual subordinated securities and incorporation of reserves (note 41)	259,853	1,370,400	-	(990,147)	(120,400)	-	-	-	-	-	-
Costs related to the share capital increase	(13,149)	-	-	-	-	-	-	-	(13,149)	-	-
Tax related to costs arising from the share capital increase	3,287	-	-	-	-	-	-	-	3,287	-	-
Exchange of debt instruments and perpetual preferred shares for debt instruments	(388,390)	-	(828,825)	-	-	-	-	-	440,435	-	-
Actuarial losses for the year	(31,295)	-	-	-	-	-	-	(31,295)	-	-	-
Interest charge related to the issue of perpetua subordinated instruments	(21,595)	-	-	-	-	-	-	-	(21,595)	-	-
Tax related to the interest charge on the issue of perpetual subordinated instruments	5,421	-	-	-	-	-	-	-	5,421	-	-
Net loss for the year attributable to Shareholders of the Bank	(848,623)	-	-	-	-	-	-	-	(848,623)	-	-
Net income for the year attributable to non-controlling interests (note 45)	85,853	-	-	-	-	-	-	-	-	-	85,853
Tax and issuance costs related with capital instruments	(102)	-	-	-	-	-	-	-	(102)	-	-
Dividends on preference share	(56,553)	-	-	-	-	-	-	-	(56,553)	-	-
Treasury stock	70,516	-	-	-	-	-	-	-	-	70,516	-
Gains and losses on sale of treasury stock	(5,065)	-	-	-	-	-	-	-	(5,065)	-	-
Tax related on gains and losses on sale of treasury stock	1,266	-	-	-	-	-	-	-	1,266	-	-
Exchange differences arising on consolidation	(40,190)	-	-	-	-	-	-	(40,190)	-	-	-
Fair value reserves (note 43)	(223,099)	-	-	-	-	-	(223,099)	-	-	-	-
Non-controlling interests (note 45)	(35,739)	-	-	-	-	-	-	-	-	-	(35,739)
Other reserves arising on consolidation (note 43)	373	-	-	-	-	-	-	-	373	-	-
Balance on 31 December, 2011	**4,374,370**	**6,065,000**	**171,175**	**9,853**	**71,722**	**506,107**	**(389,460)**	**(1,828,257)**	**(767,963)**	**(11,422)**	**547,615**
Share capital increase through the issue of 12,500,000 new shares (note 41)	500,000	500,000	-	-	-	-	-	-	-	-	-
Costs related to the share capital increase	(16,793)	-	-	-	-	-	-	-	(16,793)	-	-
Tax related to costs arising from the share capital increase	4,198	-	-	-	-	-	-	-	4,198	-	-
Redution of the share capital (note 41)	-	(3,065,000)	-	-	-	123,893	-	-	2,941,107	-	-
Actuarial losses for the year (note 50)	(133,733)	-	-	-	-	-	-	(133,733)	-	-	-
Net loss for the year attributable to Shareholders of the Bank	(1,219,053)	-	-	-	-	-	-	-	(1,219,053)	-	-
Net income for the year attributable to non-controlling interests (note 45)	81,844	-	-	-	-	-	-	-	-	-	81,844
Impact of the sale of 2.637% of Banco Millennium Angola	(782)	-	-	-	-	-	-	-	(782)	-	-
Treasury stock	(2,790)	-	-	-	-	-	-	-	-	(2,790)	-
Gains and losses on sale of treasury stock	(489)	-	-	-	-	-	-	-	(489)	-	-
Tax related on gains and losses on sale of treasury stock	122	-	-	-	-	-	-	-	122	-	-
Exchange differences arising on consolidation	25,083	-	-	-	-	-	-	25,083	-	-	-
Fair value reserves (note 43)	392,128	-	-	-	-	-	392,128	-	-	-	-
Non-controlling interests (note 45)	(1,445)	-	-	-	-	-	-	-	-	-	(1,445)
Other reserves arising on consolidation (note 43)	(2,472)	-	-	-	-	-	-	-	(2,472)	-	-
Balance on 31 December, 2012	**4,000,188**	**3,500,000**	**171,175**	**9,853**	**71,722**	**630,000**	**2,668**	**(1,936,907)**	**937,875**	**(14,212)**	**628,014**

See accompanying notes to the consolidated financial statements

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER, 2012 AND 2011

(Thousands of Euros)

	Notes	'12	'11
Fair value reserves	43	**494,881**	(274,409)
Taxes	43	**(102,753)**	51,310
		392,128	(223,099)
Actuarial losses for the year			
Gross value		**(164,191)**	(36,755)
Taxes		**30,458**	5,460
		(133,733)	(31,295)
Exchange differences arising on consolidation	43	**25,083**	(40,190)
Comprehensive income recognised directly in equity after taxes		**283,478**	(294,584)
Net loss for the year		**(1,137,209)**	(762,770)
Total comprehensive income for the year		**(853,731)**	(1,057,354)
Attributable to:			
Shareholders of the Bank		**(935,575)**	(1,143,207)
Non-controlling interests		**81,844**	85,853
Total comprehensive income for the year		**(853,731)**	(1,057,354)

See accompanying notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER, 2012

1. Accounting policies

a) Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the 'Bank') is a public bank, established in Portugal in 1985. It started operations on 5 May, 1986, and these consolidated financial statements reflect the results of the operations of the Bank and all its subsidiaries (together referred to as the 'Group') and the Group's interest in associates, for the years ended 31 December, 2012 and 2011.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002, and as transposed into Portuguese Law through Decree-Law no. 35/2005, of 17 February and Regulation no. 1/2005 from the Bank of Portugal, the Group's consolidated financial statements are required to be prepared in accordance with International Financial Reporting Standards (FRS) as endorsed by the European Union (EU) since the year 2005. IFRS comprise accounting standards issued by the International Accounting Standards Board (IASB) as well as interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and their predecessor bodies. The consolidated financial statements presented were approved on 6 May 2013 by the Bank's Executive Committee. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

All the references in this document related with any normative always report to current version.

The consolidated financial statements for the year ended 31 December, 2012 were prepared in terms of recognition and measurement in accordance with the IFRS adopted by the EU and effective on that date.

The Group has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January, 2012, as referred in note 55.

The accounting policies set out below have been applied consistently throughout the Group's entities and for all periods presented in these consolidated financial statements.

The Group's financial statements are prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss and available for sale assets, except those for which a reliable measure of fair value is not available. Financial assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation net of the value of the fund.

The preparation of the financial statements in accordance with IFRS requires the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances and form the basis for making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or for which assumptions and estimates are considered to be significant, are presented in note 1 ad).

b) Basis of consolidation

As from 1 January, 2010, the Group applied IFRS 3 (revised) for the accounting of business combinations. The changes in the accounting policies resulting from the application of IFRS 3 (revised) are applied prospectively.

Investments in subsidiaries

The investments in subsidiaries, where the Group holds control, are fully consolidated from the date the Group assumes control over its financial and operational activities, until the control ceases to exist. Control is presumed to exist when the Group owns more than half of the voting rights. Additionally, control exists when the Group has the power, directly or indirectly, to manage the financial and operating policies of an entity to obtain benefits from its activities, even if the percentage of capital held is less than 50%.

As from 1 January, 2010, accumulated losses are attributed to non-controlling interests in the respective proportion, implying that the Group can recognise negative non-controlling interests. Previously, when the accumulated losses of a subsidiary attributable to the non-controlling interest exceed the equity of the subsidiary attributable to the non-controlling interest, the excess was attributed to the Group and charged to the income statement as it occurs. Profits subsequently reported by the subsidiary are recognised as profits of the Group until the prior losses attributable to non-controlling interest previously recognised by the Group have been recovered.

As from 1 January, 2010, on a step acquisition process resulting in the acquisition of control, the revaluation of any participation previously acquired, is booked against the profit and loss account when goodwill is calculated. On a parcial disposal resulting in loss of control over a subsidiary, any participation retained is revalued at market value on the sale date and the gain or loss resulting from this revaluation is booked against the income statement.

Investments in associates
Investments in associated companies are consolidated by the equity method from the date that the Group acquires significant influence and the date it ceases to exist. Associates are those entities in which the Group has significant influence but not control over the financial and operating policy decisions of the investee. It is assumed that the Group has significant influence when it holds, directly or indirectly, 20% or more of the voting rights of the investee. If the Group holds, directly or indirectly less than 20% of the voting rights of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated.

The existence of significant influence by the Group is usually evidenced in one or more of the following ways:

– representation on the Board of Directors or equivalent governing body of the investee;
– participation in policy-making processes, including participation in decisions about dividends or other distributions;
– material transactions between the Group and the investee;
– interchange of the management team;
– provision of essential technical information.

The consolidated financial statements include the part that is attributable to the Group of the total reserves and results of associated companies accounted on an equity basis. When the Group's share of losses exceeds its interest in the associate, the carrying amount is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred in a legal obligation to assume those losses on behalf of an associate.

Goodwill
Goodwill arising from business combinations occurred before 1 January 2004 was charged against reserves.

Business combinations that occurred after 1 January 2004 are accounted under the purchase method. The acquisition cost corresponds to the fair value, determined at the acquisition date, of the assets given and liabilities incurred or assumed including the costs directly attributable to the acquisition, for acquisitions up to 31 December, 2009.

As from 1 January, 2010 onwards, costs directly attributable to the acquisition of a subsidiary are booked directly in the income statement.

As from the transition date to IFRS (1 January 2004), positive goodwill arising from acquisitions is recognised as an asset carried at acquisition cost and is not subject to amortisation.

Goodwill arising on the acquisition of subsidiaries and associates is defined as the difference between the cost of acquisition and the total or corresponding share of the fair value of the net assets and contingent liabilities acquired, depending on the option taken.

Negative goodwill arising on an acquisition is recognised directly in the income statement in the year the business combination occurs.

The recoverable amount of the goodwill in subsidiaries is assessed annually, regardless the existence of any impairment triggers. Impairment losses are recognised in the income statement. The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

Until 31 December 2009, the contingent acquisition prices were determined based on the best estimate of probable future payments, being the future changes booked against goodwill. As from 1 January 2010, goodwill is no longer adjusted due to changes in the initial estimate of the contingent purchase price and the difference is booked in the income statement, or in equity, when applicable.

Purchases and dilution of non-controlling interests
Until 31 December, 2009, when an investment in a subsidiary was disposed of, without a loss in control, the difference between the sale price and the book value of the equity allocated to the proportion of capital to be sold by the Group, plus the carrying value of goodwill in that subsidiary, was recognised in the income statement of the period as a gain or loss resulting from the disposal. The dilution effect occurred when the percentage of investment in a subsidiary decreased without any sale of interest in that subsidiary, for example, when the Group did not participate proportionally in a share capital increase of that subsidiary. Until 31 December, 2009, the Group recognised the gains or losses resulting from a dilution of a subsidiary following a sale or capital increase in the income statement.

Also in an acquisition of non-controlling interests, until 31 December 2009, the difference between the acquisition value and the fair value of the non-controlling interests acquired was accounted against goodwill. The acquisitions of non-controlling interests through written put options related to investments in subsidiaries held by non-controlling interests were recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. Any difference between the non-controlling interests acquired and the fair value of the liability was recorded as goodwill. The fair value of the liability was determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against goodwill and the effect of the financial discount of the liability (unwinding) was recognised in the income statement. This accounting treatment is maintained for all options contracted until 31 December 2009.

Since 1 January 2010, the acquisition of the non-controlling interests that does not impact the control position of a subsidiary is accounted as a transaction with shareholders and, therefore, is not recognised additional goodwill resulting from this transaction. The difference between the acquisition cost and the fair value of non-controlling interests acquired is recognised directly in reserves. On this basis, the gains and losses resulting from the sale of non-controlling interests, that does not impact the control position of a subsidiary, are always recognised against reserves.

The gains and losses resulting from the dilution or sale of a financial position in a subsidiary, with loss of control, are recognised by the Group in the income statement.

Similarly, as from 1 January 2010, the acquisitions of non-controlling interests through written put options related with investments in subsidiaries held by non-controlling interests, are recorded as a financial liability for the present value of the best estimate of the amount payable, against non-controlling interests. The fair value of the liability is determined based on the contractual price which may be fixed or variable. In case of a variable price, the changes in the liability are recognised against the income statement as well as the effect of the financial discount of the liability (unwinding). As from 1 January 2010 onwards, in an acquisition (dilution) of non-controlling interests not resulting in a loss of control, the difference between the fair value of the non-controlling interests acquired and the acquisition value, is accounted against reserves.

Special Purpose Entities ("SPEs")
The Group fully consolidates SPEs resulting from securitization operations of assets from Group entities (as referred in note 22) and from operations regarding the sale of loans, when the substance of the relation with those entities indicates that the Group exercises control over its activities, independently of the percentage of the equity held. Besides these SPEs resulting from securitization and sale of loans operations, no additional SPEs have been consolidated considering that they do not meet the criteria established on SIC 12 as described below.

The evaluation of the existence of control is determined based on the criteria established by SIC 12, which can be analysed as follows:

– The activities of the SPE, in substance, are being conducted on behalf of the Group, in accordance with the specific needs of the Group's business, in order to obtain benefits from these activities;
– The Group has the decision-making powers to obtain the majority of the benefits of the activities of the SPE or, by setting up an autopilot mechanism, the Group has delegated these decision-making powers;
– The Group has the rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks inherent to the activities of the SPE;
– The Group retains the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

Investment fund management
The Group manages assets held by investment funds for which the participation units are held by third parties. The financial statements of these entities are not consolidated by the Group, except when it has the control over these investment funds, namely when it holds more than 50% of the participation units.

When the Group consolidates real estate investment funds, the real estate property resulting from these funds are classified as investment property, as described in note 1 r).

Investments in foreign subsidiaries and associates
The financial statements of the foreign subsidiaries and associates of the Group are prepared in their functional currency, defined as the currency of the primary economic environment in which they operate or the currency in which the subsidiaries obtain their income or finance their activity. In the consolidation process, assets and liabilities, including goodwill, of foreign subsidiaries are converted into euros at the official exchange rate at the balance sheet date. The goodwill existing on these investments is valued against reserves.

Regarding the investments in foreign operations that are consolidated under the full consolidation, proportional or equity methods, for exchange differences between the conversion to Euros of the opening net assets at the beginning of the year and their value in Euros at the exchange rate ruling at the balance sheet date for consolidated accounts are charged against consolidated reserves – exchange differences. The exchange differences from hedging instruments related to foreign operations are eliminated from profit and loss in the consolidation process against the exchange differences booked in reserves resulting from those investments. Whenever the hedge is not fully effective, the ineffective portion is accounted against profit and loss of the year.

The income and expenses of these subsidiaries are converted to Euros at an aproximate rate of the rates ruling at the dates of the transactions. Exchange differences from the conversion to Euros of the profits and losses for the reporting period, arising from the difference between the exchange rate used in the income statement and the exchange rate prevailing at the balance sheet date, are recognised in reserves – exchange differences.

On disposal of investments in foreign subsidiaries for which there is loss of control, exchange differences related to the investment in the foreign operation and to the associated hedge transaction previously recognised in reserves, are transferred to profit and loss as part of the gains or loss arising from the disposal.

Transactions eliminated on consolidation

The balances and transactions between Group's companies, or any unrealised gains and losses arising from these transactions, are eliminated in the preparation of the consolidated financial statements. Unrealised gains and losses arising from transactions with associates and jointly controlled entities are eliminated in the proportion of the Group's investment in the entity.

c) Loans and advances to customers

Loans and advances to customers includes loans and advances originated by the Group which are not intended to be sold in the short term and are recognised when cash is advanced to costumers.

The derecognition of these assets occurs in the following situations: (i) the contractual rights of the Group have expired or (ii) the Group transferred substantially all the associated risks and rewards.

Loans and advances to customers are initially recognised at fair value plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, being presented in the balance sheet net of impairment losses.

Impairment

The Group's policy consists in a regular assessment of the existence of objective evidence of impairment in the loan portfolios. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period.

After the initial recognition, a loan or a loan portfolio, defined as a group of loans with similar credit risk characteristics, can be classified as impaired when there is an objective evidence of impairment as a result of one or more events and when these have an impact on the estimated future cash flows of the loan or of the loan portfolio that can be reliably estimated.

According to IAS 39, there are two basic methods of calculating impairment losses: (i) individually assessed loans and (ii) collective assessment.

(i) Individually assessed loans

Impairment losses on individually assessed loans are determined by an evaluation of the exposures on a case-by-case basis. For each loan considered individually significant, the Group assesses, at each balance sheet date, the existence of any objective evidence of impairment. In determining such impairment losses on individually assessed loans, the following factors are considered:

– Group's aggregate exposure to the customer and the existence of overdue loans;
– The viability of the customer's business and capability to generate sufficient cash flow to service their debt obligations in the future;
– The existence, nature and estimated value of the collaterals;
– A significant downgrading in the costumer's rating;
– The assets available on liquidation or insolvency situations;
– The ranking of all creditors claims;
– The amount and timing of expected receipts and recoveries.

Impairment losses are calculated by comparing the present value of the expected future cash flows, discounted at the original effective interest rate of the loan, with its current carrying value, being the amount of any loss charged in the income statement. The carrying amount of impaired loans is reduced through the use of an allowance account. For loans with a variable interest rate, the discount rate used corresponds to the effective annual interest rate, which was applicable in the period that the impairment was determined.

Loans that are not identified as having an objective evidence of impairment are grouped on the basis of similar credit risk characteristics, and assessed collectively.

(ii) Collective assessment

Impairment losses are calculated on a collective basis under two different scenarios::

– for homogeneous groups of loans that are not considered individually significant; or
– losses which have been incurred but have not yet been reported (IBNR) on loans for which no objective evidence of impairment is identified (see last paragraph (i)).

The collective impairment loss is determined considering the following factors:

– historical loss experience in portfolios with similar risk characteristics;
– knowledge of the current economic and credit conditions and its impact on the historical losses level; and
– the estimated period between a loss occurring and its identification.

The methodology and assumptions used to estimate the future cash flows are reviewed regularly by the Group in order to monitor the differences between estimated and real losses.

Loans for which no evidence of impairment has been identified are grouped together based on similar credit risk characteristics for calculating a collective impairment loss. This analysis allows the Group's recognition of losses whose identification in terms individual only occur in future periods.

In accordance with *Carta Circular* no. 15/2009 of the Bank of Portugal, loans and advances to customers are charged-off when there is no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals, for the part of the loans which is collateralised, is effectively received. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

d) Financial instruments
(i) Classification, initial recognition and subsequent measurement
1) Financial assets and liabilities at fair value through profit and loss
1a) Financial assets held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares, or that are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in gains arising on trading and hedging activities.

The interest from debt instruments is recognised as net interest income.

Trading derivatives with a positive fair value are included in financial assets held for trading and the trading derivatives with negative fair value are included in financial liabilities held for trading.

1b) Other financial assets and liabilities at fair value through profit and loss (Fair Value Option)
The Group has adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of the Group's credit risk related to financial liabilities accounted under the Fair Value Option are disclosed in Net gains/(losses) arising from trading and hedging activities.

The designation of other financial assets and liabilities at fair value through profit and loss is performed whenever at least one of the requirements is fulfilled:

– the assets and liabilities are managed, evaluated and reported internally at its fair value;
– the designation eliminates or significantly reduces the accounting mismatch of the transactions;
– the assets and liabilities include derivatives that significantly change the cash-flows of the original contracts (host contracts).

The financial assets and liabilities at Fair Value Option are initially accounted at their fair value, with the expenses or income related to the transactions being recognised in profit and loss and subsequently measured at fair value through profit and loss. The accrual of interest and premium/discount (when applicable) is recognised in net interest income according to the effective interest rate of each transaction, as well as for accrual of interest of derivatives associated to financial instruments classified as Fair Value Option.

2) Financial assets available for sale
Financial assets available for sale held with the purpose of being maintained by the Group, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair value, including all expenses or income associated with the transactions. The financial assets available for sale are subsequently measured at fair value. The changes in fair value are accounted for against fair value reserves until they are sold or an impairment loss exists. On disposal of the financial assets available for sale, the accumulated gains or losses recognised as fair value reserves are recognised under net gains/(losses) arising from available for sale financial assets. Interest income from debt instruments is recognised in net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognised in the income statement when the right to receive the dividends is attributed.

3) Financial assets held-to-maturity

The financial assets held-to-maturity include non-derivative financial assets with fixed or determinable payments and fixed maturity, for which the Group has the intention and capacity to maintain until the maturity of the assets and that were not included in the category of financial assets at fair value through profit and loss or financial assets available for sale. These financial assets are initially recognised at fair value and subsequently measured at amortised cost. The interest is calculated using the effective interest rate method and recognised in net interest income. The impairment losses are recognised in profit and loss when identified.

Any reclassification or disposal of financial assets included in this category that does not occur close to the maturity of the assets, will require the Group to reclassify the entire portfolio as financial assets available for sale and the Group will not be allowed to classify any assets under this category for the following two years.

4) Loans and receivables – Loans represented by securities

Non-derivative financial assets with fixed or determined payments, that are not quoted in a market and which the Group does not intend to sell immediately or in a near future, may be classified in this category.

In addition to loans granted, the Group recognises in this category unquoted bonds and commercial paper. The financial assets recognised in this category are initially accounted at fair value and subsequently at amortised cost net of impairment. The incremental direct transaction costs are included in the effective interest rate for these financial instruments. The interest accounted based on the effective interest rate method are recognised in net interest income.

The impairment losses are recognised in profit and loss when identified.

5) Other financial liabilities

The other financial liabilities are all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss. This category includes money market transactions, deposits from customers and from other financial institutions, issued debt, and other transactions.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognised in net interest income.

The financial gains or losses calculated at the time of repurchase of other financial liabilities are recognised as net gains/(losses) from trading and hedging activities, when occurred.

(ii) Impairment

At each balance sheet date, an assessement of the existence of objective evidence of impairment is made. A financial asset or group of financial assets are impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quotation price and (ii) for unlisted securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reasonably. According to the Group's policies, a 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the 1year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. Recovery of impairment losses on equity instruments classified as financial assets available for sale, is recognised as a gain in fair value reserves when it occurs (if there are no reversal in the income statement).

(iii) Embedded derivatives

Embedded derivatives should be accounted for separately as derivatives, if the economic risks and benefits of the embedded derivative are not closely related to the host contract, unless the hybrid (combined) instrument is not initially measured at fair value with changes through profit and loss. Embedded derivatives are classified as trading and recognised at fair value with changes through profit and loss.

e) Derivatives hedge accounting

(i) Hedge accounting

The Group designates derivatives and other financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on revaluation are recognised in accordance with the hedge accounting model adopted by the Group. A hedge relationship exists when:

– at the inception of the hedge there is formal documentation of the hedge;
– the hedge is expected to be highly effective;
– the effectiveness of the hedge can be reliably measured;
– the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and
– for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative and to changes in foreign exchange risk related with the monetary items is recognised through profit and loss.

(ii) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual period of the hedged item.

(iii) Cash flow hedge
In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity – cash flow hedge reserves. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

– Deferred over the residual period of the hedged instrument; or
– Recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

(iv) Hedge effectiveness
For a hedge relationship to be classified as such according to IAS 39, effectiveness has to be demonstrated. As such, the Group performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, showing that the changes in the fair value of the hedging instrument are hedged by the changes in the hedged item for the risk being covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

(v) Hedge of a net investment in a foreign operation
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in the income statement. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are included in the income statement on the disposal of the foreign operation as part of the gain or loss from the disposal.

f) Reclassifications between financial instruments categories
In October 2008, the IASB issued a change to IAS 39 – Reclassification of financial assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity to transfer financial assets from financial assets at fair value through profit and loss – trading to financial assets available for sale, to loans and receivables – loans represented by securities or to financial assets held-to-maturity, as long as the requirements described in the standard are met, namely:

– if a financial asset, at the date of reclassification present the characteristics of a debt instrument for which there is no active market; or
– when there is some event that is uncommon and highly improbable that will occur again in the short term, that is, the event can be classified as a rare circumstance.

The Group adopted this possibility for a group of financial assets, as disclosed in note 23.

Transfers of financial assets recognised in the category of financial assets available-for-sale to loans and receivables – loans represented by securities and to financial assets held-to-maturity are allowed, in determined and specific circumstances.

Transfers from and to financial assets and financial liabilities at fair value through profit and loss by decision of the entity (Fair Value Option) are prohibited.

g) Derecognition
The Group derecognises financial assets when all rights to future cash flows have expired. In a transfer of assets, derecognition can only occur either when risks and rewards have been substantially transferred or the Group does not maintain control over the assets.

The Group derecognises financial liabilities when these are discharged, cancelled or extinguished.

h) Equity instruments
An instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently from its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Group are considered as an equity instrument when redemption of the shares is solely at the discretion of the issuer and dividends are paid at the discretion of the Group.

Income from equity instruments (dividends) are recognised when the right to receive this income is established and are deducted to equity.

i) Compound financial instruments
Financial instruments that contain both a liability and an equity component (example: convertible bonds) are classified as compound financial instruments. For those instruments to be considered as compound financial instruments, the terms of its conversion to ordinary shares (number of shares) can not change with changes in its fair value. The financial liability component corresponds to the present value of the future interest and principal payments, discounted at the market interest rate applicable to similar financial liabilities that do not have a conversion option. The equity component corresponds to the difference between the proceeds of the issue and the amount attributed to the financial liability. Financial liabilities are measured at amortised cost through the effective interest rate method. The interests are recognised in net interest income.

j) Securities borrowing and repurchase agreement transactions
(i) Securities borrowing
Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

(ii) Repurchase agreements
The Group performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not recognised on the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions.

The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

k) Non-current assets held for sale and discontinued operations

Non current assets, groups of non-current assets held for sale (groups of assets together and related liabilities that include at least a non current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities and when the referred assets are available for immediate sale and its sale is highly probable.

The Group also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, which are available for immediate sale and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term are consolidated until the disposal.

The Group also classifies as non-current assets held for sale, the investments arising from recovered loans that are measured initially by the lower of its fair value net of selling costs and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalised.

The fair value is determined based on the expected selling price estimated through periodic valuations performed by the Group.

The subsequent accounting of these assets is determined based on the lower of the carrying amount and the corresponding fair value net of expenses. In case of unrealised losses, these should be recognised as impairment losses against results.

l) Finance lease transactions

At the lessee's perspective, finance lease transactions are recorded as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

m) Interest income and expense

Interest income and expense for financial instruments measured at amortised cost are recognised in the interest income or expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised in net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument (for example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related with the transaction, except for assets and liabilities at fair value through profit and loss.

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring the impairment loss.

Specifically regarding the accounting policy for interest on overdue loans' portfolio are considered the following aspects:

– Interest income for overdue loans with collaterals are accounted for as income, up to the limit of the valuation of the collateral valued on a prudent basis, in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and

– The interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are writen-off and are recognised only when they are received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under net gains/(losses) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair Value Option category, the interest component of the changes in their fair value is recognised under interest income or expense (net interest income).

n) Fee and commission income

Fees and commissions are recognised according to the following criteria:

– when are earned as services are provided, are recognised in income over the period in which the service is being provided;
– when are earned on the execution of a significant act, are recognised as income when the service is completed.

Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognised in net interest income.

o) Financial net gains/losses (Net gains/losses arising from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity)

Financial net gains/losses includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives), as well as the corresponding dividends received. This caption also includes the impairment losses and gains and losses arising from the sale of available for sale financial assets and financial assets held to maturity. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this caption.

p) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Group's consolidated financial statements. Fees and commissions arising from this activity are recognised in the income statement in the period in which they occur.

q) Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Group. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

The Group performs impairment tests whenever events or circumstances indicate that the book value exceeds the highest between the value in use and the fair value less costs to sell, being the difference charged to the profit and loss.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Premises	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 and 12
Other fixed assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of the fixed tangible assets are recognised in profit and loss.

r) Investment property

Real estate properties owned by the investment funds consolidated in the Group are recognised as investment properties considering, that the main objective of these buildings is the capital appreciation on a long term basis and not its sale in a short term period, or its maintenance for own use.

These investments are initially recognised at its acquisition cost, including the transaction costs and subsequently revaluated at its fair value. The fair value of the investment property should reflect the market conditions at the balance sheet date. Changes in fair value are recognised in results as other operating income.

The expertises responsible for the valuation of the assets are properly certified for that purpose, being registered in CMVM.

s) Intangible assets

Research and development expenditure

The Group does not capitalise any research and development costs. All expenses are recognised as costs in the year in which they occur.

Software

The Group accounts as intangible assets the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three years. The Group does not capitalise internal costs arising from software development.

t) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the balance sheet date, including cash and loans and advances to credit institutions.

Cash and cash equivalents exclude restricted balances with central banks.

u) Offsetting

Financial assets and liabilities are offset and the net amount is recorted in the balance sheet when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

v) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets available-for-sale, for which the difference is recognised against equity.

w) Employee benefits

Defined benefit plans

The Group has the responsibility to pay to their employees retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the collective labour arrangements. These benefits are estimated in the pensions plans "Plano ACT" and "Plano ACTQ" of the "Pension Plan of BCP Group", which corresponds to the referred collective labour arrangements (the conditions are estimated in the private social security of the banking sector for the constitution of the right to receive a pension).

Until 2011, along with the benefits provided in two planes above, the Group had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to the Group's employees hired before 21 September, 2006 (Complementary Plan). The Group at the end of 2012 decided to extinguish ("cut") the benefit of old age Complementary Plan. As at 14 December 2012, the ISP (Portuguese Insurance Institute) formally approved this change benefit plan of the Group with effect from 1 January 2012. The cut of the plan was made, having been assigned to the employees, individual rights acquired. On that date, the Group also proceed to the settlement of the related liability.

From 1 January 2011, banks' employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the Banks remain liable for those benefits as concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System Caixa de Abono de Família dos Empregados Bancários) which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The Bank supports the remaining difference for the total pension assured in Acordo Colectivo de Trabalho.

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related with pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the Instrumento de Regulação Colectiva de Trabalho (IRCT) of the retirees and pensioners.

The responsibilities related with the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions and being financed through the corresponding Pensions funds. The Decree-Law also established the terms and conditions under which the transfer was made by setting a discount rate of 4% to determine the liabilities to be transferred.

The Group's net obligation in respect of pension plans (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year.

The current services cost plus the interest cost on the unwinding of the pension liabilities less the expected return on the plan assets are recorded in operational costs.

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations. The net obligations are determined after the deduction of the fair value of the assets of the Pension Plan.

Employee benefits, other than pension plans, namely post retirement health care benefits and benefits for the spouse and sons for death before retirement are also included in the benefit plan calculation.

Costs arising from early retirements are recognised in the income statement on the year in which the early retirement is approved and announced.

Gains and losses for the year are recognised against reserves in the year they occur.

The contributions to the funds are made annually by each Group company according to a certain plan contributions to ensure the solvency of the fund. The minimum level required for the funding is 100% regarding the pension payments and 95% regarding the past services of active employees.

Defined contribution plan
For defined contribution plan, the responsibilities related to the benefits attributed to the Group's employees are recognised as expenses when incurred.

As at 31 December 2012, the Group has two defined contribution plans. One plan that covers employees who were hired before July 1, 2009. For this plan, called non-contributory, Group's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points and (ii) exist distributable profits or reserves in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after July 1, 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Group and employees.

Share based compensation plan
As at 31 December 2012 there are no share based compensation plans in force.

Variable remuneration paid to employees
The Executive Committee decides on the most appropriate criteria of allocation among employees.

This variable remuneration is charged to income statement in the year to which it relates.

x) Income taxes
The Group is subject to the regime established by the Income Tax Code (CIRC). Additionally, deferred taxes resulting from the temporary diferences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation, are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits, will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Group, as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

y) Segmental reporting

The Group adopted the IFRS 8 – Operating Segments for the purpose of disclosure financial information by operating segments. A business segment is a group of assets and operations that are subject to risks and returns different from other business segments. The results of the operating segments are periodically reviewed by the management with the aim of taking decisions. The Group prepares regular financial information concerning these segments, which is reported to Management. A geographical segment is a group of assets and operations located within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Group controls its activity through the following major operating segments:

Portugal
– Retail Banking;
– Companies (which includes companies in Portugal, Corporate and Investment Banking);
– Asset management and Private Banking.

Foreign activity
– Poland;
– Greece;
– Angola:
– Mozambique.

Others

The aggregate Others includes the activity not allocated to the segments mentioned above, namely the developed by subsidiaries in Romania, Switzerland and Cayman Islands.

z) Provisions

Provisions are recognised when (i) the Group has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation as a result of past events and (iii) a reliable estimate can be made of the amount of the obligation.

On the cases that the discont efect is material, provion correspondes to atual value of the espected future payments, disconted by a rate that consideres the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

aa) Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares, such as convertible debt and stock options granted to employees. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share.

If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

ab) Insurance contracts

Classification

The Group issues contracts that contain insurance risk, financial risk or a combination of both insurance and financial risk. A contract, under which the Group accepts significant insurance risk from another party, by agreeing to compensate that party on the occurrence of a specified uncertain future event, is classified as an insurance contract.

A contract issued by the Group without significant insurance risk, but on which financial risk is transferred with discretionary participating features is classified as an investment contract recognised and measured in accordance with the accounting policies applicable to insurance contracts. A contract issued by the Group that transfers only financial risk, without discretionary participating features, is classified as an investment contract and accounted for as a financial instrument.

Recognition and measurement

Premiums of life insurance and investment contracts with discretionary participating features, which are considered as long-term contracts are recognised when due from the policyholders. The benefits and other costs are recognised concurrently with the recognition of income over the life of the contracts. This specialization is achieved through the establishment of provisions/liabilities of insurance contracts and investment contracts with discretionary participating features.

The responsibilities correspond to the present value of future benefits payable, net of administrative expenses directly associated with the contracts, less the theoretical premiums that would be required to comply with the established benefits and related expenses. The liabilities are determined based on assumptions of mortality, costs of management or investment at the valuation date.

For contracts where the payment period is significantly shorter than the period of benefit, premiums are deferred and recognised as income in proportion to the duration of risk coverage.

Regarding short-term contracts, including contracts of non-life insurance, premiums are recorded at the time of issue. The award is recognised as income acquired in a *pro-rata* basis during the term of the contract. The provision for unearned premiums represents the amount of premiums on risks not occurred.

Premiums

Gross premiums written are recognised for as income in the period to which they respect independently from the moment of payment or receivable, in accordance with the accrual accounting principle.

Reinsurance premiums ceded are accounted for as expense in the year to which they respect in the same way as gross premiums written.

Provision for unearned premiums from direct insurance and reinsurance premiuns ceded

The provision for unearned gross premiums is based on the evaluation of the premiums written before the end of the year but for which the risk period continues after the year end. This provision is calculated using the pro-rata temporis method applied to each contract in force.

Liability adequacy test

At each reporting date, the Group evaluates the adequacy of liabilities arising from insurance contracts and investment contracts with discretionary participating features. The evaluation of the adequacy of responsibilities is made based on the projection of future cash flows associated with each contract, discounted at market interest rate without risk. This evaluation is done product by product or aggregate of products when the risks are similar or managed jointly. Any deficiency, if exists, is recorded in the Group's results as determined.

ac) Insurance or reinsurance mediation services

The Banco Comercial Português and Banco ActivoBank are entities authorized by the Insurance Institute of Portugal to practice the activity of insurance mediation in the category of Online Insurance Broker, in accordance with article 8, paragraph a), point i) of Decree-Law no. 144/2006, of July 31, developing the activity of insurance intermediation in life and non-life.

Within the insurance mediation services, the banks perform the sale of insurance contracts. As compensation for services rendered for insurance mediation, the Banks receive commissions for arranging contracts of insurance and investment contracts, which are defined in the agreements/ protocols established between the Banks and the Insurance Companies.

Commissions received by insurance mediation are recognised in accordance with the principle of accrual, so the commissions which payment occurs at different time period to which it relates, are subject to registration as an amount receivable under Other Assets.

ad) Accounting estimates and judgements in applying accounting policies

IFRS set forth a range of accounting treatments that require the Executive Committee and management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Group's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by the Executive Committee, the Group's reported results would differ if a different treatment was chosen. Executive Committee believes that the choices made are appropriate and that the financial statements present the Group's financial position and results fairly in all material aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment of financial assets available for sale

The Group determines that financial assets available for sale are impaired when there has been a significant or prolonged decrease in the fair value below its acquisition cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the volatility in the prices of the financial assets. According to the Group's policies, a 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the one year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the consolidated income statement of the Group.

Impairment losses on loans and advances to customers

The Group reviews its loan portfolios to assess impairment losses on a regularly basis, as described in note 1 c).

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the consolidated income statement of the Group.

Fair value of derivatives

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different financial results for a particular period.

Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Group evaluates its intention and ability to hold such investments to maturity.

If the Group fails to keep these investments to maturity other than for the specific circumstances — for example, selling an insignificant amount close to maturity — it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value instead of amortised cost.

Held-to-maturity investments are subject to impairment tests made by the Group. The use of different assumptions and estimates could have an impact on the income statement of the Group.

Securitizations and special purpose entities (SPEs)
The Group sponsors the formation of SPEs primarily for asset securitization transactions for liquidity purposes and/or capital management.

The Group does not consolidate SPEs that it does not control. As it can sometimes be difficult to determine whether the Group does control an SPE, it makes judgments about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question.

The determination of the SPEs that needs to be consolidated by the Group requires the use of estimates and assumptions in determining the respective expected residual gains and losses and which party retains the majority of such residual gains and losses. Different estimates and assumptions could lead the Group to a different scope of consolidation with a direct impact in net income.

In the scope of the application of this accounting policy and in accordance with note 22, the following SPEs resulting from securitization transactions were included in the consolidation perimeter: NovaFinance No. 4, Magellan No. 2 and 3, Kion No. 1 and No. 3, Kion CLO Finance No. 1, Orchis Sp zo.o, Caravela SME No. 2 and Tagus Leasing No. 1. The Group did not consolidate the following SPEs also resulting from securitization transactions: Magellan No. 1 and No. 4. For these SPEs, which are not recognised in the balance sheet, the Group concluded that the main risks and the benefits were transferred, as the Group does not hold any security issued by the SPE, that are exposed to the majority of the residual risks, neither is exposed to the performance of the credit portfolios.

Income taxes
The Group is subject to income taxes in numerous jurisdictions. Significant interpretations and estimates are required in determining the worldwide amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

The Portuguese Tax Authorities are entitled to review the Bank and its subsidiaries' determination of its annual taxable earnings, for a period of four years or six years in case there are tax losses brought forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law which for its probability, the Executive Committee considers that there is no relevant material efect at the level of the Financial Statements.

Pension and other employees' benefits
Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

Goodwill impairment
The goodwill recoverable amount recognised as a Group's asset, is revised annually regardless the existence of impairment losses.

For this purpose, the carrying amount of the business units of the Group for which goodwill has been recognised is compared with the respective recoverable amount. A goodwill impairment loss is recognised when the carrying amount of the business unit exceeds the respective recoverable amount.

In the absence of an available market value, the recoverable amount is determined using cash flows predictions, applying a discount rate that includes a risk premium appropriated to the business unit being tested. Determining the cash flows to discount and the discount rate, involves judgment.

2. Net interest income and net gains arising from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity
IFRS requires separate disclosure of net interest income and net gains arising from trading and hedging activities, from financial assets available for sale and from financial assets held to maturity, as presented in notes 3, 6, 7 and 8. A particular business activity can generate impact in net interest income and net gains arising from trading and hedging, from financial assets available for sale and from financial assets held to maturity. This disclosure requirement demonstrates the contribution of the different business activities for the net interest margin and net gains from trading and hedging, from financial assets available for sale and from financial assets held to maturity.

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Net interest income	**1,023,585**	1,579,274
Net gains/(losses) from trading and hedging assets	**401,128**	204,379
Net gains/(losses) from financial assets available for sale	**46,206**	3,253
Net gains/(losses) from financial assets held to maturity	**15,513**	-
	1,486,432	1,786,906

3. Net interest income

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Interest and similar income		
Interest on loans and advances	**2,858,906**	3,145,144
Interest on trading securities	**29,397**	111,759
Interest on available for sale financial assets	**330,943**	206,261
Interest on held to maturity financial assets	**130,294**	198,150
Interest on hedging derivatives	**197,144**	263,226
Interest on derivatives associated to financial instruments through profit and loss account	**5,089**	59,428
Interest on deposits and other investments	**64,149**	76,168
	3,615,922	4,060,136
Interest expense and similar charges		
Interest on deposits and inter-bank funding	**1,773,842**	1,722,256
Interest on securities sold under repurchase agreement	**14,012**	15,769
Interest on securities issued	**767,332**	574,596
Interest on hedging derivatives	**18,396**	24,067
Interest on derivatives associated to financial instruments through profit and loss account	**1,394**	11,009
Interest on other financial liabilities valued at fair value through profit and loss account	**17,361**	133,165
	2,592,337	2,480,862
	1,023,585	1,579,274

The balance of Interest on loans and advances includes the amount of Euros 71,641,000 (2011: Euros 50,827,000) related to commissions and other gains which are accounted for under the effective interest method, as referred in the accounting policy described in note 1 m).

The balance Interest on securities issued includes the amount of Euros 134,880,000 related to interest of the hybrid instruments that qualify as core tier 1 (CoCos) underwritten by the Portuguese State.

The balance net interest income includes, in 2012, the amount of Euros 411,394,000 related with interest income arising from customers with signs of impairment (individual and parametric analysis).

4. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Dividends from financial assets available for sale	**3,841**	1,345
Other	**32**	34
	3,873	1,379

The balance of Dividends from financial assets available for sale includes dividends and income from investment fund units received during the year.

5. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Fees and commissions received		
From guarantees	**111,647**	114,344
From credit and commitments	**297**	315
From banking services	**529,796**	547,606
From insurance activity	**1,263**	821
From other services	**241,483**	247,759
	884,486	910,845
Fees and commissions payed		
From guarantees	**76,888**	5,613
From banking services	**86,739**	82,295
From insurance activity	**1,173**	919
From other services	**28,910**	32,646
	193,710	121,473
	690,776	789,372

The balance Fees and commissions received – From banking services includes the amount of Euros 60,504,000 (31 December 2011: Euros 72,749,000) related to insurance mediation commissions.

The balance Fees and commissions received includes the amount of Euros 43,121,000 regarding commissions charged to customers with signs of impairment (individual and parametric analysis).

6. Net gains/(losses) arising from trading and hedging activities

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Gains arising on trading and hedging activities		
Foreign exchange activity	**1,411,722**	1,795,196
Transactions with financial instruments recognized at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	**82,194**	35,254
Variable income	**9,646**	6,249
Certificates and structured securities issued	**12,869**	32,075
Derivatives associated to financial instruments through profit and loss account	**37,919**	117,880
Other financial instruments derivatives	**1,696,234**	2,047,701
Other financial instruments through profit and loss account	**8,202**	199,603
Repurchase of own issues	**359,449**	288,893
Hedging accounting		
Hedging derivatives	**148,390**	907,715
Hedged item	**9,701**	176,225
Other activity	**14,605**	20,194
	3,790,931	5,626,985
Losses arising on trading and hedging activities		
Foreign exchange activity	**1,313,801**	1,649,991
Transactions with financial instruments recognized at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	**6,122**	164,109
Variable income	**10,153**	6,739
Certificates and structured securities issued	**24,908**	17,139
Derivatives associated to financial instruments through profit and loss account	**11,740**	216,586
Other financial instruments derivatives	**1,607,190**	2,118,344
Other financial instruments through profit and loss account	**110,456**	117,675
Repurchase of own issues	**59,148**	2,708
Hedging accounting		
Hedging derivatives	**79,374**	807,422
Hedged item	**101,395**	254,436
Other activity	**65,516**	67,457
	3,389,803	5,422,606
	401,128	204,379

The caption Net gains arising from trading and hedging activities includes in 2012, a loss of Euros 30,047,000 (2011: loss of Euros 20,591,000) related with the fair value changes arising from changes in own credit risk (spread) for financial liabilities recognised at fair value through profit and loss.

The caption Transactions with financial instruments recognized at fair value through profit and loss – Held for trading included, as at 31 December 2012, a gain in the amount of Euros 57,403,000 (31 December 2011: Euros 144,121,000) related with the valuation of Treasury bonds from the Portuguese Republic.

The caption Gains arising on trading and hedging activities – Repurchase of own issues includes, in 2012, the amount of Euros 184,300,000 corresponding to the difference between the nominal and the repurchase value, that arose from the repurchase operations included in the set of initiatives undertaken by the Bank for liability management, as referred in note 48, namely Magellan Mortgages No. 2 plc, Magellan Mortgages No. 3 plc, Floating Rate Notes and Covered Bonds.

The caption Gains arising on trading and hedging activities – Repurchase of own issues included, in 2011, the amount of Euros 98,000,000 arising from the exchange offer of subordinated debt and preference shares that were traded for new senior debt instruments, as referred in note 48. In addition, this caption also included, in 2011, the amount of Euros 81,162,000 related to the repurchase of Credit linked notes and the amount of Euros 62,870,000 related to the repurchase of mortgage debt issues.

The result of repurchases of own issues is determined in accordance with the accounting policy described in note 1 d).

The caption Gains arising on trading and hedging activities – Other financial instruments derivatives includes, in 2012, the amount of Euros 24,117,000 resulting from the recognition in profit and loss account of the interruption of an hedging operation related with the mortgage debt issues from 1 April 2012.

7. Net gains/(losses) arising from financial assets available for sale

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Gains arising from financial assets available for sale		
Fixed income	**59,149**	8,162
Variable income	**1,986**	31,845
Losses arising from financial assets available for sale		
Fixed income	**(14,516)**	(28,611)
Variable income	**(413)**	(8,143)
	46,206	3,253

The caption Gains arising from financial assets available for sale – Fixed income – includes in the fourth quarter of 2012, the amount of Euros 48,849,000 related to gains resulting from the sale of Portuguese public debt.

The caption Losses arising from financial assets available for sale – Fixed income – includes in 2012, the amount of Euros 8,746,000 related to losses resulting from the sale of Greek public debt which resulted from the restructuring of country's sovereign debt, as referred in note 23.

The caption Gains arising from financial assets available for sale – variable income included in 2011, the amount of Euros 24,480,000 related with the adjustment to the price of sale of the shares held in Eureko B.V., sold to the Pension Fund of BCP Group in 2010, as a result of the valuation performed during the first quarter of 2011, as established in the contract.

8. Net gains/(losses) arising from financial assets held to maturity

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Gains arising from financial assets held to maturity	**15,513**	-
	15,513	-

This amount corresponds to a gain realized on the sale of Greek sovereign debt. The transaction was done very close to maturity so that does not affect the classification of other securities in this category, as described in note 1 d) 3).

9. Other operating income

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Operating income		
Income from services	**35,099**	34,049
Cheques and others	**15,315**	17,196
Other operating income	**16,996**	36,360
	67,410	87,605
Operating costs		
Indirect taxes	**35,955**	27,865
Donations and quotizations	**4,831**	4,599
Specific contribution for the banking sector	**33,870**	31,984
Other operating expenses	**44,801**	45,950
	119,457	110,398
	(52,047)	(22,793)

The caption Other operating income included, in 2011, the amount of Euros 18,900,000 related with the reimbursement to Banco Comercial Português, S.A. by Ocidental – Companhia Portuguesa de Seguros de Vida, S.A. ('Ocidental Vida') of the amounts paid to set up perpetual annuities policies to cover the responsibilities with retirement pensions of former members of the Executive Board of Directors, following the agreements established between the parties.

The caption Specific contribution for the banking sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary (Tier 2) and deposits covered by the Deposit Guarantee Fund and (ii) the off-balance notional amount of derivatives.

10. Staff costs

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Salaries and remunerations	**606,630**	604,304
Mandatory social security charges	**77,330**	292,844
Voluntary social security charges	**55,981**	44,640
Other staff costs	**75,472**	11,861
	815,413	953,649

The caption Staff costs includes costs associated with the restructuring program, early retirement and the recalculation of pension liabilities related to the Group's resizing program that resulted, in 2012, in a reduction of 977 employees. Those costs amount, in 2012, to a net value of Euros 69,252,000.

The balance Mandatory social security charges includes in 2012, a gain of Euros 63,951,000 resulting from the impact of the change of the calculation method of the death subsidy in accordance with the publication on 27 June 2012, of the Decree-Law no. 133/2012, which introduces changes in the calculation of the referred subsidy.

In accordance with IAS 19, it is a negative past service cost which occurs when changes in the benefits plan exist, which result in a reduction of the current value of the liabilities for rendered services. On this base, the gain should be deferred and amortised throughout the average vesting period. Considering that the acquisition conditions of the benefit are fulfilled (vested), in fact the employee or the pensioner has the right to the benefit without having to fulfill any service condition, as referred in note 50, the Group accounted for the referred impact in results.

The caption Mandatory social security charges includes in 2012, as referred in notes 40 and 50, a gain of Euros 1,091,000 (2011: Euros 35,492,000) related with the write-down of provisions established to cover the future updates in the retirement pension plan of former members of the Executive Board of Directors, following the agreements established, between the Bank and former members of the Executive Board of Directors.

As referred in note 50, the caption Mandatory social security charges included, in 2011, the effect of the transfer of the responsibilities to the General Social Healthcare System, in the amount of Euros 164,808,000.

The remunerations paid to the members of the Executive Committee in 2012 amounts to Euros 2,803,000 (2011: Euros 3,814,000), with Euros 131,000 (2011: Euros 322,000) paid by subsidiaries or companies whose governing bodies represent interests in the Group. During 2012 and 2011, no variable remuneration was attributed to the members of the Executive Committee.

Therefore, considering that the remuneration of the members of the Executive Committee intends to compensate the functions that are performed directly in the Bank and all other functions on subsidiaries or other companies for which they have been designated by indication or representing the Bank, in the last case, the net amount of the remunerations annually received by each member are deducted to the fixed annual remuneration attributed by the Bank.

During 2012, the costs with Social Security and the contributions to the Pension Fund for members of the Executive Board of Directors amounted to Euros 1,294,000 (2011: Euros 1,288,000).

The average number of employees by professional category, at service in the Group, is analysed as follows by category:

	'12	'11
Portugal		
Management	**1,353**	1,390
Managerial staff	**1,910**	1,953
Staff	**3,510**	3,566
Other categories	**3,053**	3,165
	9,826	10,074
Abroad	**11,471**	11,396
	21,297	21,470

11. Other administrative costs

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Water, electricity and fuel	**24,683**	22,251
Consumables	**7,236**	6,988
Rents	**144,396**	148,354
Communications	**39,568**	39,510
Travel, hotel and representation costs	**11,185**	13,655
Advertising	**34,893**	38,878
Maintenance and related services	**40,476**	39,067
Credit cards and mortgage	**10,662**	15,952
Advisory services	**23,201**	23,962
Information technology services	**23,992**	23,625
Outsourcing	**82,636**	90,657
Other specialised services	**32,638**	31,341
Training costs	**2,073**	3,093
Insurance	**14,788**	19,245
Legal expenses	**14,360**	12,282
Transportation	**11,532**	11,054
Other supplies and services	**46,842**	44,545
	565,161	584,459

The caption Rents includes the amount of Euros 122,368,000 (2011: Euros 124,886,000) related to rents paid regarding buildings used by the Group as lessee.

The Group has various operating lease for properties and vehicles. The payments under these leases are recognised in the statement of income during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity as at 31 December 2012, are as follows:

(Thousands of Euros)

	Properties	Vehicles	Total
Until 1 year	77,613	3,344	**80,957**
1 to 5 years	136,317	3,884	**140,201**
Over 5 years	65,868	-	**65,868**
	279,798	7,228	**287,026**

12. Depreciation

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Intangible assets:		
Software	**15,052**	15,252
Other intangible assets	**721**	376
	15,773	15,628
Property, plant and equipment:		
Land and buildings	**28,918**	43,487
Equipment		
Furniture	**3,637**	4,397
Office equipment	**2,628**	2,723
Computer equipment	**14,382**	16,535
Interior installations	**3,979**	3,968
Motor vehicles	**2,918**	3,015
Security equipment	**2,414**	2,539
Other equipment	**3,415**	3,818
Other tangible assets	**1**	-
	62,292	80,482
	78,065	96,110

13. Loans impairment

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Loans and advances to credit institutions:		
For overdue loans and credit risks		
Impairment for the year	-	58
Write-back for the year	**(42)**	(2,828)
	(42)	**(2,770)**
Loans and advances to customers:		
For overdue loans and credit risks		
Charge for the year	**2,506,257**	1,674,720
Write-back for the year	**(798,454)**	(318,751)
Recovery of loans and interest charged-off	**(23,582)**	(21,289)
	1,684,221	**1,334,680**
	1,684,179	**1,331,910**

The caption Loans and advances to customers – Charge for the year includes the amount of Euros 702,422,000 related to the impairment booked during 2012 to cover the risks related to the exposure to the risk of Greece namely regarding the activity of Millennium bank (Greece). The determination of this amount took into account the gradual deterioration to the local economic and financial situation and the need to capitalize Greek banks, as dictated by Greece's central bank, and the independent evaluation by the "Troika" team, which estimated a significant increase of the credit risk affecting the Greek banking sector.

The caption Loans impairment is related to an estimate of the incurred losses determined according with the methodology for a regular evaluation of objective evidence of impairment, as described in note 1 c).

14. Other financial assets impairment

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Impairment for financial assets available for sale		
Charge for the year	**75,467**	17,320
Write-back for the year	**(887)**	(135)
	74,580	**17,185**
Impairment for financial assets held to maturity		
Charge for the year	**119**	532,665
	119	**532,665**
	74,699	**549,850**

The caption Impairment for financial assets available for sale includes impairment losses on participation units held by the Group in the amount of Euros 44,834,000 (2011: Euros 13,621,000).

The caption Impairment for financial assets held to maturity corresponds to the impairment recognised during 2011 of 77% of the nominal value of sovereign debt of Greece, as referred in notes 25 and 57.

15. Other provisions

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Provision for other pensions benefits		
Charge for the year	**672**	77
	672	77
Provision for guarantees and other commitments		
Charge for the year	**17,091**	28,423
Write-back for the year	**(13,944)**	(16,743)
	3,147	11,680
Other provisions for liabilities and charges		
Charge for the year	**14,763**	4,620
Write-back for the year	**(1,119)**	(30,356)
	13,644	(25,736)
	17,463	(13,979)

16. Share of profit of associates under the equity method

The main contribution of the investments accounted for under the equity method to the Group's profit are analysed as follows:

(Thousands of Euros)

	'12	'11
Millenniumbcp Ageas Group	**54,300**	17,935
Other companies	**1,359**	(3,315)
	55,659	14,620

17. Gains/(losses) from the sale of subsidiaries and other assets

The caption Gains/(losses) from the sale of subsidiaries and other assets corresponds to the gains and losses arising from the sale and revaluation of assets of the Group classified as non current assets held for sale.

18. Earnings per share

The earnings per share are calculated as follows:

(Thousands of Euros)

	'12	'11
Net income for the year attributable to shareholders of the Bank	**(1,219,053)**	(848,623)
Dividends from other capital instruments	**-**	396,514
Adjusted net income	**(1,219,053)**	(452,109)
Average number of shares	**12,174,107,696**	8,535,278,970
Basic earnings per share (Euros)	**(0,10)**	(0,05)
Diluted earnings per share (Euros)	**(0,10)**	(0,05)

Under the Bank's Capitalisation Plan, the share capital increase was successfully completed, following the issue of ordinary shares in the amount of Euros 500,000,000, through subscription reserved for shareholders exercising their legal preference right, of 12,500,000,000 new shares. The share capital of the Bank, as at 31 December 2012, amounts to Euros 3,500,000,000 and is represented by 19,707,167,060 nominate and ordinary shares without nominal value, which is fully paid.

In June 2012, the Bank registered a decrease of the share capital from Euros 6,064,999,986 to Euros 3,000,000,000 without changing the number of existing shares without nominal value, being this decrease composed of two separate amounts: a) Euros 1,547,873,439.69, to cover losses recorded in the Bank's individual financial statements for 2011; b) Euros 1,517,126,546.31, to reinforce future conditions for having funds available that may be qualified, under the regulatory provisions, as distributable.

In June 2011, a capital increase of the Banco Comercial Português, S.A. was performed, from Euros 4,694,600,000 to Euros 6,064,999,986 resulting from the following steps:

(i) Euros 120,400,000, by incorporation of share premium reserves, through the issuance of 206,518,010 new ordinary and nominative shares without nominal value;
(ii) Euros 990,147,000, by contribution in kind of 990,147 perpetual subordinated instruments with conditioned interest, by issuing 1,584,235,200 new ordinary and nominative shares without nominal value, that resulted in the conversion of the majority of the perpetual subordinated securities;
(iii) Euros 259,852,986, by the issue of 721,813,850 ordinary shares without nominal value, with the issue and subscribe value of Euros 0.36, with preference reserve to the shareholders, in the exercise of the preference legal rights.

In accordance with the Decree-Law no. 49/2010 of 19 May, that allows share capital of a company to be represented by shares without nominal value, the General Shareholders Meeting of Banco Comercial Português, S.A. approved that the share capital of Banco Comercial Português, S.A. would be represented by shares with no nominal value.

The average number of shares indicated above results from the number of existing shares at the beginning of each year, adjusted by the number of shares repurchased or issued in the period weighted by a time factor. During the year of 2009, Banco Comercial Português, S.A. issued three series of its program of perpetual subordinated debt securities in the total amount of Euros 1,000,000,000, which were considered as capital instruments as established in the accounting policy note 1 h), in accordance with the IAS 32.

The balance Dividends from other capital instruments includes, in 2011, the dividends distributed from the following issues:

a) Two issues by BCP Finance Company Ltd. which considering the rules established in IAS 32 and in accordance with the accounting policy presented in note 1 h), were considered as equity instruments. The issues are analysed as follows:

– 5,000,000 perpetual non-cumulative guaranteed non-voting preference shares with par value of Euros 100 each, issued on 9 June, 2004, amounting to Euros 500,000,000, issued to redeem the 8,000,000 non-cumulative guaranteed non-voting preference shares, with par value of Euros 50 each, issued by BCP Finance Company on 14 June, 1999, amounting to Euros 400,000,000.
– 10,000 preference shares with par value of Euros 50,000 perpetual each without voting rights issued on 13 October 2005, in the amount of Euros 500,000,000, to redeem the 6,000,000 preference shares, of Euros 100 each, without voting rights, in the amount of Euros 600,000,000, issued by BCP Finance Company on 28 September 2000.

Within the scope of the exchange offer, the majority of the preference shares where exchanged for new debt instruments in October 2011. The amount not exchanged amounts to Euros 171,175,000.

b) Three issues of perpetual subordinated debt securities analysed as follows:

– In June 2009, as referred in note 41, the Bank issued Euros 300,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.
– In August 2009, as referred in note 41, the Bank issued Euros 600,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.
– In December 2009, as referred in note 41, the Bank issued Euros 100,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

These issues were exchanged within the scope of the public change offering of perpetual subordinated securities for ordinary shares, performed in 2011. The amount not exchanged amounted to Euros 9,853,000.

19. Cash and deposits at central banks

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Cash	**732,616**	691,144
Central Banks	**2,847,930**	1,424,801
	3,580,546	2,115,945

The balance Central banks includes deposits with central banks of the countries where the group operates in order to satisfy the legal requirements to maintain a cash reserve calculated based on the value of deposits and other liabilities. The cash reserve requirements, according with the European Central Bank System for Euro Zone, establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period. The rate is different for countries outside the Euro Zone.

20. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Credit institutions in Portugal	**3,298**	2,970
Credit institutions abroad	**581,165**	1,251,177
Amounts due for collection	**245,221**	323,263
	829,684	1,577,410

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions.

21. Other loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Central Banks	**242,238**	671,748
Inter-bank Money Market	**150,004**	-
Credit institutions in Portugal	**52,029**	846,856
Credit institutions abroad	**1,443,681**	1,394,991
	1,887,952	2,913,595
Overdue loans – over 90 days	**1,795**	1,836
	1,889,747	2,915,431
Impairment for other loans and advances to credit institutions	**(2,358)**	(2,416)
	1,887,389	2,913,015

This balance is analysed by the period to maturity, as follows:

(Thousands of Euros)

	'12	'11
Up to 3 months	**1,703,362**	2,709,982
3 to 6 months	**216**	9,360
6 to 12 months	**498**	20,431
1 to 5 years	**139,560**	126,918
Over 5 years	**44,316**	46,904
Undetermined	**1,795**	1,836
	1,889,747	2,915,431

Within the scope of derivative financial transactions with institutional counterparties, and according to the signed agreements, the Group has the amount of Euros 681,721,000 (31 December 2011: Euros 759,815,000) of loans and advances to credit institutions granted as collateral on the mentioned transactions.

The movements of impairment for other loans and advances to credit institutions is analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	**2,416**	13,759
Transfers	**(70)**	580
Impairment for the year	**-**	58
Write-back for the year	**(42)**	(2,828)
Loans charged-off	**54**	(9,153)
Balance on 31 December	**2,358**	2,416

22. Loans and advances to customers

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Public sector	**775,391**	712,224
Asset-backed loans	**40,770,529**	43,337,792
Personal guaranteed loans	**9,472,942**	10,944,941
Unsecured loans	**3,321,467**	3,658,828
Foreign loans	**3,402,736**	3,835,789
Factoring	**1,053,784**	1,286,608
Finance leases	**3,702,467**	4,280,612
	62,499,316	68,056,794
Overdue loans – less than 90 days	**187,056**	280,211
Overdue loans – over 90 days	**4,174,588**	3,196,072
	66,860,960	71,533,077
Impairment for credit risk	**(4,242,725)**	(3,487,542)
	62,618,235	68,045,535

As at 31 December 2012, the balance Loans and advances to customers includes the amount of Euros 12,920,510,000 (31 December 2011: Euros 10,508,017,000) regarding mortgage loans which are allocated as a collateral for seven asset-back securities, issued by the Group.

During 2012, Banco Comercial Português performed a covered bonds issue in the amount of Euros 2,000,000,000, with a maturity of 3 years. This transaction occurred on 23 August 2012 with an interest rate of Euribor 1M+0.5%.

During 2011, Banco Investimento Imobiliário, S.A. perforned a covered bonds issue in the amount of Euros 1,000,000,000 with maturity of 3 years. The referred issue occurred in 19 January 2011 with an interest rate of Euribor 1M+0.75%.

As referred in note 53, the Group, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries where the Group operates, which include loans and advances to customers.

As referred in note 58, the Group performed a set of sales of loans and advances to customers for Specialized Loan Funds. The total amount of loans sold amounted to Euros 1,041,408,000.

The analysis of loans and advances to customers by type of credit is as follows:

(Thousands of Euros)

	'12	'11
Loans not represented by securities		
Discounted bills	**350,573**	533,231
Current account credits	**3,228,798**	4,502,604
Overdrafts	**1,619,125**	1,867,652
Loans	**18,531,143**	19,994,269
Mortgage loans	**30,730,140**	32,036,068
Factoring	**1,053,784**	1,286,609
Finance leases	**3,702,467**	4,280,611
	59,216,030	64,501,044
Loans represented by securities		
Commercial paper	**1,813,334**	1,741,120
Bonds	**1,469,952**	1,814,630
	3,283,286	3,555,750
	62,499,316	68,056,794
Overdue loans – less than 90 days	**187,056**	280,211
Overdue loans – over 90 days	**4,174,588**	3,196,072
	66,860,960	71,533,077
Impairment for credit risk	**(4,242,725)**	(3,487,542)
	62,618,235	68,045,535

The analysis of loans and advances to customers, by sector of activity, is as follows:

(Thousands of Euros)

	'12	'11
Agriculture	**502,924**	644,293
Mining	**153,658**	434,327
Food, beverage and tobacco	**579,558**	521,473
Textiles	**448,794**	491,557
Wood and cork	**229,348**	229,143
Printing and publishing	**362,126**	294,543
Chemicals	**633,198**	833,055
Engineering	**1,005,529**	1,177,560
Electricity, water and gas	**1,086,650**	951,045
Construction	**4,104,356**	4,991,080
Retail business	**1,318,129**	1,669,000
Wholesale business	**2,172,270**	2,584,655
Restaurants and hotels	**1,379,669**	1,411,024
Transports and communications	**2,260,289**	1,846,405
Services	**13,523,937**	14,802,022
Consumer credit	**4,246,970**	4,496,917
Mortgage credit	**29,508,763**	30,308,497
Other domestic activities	**1,308,942**	886,812
Other international activities	**2,035,850**	2,959,669
	66,860,960	71,533,077
Impairment for credit risk	**(4,242,725)**	(3,487,542)
	62,618,235	68,045,535

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December, 2012, is as follows:

(Thousands of Euros)

	Loans				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Agriculture	164,377	177,028	131,568	29,951	502,924
Mining	81,434	57,182	4,298	10,744	153,658
Food, beverage and tobacco	299,067	131,360	100,966	48,165	579,558
Textiles	231,525	86,491	82,351	48,427	448,794
Wood and cork	80,780	33,643	71,249	43,676	229,348
Printing and publishing	102,075	65,252	175,748	19,051	362,126
Chemicals	313,762	172,280	126,899	20,257	633,198
Engineering	448,887	259,974	196,556	100,112	1,005,529
Electricity, water and gas	164,695	317,921	601,400	2,634	1,086,650
Construction	1,598,567	718,131	528,866	1,258,792	4,104,356
Retail business	540,764	294,481	332,128	150,756	1,318,129
Wholesale business	1,089,785	400,349	349,525	332,611	2,172,270
Restaurants and hotels	259,025	257,985	693,688	168,971	1,379,669
Transports and communications	696,283	558,415	914,630	90,961	2,260,289
Services	5,394,883	3,333,339	3,924,132	871,583	13,523,937
Consumer credit	1,073,088	1,470,692	879,035	824,155	4,246,970
Mortgage credit	70,997	293,850	28,853,153	290,763	29,508,763
Other domestic activities	256,581	381,639	635,249	35,473	1,308,942
Other international activities	639,537	600,737	781,014	14,562	2,035,850
	13,506,112	9,610,749	39,382,455	4,361,644	66,860,960

The analysis of loans and advances to customers, by type of credit and by maturity as at 31 December, 2012, is as follows:

(Thousands of Euros)

	Loans				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Public sector	486,445	136,844	152,102	3	775,394
Asset-backed loans	4,910,047	5,242,540	30,617,942	2,243,210	43,013,739
Personal guaranteed loans	3,346,331	1,996,902	4,129,709	719,705	10,192,647
Unsecured loans	2,133,125	724,844	463,498	1,310,432	4,631,899
Foreign loans	1,294,814	390,151	1,717,771	5,865	3,408,601
Factoring	1,053,533	251	-	1,573	1,055,357
Finance leases	281,817	1,119,217	2,301,433	80,856	3,783,323
	13,506,112	9,610,749	39,382,455	4,361,644	66,860,960

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December, 2011, is as follows:

(Thousands of Euros)

	Loans				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Agriculture	196,185	167,625	219,861	60,622	644,293
Mining	212,727	123,207	89,644	8,749	434,327
Food, beverage and tobacco	238,136	119,439	87,570	76,328	521,473
Textiles	259,285	92,459	88,685	51,128	491,557
Wood and cork	102,014	45,925	52,684	28,520	229,143
Printing and publishing	100,965	58,553	114,142	20,883	294,543
Chemicals	380,797	234,150	198,752	19,356	833,055
Engineering	458,123	231,266	387,516	100,655	1,177,560
Electricity, water and gas	167,041	258,235	522,895	2,874	951,045
Construction	2,458,655	986,147	837,850	708,428	4,991,080
Retail business	700,084	371,381	477,065	120,470	1,669,000
Wholesale business	1,377,561	470,575	443,833	292,686	2,584,655
Restaurants and hotels	228,003	313,096	720,538	149,387	1,411,024
Transports and communications	466,571	499,679	821,861	58,294	1,846,405
Services	5,913,703	3,837,191	4,255,494	795,634	14,802,022
Consumer credit	1,244,069	1,675,455	910,851	666,542	4,496,917
Mortgage credit	57,381	281,750	29,730,228	239,138	30,308,497
Other domestic activities	204,292	334,369	326,362	21,789	886,812
Other international activities	925,538	970,050	1,009,281	54,800	2,959,669
	15,691,130	11,070,552	41,295,112	3,476,283	71,533,077

The analysis of loans and advances to customers, by type of credit and by maturity as at 31 December, 2011, is as follows:

(Thousands of Euros)

	Loans				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Public sector	430,849	126,834	154,541	5	712,229
Asset-backed loans	5,130,049	6,400,896	31,806,847	1,761,851	45,099,643
Personal guaranteed loans	4,980,680	1,608,357	4,355,904	612,870	11,557,811
Unsecured loans	2,686,299	450,908	521,621	1,025,105	4,683,933
Foreign loans	898,755	1,088,946	1,848,088	-	3,835,789
Factoring	1,286,400	208	-	76	1,286,684
Finance leases	278,098	1,394,403	2,608,111	76,376	4,356,988
	15,691,130	**11,070,552**	**41,295,112**	**3,476,283**	**71,533,077**

Loans and advances to customers includes the effect of traditional securitization transactions owned by Special Purpose Entities (SPEs) consolidated following the application of SIC 12, in accordance with accounting policy 1 b).

Securitization transactions engaged by BCP Group refer to mortgage loans, consumer loans, leases, commercial paper and corporate loans. The traditional securitization transactions are set through specifically created SPE. As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated.

The balance Loans and advances to customers includes the following amounts related to securitization transactions, presented by type of transaction:

(Thousands of Euros)

	Traditional	
	'12	'11
Mortgage loans	**2,226,012**	6,392,175
Consumer loans	**231,944**	417,771
Leases	**709,032**	992,600
Corporate loans	**3,128,165**	4,620,819
	6,295,153	12,423,365

Kion Mortgage Finance No. 1

On 7 December 2006, the Group transferred a pool of mortgage loans owned by Millennium Bank, S.A. (Greece) to the SPE "Kion Mortgage Finance No. 1 PLC". Considering that, given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, in the amount of Euros 144,013,000, with reference to 31 December 2012, the transaction does not qualify for derecognition from the Group's Financial Statements as established in the accounting policy 1 g). The related liabilities, with a nominal amount of Euros 123,945,000, of which Euros 112,160,000 are placed on the market.

Kion Mortgage Finance No. 3

On May 2012, the Group transferred a pool of mortgage loans owned by Millennium Bank, S.A. (Greece) to the SPE "Kion Mortgage Finance No. 3 PLC". Considering that, given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, in the amount of Euros 1,308,162,000, with reference to 31 December 2012, the transaction does not qualify for derecognition from the Group's Financial Statements as established in the accounting policy 1 g). The related liabilities, with a nominal amount of Euros 1,301,062,000.

Kion CLO Finance No. 1

On May 2012, the Group transferred a pool of corporate loans owned by Millennium Bank, S.A. (Greece) to the SPE "Kion CLO Finance No. 1 PLC". Considering that, given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, in the amount of Euros 560,590,000, with reference to 31 December 2012, the transaction does not qualify for derecognition from the Group's Financial Statements as established in the accounting policy 1 g). The related liabilities, with a nominal amount of Euros 586,507,000.

Magellan Mortgages No. 3

On 24 June 2005, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. to the SPE "Magellan Mortgages No. 3 PLC". Considering that, by having acquired the total subordinated tranches during 2010, the Group holds the majority of the risks and benefits associated to the referred assets, the SPE is consolidated in the Group's Financial Statements, as established in the accounting policy 1 b). The total assets and liabilities of the SPE associated with this operation, with reference to 31 December 2012, amounts to Euros 537,760,000 and to Euros 568,214,000, respectively.

Magellan Mortgages No. 2

On 20 October 2003, the Group transferred a pool of mortgage loans owned by Banco Comercial Português, S.A. and by Banco de Investimento Imobiliário, S.A. to the SPE "Magellan Mortgages No. 2 PLC". Considering that, by having acquired the total subordinated tranches during 2010, the Group holds the majority of the risks and benefits associated to the referred assets, the SPE is consolidated in the Group's Financial Statements, as established in the accounting policy 1 b). The total assets and liabilities of the SPE associated with this operation, with reference to 31 December 2012, amounts to Euros 236,077,000 and to Euros 254,743,000, respectively.

Nova Finance No. 4

On 21 December 2007, the Group transferred a pool of consumer loans owned by Banco Comercial Português, S.A. to the SPE "Nova Finance No. 4 Limited". Considering that, given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, in the amount of Euros 231,944,000, with reference to 31 December 2012, the transaction does not qualify for derecognition from the Group's Financial Statements as established in the accounting policy 1 g). The related liabilities, with a nominal amount of Euros 239,848,000, are majorly held by the Group, and the amount of Euros 64,145,000 is placed on the market.

Tagus Leasing No. 1

On 26 February 2010, the Group transferred a pool of leasing loans owned by Banco Comercial Português, S.A. to the SPE "Tagus Leasing No. 1 Limited". Considering that given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, these, as established in the accounting policy defined in note 1 g), maintain the recognition in the Financial Statements of the Group, in the amount of Euros 674,404,000, with reference to 31 December 2012 . The related liabilities, with a nominal amount of Euros 715,307,000, are fully owned by the Group and consequently are eliminated when preparing the Consolidated Financial Statements.

Orchis

On 20 December 2007, the Group transferred a pool of leases owned by Millennium Leasing Sp. z o.o. (Poland) to the SPE "Orchis Sp. z o.o.". Considering that, given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, in the amount of Euros 34,628,000, with reference to 31 December 2012, the transaction does not qualify for derecognition from the Group's Financial Statements as established in the accounting policy 1 b). The related liabilities, with a nominal amount of Euros 36,334,000, of which Euros 32,474,000 are placed on the market.

Caravela SME No. 2

On 16 December 2010, the Group transferred a pool of corporate loans owned by Banco Comercial Português, S.A. to the SPE "Caravela SME No. 2 Limited". Considering that given the characteristics of the transaction, the Group still holds the risks and benefits associated to the referred assets, these, as established in the accounting policy defined in note 1 g), maintain the recognition in the Financial Statements of the Group, in the amount of Euros 2,567,575,000, with reference to 31 December 2012. The related liabilities, with a nominal amount of Euros 2,622,00,000, are fully owned by the Group and consequently are eliminated when preparing the Consolidated Financial Statements.

The Group's credit portfolio, which includes further than loans to customers, the guarantees granted and commitments to third parties, split between impaired and non impairment loans is analysed as follows:

(Thousands of Euros)

	'12	'11
Total loans	**73,282,292**	79,406,991
Loans and advances to customers with impairment		
Individually significant		
Gross amount	**8,487,102**	9,590,715
Impairment	**(3,007,444)**	(2,595,595)
	5,479,658	6,995,120
Parametric analysis		
Gross amount	**5,187,455**	4,134,528
Impairment	**(1,090,143)**	(755,066)
	4,097,312	3,379,462
Loans and advances to customers without impairment	**59,607,735**	65,681,748
Impairment (IBNR)	**(252,608)**	(237,589)
	68,932,097	75,818,741

The balance Total loans includes the loans and advances to customers balance and the guarantees granted and commitments to third parties balance (see note 46), in the amount of Euros 6,421,332,000 (31 December 2011: Euros 7,873,914,000).

The balances Impairment and Impairment (IBNR) were determined in accordance with the accounting policy described in note 1 c), including the provision for guarantees and other commitments to third parties (see note 38), in the amount of Euros 107,470,000 (31 December 2011: Euros 100,708,000).

The fair values of collaterals related to the loan portfolios is analysed as follows:

(Thousands of Euros)

	'12	'11
Loans and advances to customers with impairment		
Individually significant		
Securities and other financial assets	**678,723**	950,809
Home mortgages	**1,622,395**	1,493,484
Other real estate	**2,312,799**	1,845,928
Other guarantees	**721,124**	674,978
	5,335,041	4,965,199
Parametric analysis		
Securities and other financial assets	**50,012**	35,675
Home mortgages	**2,604,836**	2,422,804
Other real estate	**541,495**	214,412
Other guarantees	**250,180**	174,228
	3,446,523	2,847,119
Loans and advances to customers without impairment		
Securities and other financial assets	**2,933,411**	3,671,554
Home mortgages	**27,280,376**	26,633,530
Other real estate	**4,679,529**	5,721,589
Other guarantees	**4,120,457**	5,648,738
	39,013,773	41,675,411
	47,795,337	49,487,729

Considering the Group's risk management policy, the amounts shown do not include the fair value of personal guarantees provided by customers with lower risk notation.

The Group is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. In order to reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of evaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices.

Considering the current real estate and financial markets conditions, the Group continued to negotiate, during 2012, additional physical and financial collaterals with its customers.

The balance Loans and advances to customers includes the following amounts related to finance leases contracts:

(Thousands of Euros)

	'12	'11
Gross amount	**4,346,984**	5,300,269
Interest not yet due	**(644,517)**	(1,019,658)
Net book value	**3,702,467**	4,280,611

The analysis of financial lease contracts by type of client is presented as follows:

(Thousands of Euros)

	'12	'11
Individuals		
Home	**111,202**	100,402
Consumer	**57,302**	71,793
Others	**187,466**	220,082
	355,970	392,277
Companies		
Mobiliary	**1,356,360**	1,589,351
Mortgage	**1,990,137**	2,298,983
	3,346,497	3,888,334
	3,702,467	4,280,611

Regarding operational leasing, the Group does not present relevant contracts as Leasor.

On the other hand and in accordance with note 11, the balance Rents includes, as at 31 December 2012, the amount of Euros 122,368,000 (31 December 2011: Euros 124,886,000), corresponding to rents paid regarding buildings used by the Group as Leasee.

The loan portfolio includes customer contracts that resulted in a formal restructuring with customers and the consequent establishment of new funding to replace the previous. The restructuring may result in the reinforce collaterals, and/or liquidation of the credit and involve an extension of maturities or interest rate change. The analysis of restructured loans by sector of activity is as follows:

(Thousands of Euros)

	'12	'11
Agriculture	**24,341**	7,221
Mining	**205**	798
Food, beverage and tobacco	**3,165**	5,590
Textiles	**3,422**	3,155
Wood and cork	**20,718**	12,297
Printing and publishing	**2,245**	1,673
Chemicals	**6,105**	733
Engineering	**15,994**	31,988
Electricity, water and gas	**3,330**	3,168
Construction	**47,135**	45,256
Retail business	**20,713**	18,076
Wholesale business	**62,959**	55,622
Restaurants and hotels	**6,026**	3,441
Transports and communications	**11,445**	10,138
Services	**303,242**	222,727
Consumer credit	**208,357**	256,712
Mortgage credit	**382,617**	254,593
Other domestic activities	**198**	197
Other international activities	**2,543**	3,300
	1,124,760	936,685

The reestruturated loans are still subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms, discounted at the original effective interest rate and considering new collaterals.

Regarding the restructured loans, the impairment amounts to Euros 298,323,000 as at 31 December 2012 (31 December 2011: Euros 277,212,000).

Additionally, the portfolio includes loans that, based on the customer's financial difficulties, are subject to a change in the original terms of the contract, in the amount of Euros 3,126,174,000 with an impairment of Euros 403,153,000.

The analysis of overdue loans by sector of activity is as follows:

(Thousands of Euros)

	'12	'11
Agriculture	**29,951**	60,622
Mining	**10,744**	8,749
Food, beverage and tobacco	**48,165**	76,328
Textiles	**48,427**	51,128
Wood and cork	**43,676**	28,520
Printing and publishing	**19,051**	20,883
Chemicals	**20,257**	19,356
Engineering	**100,112**	100,655
Electricity, water and gas	**2,634**	2,874
Construction	**1,258,792**	708,428
Retail business	**150,756**	120,470
Wholesale business	**332,611**	292,686
Restaurants and hotels	**168,971**	149,387
Transports and communications	**90,961**	58,294
Services	**871,583**	795,634
Consumer credit	**824,155**	666,543
Mortgage credit	**290,763**	239,137
Other domestic activities	**35,473**	21,789
Other international activities	**14,562**	54,800
	4,361,644	3,476,283

The analysis of overdue loans, by type of credit, is as follows:

(Thousands of Euros)

	'12	'11
Public sector	**3**	5
Asset-backed loans	**2,243,210**	1,761,851
Personal guaranteed loans	**719,705**	612,870
Unsecured loans	**1,310,432**	1,025,105
Foreign loans	**5,865**	-
Factoring	**1,573**	76
Finance leases	**80,856**	76,376
	4,361,644	3,476,283

The movements of impairment for credit risk are analysed as follows:

(Thousands of Euros)

	'12	'11
Impairment for overdue loans and for other credit risks:		
Balance on 1 January	**3,487,542**	2,505,886
Transfers	**2,496**	(47,932)
Impairment for the year	**2,506,257**	1,674,720
Write-back for the year	**(798,454)**	(318,751)
Loans charged-off	**(968,353)**	(311,523)
Exchange rate differences	**13,237**	(14,858)
Balance on 31 December	**4,242,725**	3,487,542

If the impairment loss decreases in a subsequent period to its initial accounting and this decrease can be objectively associated to an event that occurred after the recognition of the loss, the impairment in excess is reversed through profit and loss.

The analysis of impairment, by sector of activity, is as follows:

(Thousands of Euros)

	'12	'11
Agriculture	**57,199**	65,288
Mining	**10,958**	6,726
Food, beverage and tobacco	**40,164**	55,707
Textiles	**25,423**	40,731
Wood and cork	**35,658**	23,097
Printing and publishing	**39,784**	34,717
Chemicals	**34,883**	13,994
Engineering	**86,963**	108,624
Electricity, water and gas	**34,542**	3,817
Construction	**751,142**	388,794
Retail business	**118,597**	90,795
Wholesale business	**262,646**	248,366
Restaurants and hotels	**125,659**	86,397
Transports and communications	**271,998**	66,641
Services	**1,225,651**	964,474
Consumer credit	**639,968**	549,750
Mortgage credit	**295,724**	257,238
Other domestic activities	**16,753**	10,531
Other international activities	**169,013**	471,855
	4,242,725	3,487,542

The impairment for credit risk, by type of credit, is analysed as follows:

(Thousands of Euros)

	'12	'11
Public sector	**2,450**	2,055
Asset-backed loans	**2,229,482**	1,848,265
Personal guaranteed loans	**493,582**	460,824
Unsecured loans	**1,388,198**	1,130,439
Foreign loans	**81,354**	2,323
Factoring	**3,884**	2,484
Finance leases	**43,775**	41,152
	4,242,725	3,487,542

The analysis of loans charged-off, by sector of activity, is as follows:

(Thousands of Euros)

	'12	'11
Agriculture	**35,557**	1,283
Mining	**2,991**	394
Food, beverage and tobacco	**51,107**	884
Textiles	**16,582**	17,904
Wood and cork	**3,676**	9,485
Printing and publishing	**1,134**	1,871
Chemicals	**1,686**	1,276
Engineering	**59,720**	16,116
Electricity, water and gas	**1,251**	20
Construction	**124,175**	76,228
Retail business	**19,055**	4,556
Wholesale business	**79,044**	15,108
Restaurants and hotels	**27,993**	3,782
Transports and communications	**7,231**	3,563
Services	**195,934**	41,445
Consumer credit	**156,603**	51,745
Mortgage credit	**2,128**	1,456
Other domestic activities	**5,611**	3,809
Other international activities	**176,875**	60,598
	968,353	311,523

In compliance with the accounting policy described in note 1 c), loans and advances to customers are charged-off when there are no feasible expectations, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

The analysis of loans charged-off, by type of credit, is as follows:

(Thousands of Euros)

	'12	'11
Public sector	**2**	-
Asset-backed loans	**100,314**	69,651
Personal guaranteed loans	**206,387**	32,646
Unsecured loans	**656,156**	189,138
Foreign loans	**-**	6,000
Finance leases	**5,494**	14,088
	968,353	311,523

The analysis of recovered loans and interest, during 2012 and 2011, by sector of activity, is as follows:

(Thousands of Euros)

	'12	'11
Agriculture	**7,770**	1,036
Mining	**126**	32
Food, beverage and tobacco	**174**	905
Textiles	**1,285**	866
Wood and cork	**317**	1,072
Printing and publishing	**143**	892
Chemicals	**58**	92
Engineering	**418**	555
Electricity, water and gas	**10**	-
Construction	**2,229**	1,216
Retail business	**688**	360
Wholesale business	**4,456**	3,032
Restaurants and hotels	**28**	25
Transports and communications	**259**	165
Services	**740**	8,108
Consumer credit	**4,412**	2,893
Mortgage credit	**18**	2
Other domestic activities	**178**	28
Other international activities	**273**	10
	23,582	21,289

The analysis of recovered loans and interest during 2012 and 2011, by type of credit, is as follows:

(Thousands of Euros)

	'12	'11
Asset-backed loans	**294**	157
Personal guaranteed loans	**1,375**	3,047
Unsecured loans	**21,877**	18,085
Finance leases	**36**	-
	23,582	21,289

23. Financial assets held for trading and available for sale

The balance Financial assets held for trading and available for sale is analysed as follows:

(Thousands of Euros)

	'12	'11
Bonds and other fixed income securities		
Issued by public entities	**6,013,872**	4,283,378
Issued by other entities	**2,590,110**	1,034,084
	8,603,982	5,317,462
Overdue securities	**4,929**	4,927
Impairment for overdue securities	**(4,925)**	(4,925)
	8,603,986	5,317,464
Shares and other variable income securities	**962,186**	282,318
	9,566,172	5,599,782
Trading derivatives	**1,348,165**	1,319,662
	10,914,337	6,919,444

The balance Trading derivatives includes the valuation of the embedded derivatives separated from the host contracts in accordance with the accounting policy 1 d) in the amount of Euros 3,068,000 (31 December 2011: Euros 118,601,000).

The analysis of financial assets held for trading and available for sale by the type of asset is as follows:

(Thousands of Euros)

	'12			'11		
	Securities			Securities		
	Trading	**Available for sale**	**Total**	Trading	Available for sale	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	**162,878**	**1,468,522**	**1,631,400**	77,476	939,681	1,017,157
Foreign issuers	**48,188**	**966,782**	**1,014,970**	104,568	549,376	653,944
Bonds issued by other entities						
Portuguese issuers	**12,621**	**465,585**	**478,206**	37,865	347,215	385,080
Foreign issuers	**84,541**	**580,030**	**664,571**	76,164	577,767	653,931
Treasury bills and other government bonds	**24,259**	**3,343,243**	**3,367,502**	499,738	2,112,539	2,612,277
Commercial paper	**-**	**1,452,262**	**1,452,262**	-	-	-
	332,487	**8,276,424**	**8,608,911**	795,811	4,526,578	5,322,389
Impairment for overdue securities	**-**	**(4,925)**	**(4,925)**	-	(4,925)	(4,925)
	332,487	**8,271,499**	**8,603,986**	795,811	4,521,653	5,317,464
Variable income:						
Companies shares						
Portuguese companies	**335**	**69,138**	**69,473**	4,741	66,972	71,713
Foreign companies	**7,302**	**23,905**	**31,207**	24,846	41,348	66,194
Investment fund units	**1,613**	**858,869**	**860,482**	270	144,141	144,411
Other securities	**1,024**	**-**	**1,024**	-	-	-
	10,274	**951,912**	**962,186**	29,857	252,461	282,318
Trading derivatives	**1,348,165**	**-**	**1,348,165**	1,319,662	-	1,319,662
	1,690,926	**9,223,411**	**10,914,337**	2,145,330	4,774,114	6,919,444
of which:						
Level 1	**484,144**	**5,505,410**	**5,989,554**	816,799	3,161,630	3,978,429
Level 2	**1,205,122**	**3,611,143**	**4,816,265**	1,327,645	1,536,114	2,863,759
Level 3	**-**	**38,652**	**38,652**	598	34,290	34,888
Financial assets at cost	**1,660**	**68,206**	**69,866**	288	42,080	42,368

The trading and availabe for sale portfolios are recorded at fair value in accordance with the accounting policy described in note 1 d).

As referred in IFRS 7, financial assets held for trading and available for sale are valued in accordance with the following fair value measurement levels:

– Level 1: financial instruments measured in accordance with quoted market prices or providers.
– Level 2: financial instruments measured in accordance with internal valuation techniques based on observable market inputs.
– Level 3: financial instruments measured in accordance with valuation techniques based on inputs not based on observable data that have significant impact in the instruments valuation.

During 2012, no significant reclassifications were made between valuation levels.

As referred in the accounting policy presented in note 1 d), the available for sale securities are presented at market value with the respective fair value accounted against fair value reserves, as referred in note 43. As at 31 December 2012, the negative amount of fair value reserves of Euros 68,877,000

(31 December 2011: Euros negative amount of Euros 471,254,000) is presented net of impairment losses in the amount of Euros 130,945,000 (31 December 2011: Euros 62,272,000).

As referred in the accounting policy note 1 f) the Group performed reclassifications of Finacial intruments, during the first semester of 2010.

As mentioned in note 58 the balance Variable income – investment fund units includes, the amount of Euros 813,858,000 related to participation units of the funds specialized in recovery loans, acquired under the sale of loans and advances to customers (net of impairment). The amount of Euros 32,161,000 refers to junior tranches (bonds with a more subordinated nature), which are fully provided.

The reclassifications performed until 31 December 2012 are analysed as follows:

(Thousands of Euros)

	At the reclassification date		31 December 2012		
	Book value	Fair value	**Book value**	**Fair value**	**Difference**
From financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	**12,259**	**12,259**	**-**
Financial assets held to maturity	2,154,973	2,154,973	**1,204,825**	**1,122,622**	**(82,203)**
From financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	**239,335**	**208,920**	**(30,415)**
Financial assets held to maturity	627,492	627,492	**547,811**	**559,966**	**12,155**
			2,004,230	**1,903,767**	**(100,463)**

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2012, related to reclassified financial assets are analysed as follows:

(Thousands of Euros)

	Income statement	Changes	
	Changes	Fair value reserves	Equity
From financial assets held for trading to:			
Financial assets available for sale	823	-	823
Financial assets held to maturity	46,457	-	46,457
From financial assets available for sale to:			
Loans represented by securities	7,378	854	8,232
Financial assets held to maturity	14,321	(363)	13,958
	68,979	491	69,470

If the reclassifications described previously had not occurred, the additional amounts recognised in equity, as at 31 December 2012, would be as follows:

(Thousands of Euros)

	Income statement			
	Fair value changes	Retained earnings	Fair value reserves	Equity
From financial assets held for trading to:				
Financial assets available for sale	5,686	-	(5,686)	-
Financial assets held to maturity	190,733	(272,936)	-	(82,203)
From financial assets available for sale to:				
Loans represented by securities	-	-	(30,415)	(30,415)
Financial assets held to maturity	-	-	12,155	12,155
	196,419	(272,936)	(23,946)	(100,463)

As at 31 December 2011, this reclassification is analysed as follows:

(Thousands of Euros)

	Income statement		31 December 2011		
	Book value	Fair value	**Book value**	**Fair value**	**Difference**
From financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	**6,545**	**6,545**	**-**
Financial assets held to maturity	2,154,973	2,154,973	**1,417,321**	**1,144,385**	**(272,936)**
From financial assets available for sale to:					
Loans represented by securities	2,713,524	2,713,524	**259,680**	**232,942**	**(26,738)**
Financial assets held to maturity	627,492	627,492	**578,799**	**523,431**	**(55,368)**
			2,262,345	**1,907,303**	**(355,042)**

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2011, related to reclassified financial assets are analysed as follows:

(Thousands of Euros)

	Income statement			Changes	
	Interest	Impairment	Total	Fair value reserves	Equity
From financial assets held for trading to:					
Financial assets available for sale	822	-	822	-	822
Financial assets held to maturity	65,795	(361,574)	(295,779)	-	(295,779)
From financial assets available for sale to:					
Loans represented by securities	8,750	-	8,750	247	8,997
Financial assets held to maturity	18,707	-	18,707	(360)	18,347
	94,074	(361,574)	(267,500)	(113)	(267,613)

If the reclassifications described previously had not occurred, the additional amounts recognised in equity, as at 31 December 2011, would be as follows:

(Thousands of Euros)

	Income statement			
	Fair value changes	Retained earnings	Fair value reserves	Equity
From financial assets held for trading to:				
Financial assets available for sale	(6,932)	-	6,932	-
Financial assets held to maturity	1,784	(274,720)	-	(272,936)
From financial assets available for sale to:				
Loans represented by securities	-	-	(26,738)	(26,738)
Financial assets held to maturity	-	-	(55,368)	(55,368)
	5,148	(274,720)	(75,174)	(355,042)

The movements of impairment for financial assets available for sale are analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	**62,272**	52,410
Transfers	**-**	(3,615)
Impairment for the year	**75,467**	17,320
Impairment against fair value reserves	**1,457**	3,383
Write-back for the year	**(887)**	(135)
Write-back against fair value reserves	**(1,159)**	(5,216)
Loans charged-off	**(6,624)**	(1,420)
Exchange rate differences	**419**	(455)
Balance on 31 December	**130,945**	62,272

The Group recognises impairment for financial assets available for sale when there is a significant or prolonged decrease in its fair value or when there is an impact on expected future cash flows of the assets. This assessment involves judgement in which the Group takes into consideration, among other factors, the volatility of the prices of securities.

Thus, as a consequence of the low liquidity and significant volatility in financial markets, the following factors were taken into consideration, in determining the existence of impairment:

– Equity instruments: (i) decreases more than 30% against the purchase price; or (ii) the market value below the purchase price for a period exceeding 12 months;
– Debt instruments: when there is objective evidence of events with impact on recoverable value of future cash flows of these assets.

The analysis of financial assets held for trading and available for sale by maturity as at 31 Dezember 2012 is as follows:

(Thousands of Euros)

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	828	1,153,182	477,390	-	1,631,400
Foreign issuers	1,781	19,593	745,686	247,910	-	1,014,970
Bonds issued by other entities						
Portuguese issuers	150,567	82,382	170,245	70,087	4,925	478,206
Foreign issuers	-	433,391	122,809	108,367	4	664,571
Treasury bills and other Government bonds	1,926,541	1,250,249	180,067	10,645	-	3,367,502
Commercial paper	1,452,262	-	-	-	-	1,452,262
	3,531,151	1,786,443	2,371,989	914,399	4,929	8,608,911
Impairment for overdue securities	-	-	-	-	(4,925)	(4,925)
	3,531,151	1,786,443	2,371,989	914,399	4	8,603,986
Variable income:						
Companies shares						
Portuguese companies					69,473	69,473
Foreign companies					31,207	31,207
Investment fund units					860,482	860,482
Other securities					1,024	1,024
					962,186	962,186
	3,531,151	1,786,443	2,371,989	914,399	962,190	9,566,172

The analysis of financial assets held for trading and available for sale by maturity as at 31 December 2011 is as follows:

(Thousands of Euros)

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	221,863	513,327	281,967	-	1,017,157
Foreign issuers	14,848	271,362	329,387	38,347	-	653,944
Bonds issued by other entities						
Portuguese issuers	47,498	86	263,993	68,578	4,925	385,080
Foreign issuers	20	348,594	207,534	97,781	2	653,931
Treasury bills and other Government bonds	2,039,889	529,434	42,954	-	-	2,612,277
	2,102,255	1,371,339	1,357,195	486,673	4,927	5,322,389
Impairment for overdue securities	-	-	-	-	(4,925)	(4,925)
	2,102,255	1,371,339	1,357,195	486,673	2	5,317,464
Variable income:						
Companies shares						
Portuguese companies					71,713	71,713
Foreign companies					66,194	66,194
Investment fund units					144,411	144,411
					282,318	282,318
	2,102,255	1,371,339	1,357,195	486,673	282,320	5,599,782

The analysis of financial assets held for trading and available for sale by maturity as at 31 December 2012 is as follows:

(Thousands of Euros)

	Bonds	Shares	Other Financial	Overdue Securities	Total
Food, beverage and tobacco	-	-	-	4	4
Wood and cork	-	501	-	361	862
Printing and publishing	-	33	-	998	1,031
Chemicals	-	2	-	-	2
Engineering	-	6	-	-	6
Electricity, water and gas	150,567	-	-	-	150,567
Construction	-	1,804	-	2,560	4,364
Wholesale business	-	898	-	475	1,373
Restaurants and hotels	-	74	-	-	74
Transport and communications	42,746	7,020	-	529	50,295
Services	2,396,011	90,262	856,354	2	3,342,629
Other domestic activities	786	16	5,152	-	5,954
Other international activities	-	64	-	-	64
	2,590,110	100,680	861,506	4,929	3,557,225
Government and Public securities	2,646,370	-	3,367,502	-	6,013,872
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	5,236,480	100,680	4,229,008	4	9,566,172

The analysis of financial assets held for trading and available for sale by maturity as at 31 December 2011 is as follows:

(Thousands of Euros)

	Bonds	Shares	Other Financial Assets	Overdue Securities	Total
Food, beverage and tobacco	-	3	-	2	5
Textiles	-	1	-	-	1
Wood and cork	-	501	-	361	862
Printing and publishing	86	15,281	-	998	16,365
Chemicals	-	7,625	-	-	7,625
Engineering	-	185	-	-	185
Electricity, water and gas	154,713	1,118	-	-	155,831
Construction	9,472	1,960	-	2,560	13,992
Retail business	-	437	-	-	437
Wholesale business	-	1,205	-	475	1,680
Restaurants and hotels	-	51	-	-	51
Transport and communications	23,350	774	-	529	24,653
Services	821,002	108,710	144,411	2	1,074,125
Other international activities	25,461	56	-	-	25,517
	1,034,084	**137,907**	**144,411**	**4,927**	**1,321,329**
Government and Public securities	1,671,101	-	2,612,277	-	4,283,378
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	2,705,185	**137,907**	**2,756,688**	**2**	**5,599,782**

As detailed in note 53, the Group, as part of the management process of the liquidity risk, holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Group operates, which includes fixed income securities.

The analysis of trading derivatives by maturity as at 31 December 2012 is as follows:

(Thousands of Euros)

	'12					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Interest rate derivatives:						
OTC market:						
Forward rate agreement	410,267	866,120	-	1,276,387	1,007	1,432
Interest rate swaps	3,216,616	6,948,550	19,649,605	29,814,771	1,031,517	1,021,453
Interest rate options (purchase)	13,534	50,960	706,135	770,629	8,780	-
Interest rate options (sale)	13,534	50,960	341,079	405,573	-	10,615
Other interest rate contracts	52,400	108,894	289,276	450,570	21,682	21,718
	3,706,351	**8,025,484**	**20,986,095**	**32,717,930**	**1,062,986**	**1,055,218**
Stock exchange transactions:						
Interest rate futures	-	18,948	-	18,948	-	-
Currency derivatives:						
OTC market:						
Forward exchange contract	242,233	82,272	25,096	349,601	8,639	4,821
Currency swaps	3,012,870	310,080	17,489	3,340,439	16,345	27,179
Currency options (purchase)	15,201	5,048	-	20,249	258	-
Currency options (sale)	14,550	5,048	-	19,598	-	262
	3,284,854	**402,448**	**42,585**	**3,729,887**	**25,242**	**32,262**
Share/debt instruments derivatives:						
OTC market:						
Shares/indexes swaps	62,987	40,371	137,114	240,472	17,510	3,828
Shares/indexes options (purchase)	16,517	-	2,067	18,584	-	-
Shares/indexes options (sale)	35,183	25,700	78,000	138,883	-	-
Debt instruments forwards	-	-	30,000	30,000	1,219	-
Shares/indexes futures	7,489	-	-	7,489	-	-
	122,176	**66,071**	**247,181**	**435,428**	**18,729**	**3,828**
Stock exchange transactions:						
Shares futures	85,056	-	-	85,056	-	-
Shares/indexes options (purchase)	69,208	302,252	72,192	443,652	144,261	-
Shares/indexes options (sale)	4,755	18,825	10,654	34,234	-	144,572
	159,019	**321,077**	**82,846**	**562,942**	**144,261**	**144,572**
Commodity derivatives:						
Stock exchange transactions:						
Commodities futures	28,765	-	-	28,765	-	-
Credit derivatives:						
OTC market:						
Credit Default Swaps	-	710,000	3,099,300	3,809,300	93,879	95,268
Other credit derivatives (sale)	-	-	29,572	29,572	-	-
	-	**710,000**	**3,128,872**	**3,838,872**	**93,879**	**95,268**
Total financial instruments traded in:						
OTC market	7,113,381	9,204,003	24,404,733	40,722,117	1,200,836	1,186,576
Stock exchange	187,784	340,025	82,846	610,655	144,261	144,572
Embedded derivatives					3,068	693
	7,301,165	**9,544,028**	**24,487,579**	**41,332,772**	**1,348,165**	**1,331,841**

The analysis of trading derivatives by maturity as at 31 December 2011 is as follows:

(Thousands of Euros)

	'11					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Interest rate derivatives:						
OTC market:						
Forward rate agreements	359,705	159,421	-	519,126	195	27
Interest rate swaps	6,150,804	4,041,766	27,537,196	37,729,766	908,922	910,224
Interest rate options (purchase)	1,202	336,972	798,641	1,136,815	14,053	-
Interest rate options (sale)	1,202	336,972	423,187	761,361	-	14,430
Other interest rate contracts	23,800	506,956	531,962	1,062,718	29,979	30,098
	6,536,713	5,382,087	29,290,986	41,209,786	953,149	954,779
Stock exchange transactions:						
Interest rate Futures	5,002	-	-	5,002	-	-
Currency derivatives:						
OTC market:						
Forward exchange contract	379,275	57,549	7,107	443,931	12,856	13,250
Currency swaps	4,627,861	82,634	-	4,710,495	45,125	58,009
Currency options (purchase)	25,992	2,454	-	28,446	577	-
Currency options (sale)	11,394	2,454	-	13,848	-	2,678
	5,044,522	145,091	7,107	5,196,720	58,558	73,937
Share derivatives:						
OTC market:						
Shares/indexes swaps	154,133	55,703	88,862	298,698	5,131	4,731
Shares/indexes options (purchase)	136,583	147,635	129,340	413,558	16,559	-
Shares/indexes options (sale)	83,309	8,936	12,468	104,713	-	12,631
Preference shares forwards	-	-	30,000	30,000	-	2,601
Other shares/indexes contracts	15,835	-	-	15,835	-	-
	389,860	212,274	260,670	862,804	21,690	19,963
Stock exchange transactions:						
Shares futures	67,243	-	-	67,243	-	-
Commodity derivatives:						
Stock exchange transactions:						
Commodities futures	31,703	-	-	31,703	-	-
Credit derivatives:						
OTC market:						
Credit Default Swaps	3,864	-	3,678,466	3,682,330	167,664	295,349
Other credit derivatives (sale)	-	-	35,931	35,931	-	-
	3,864	-	3,714,397	3,718,261	167,664	295,349
Total financial instruments traded in:						
OTC market	11,974,959	5,739,452	33,273,160	50,987,571	1,201,061	1,344,028
Stock exchange	103,948	-	-	103,948	-	-
Embedded derivatives					118,601	11,351
	12,078,907	5,739,452	33,273,160	51,091,519	1,319,662	1,355,379

24. Hedging derivatives

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Hedging instruments		
Assets:		
Swaps	**186,032**	495,879
Liabilities:		
Swaps	**301,315**	508,032

Hedging derivatives are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 7, these derivatives are classified in level 2.

The Group applies derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Group is exposed to fair value changes, variability in cash flows or highly probable forecast transactions.

The Group adopts, for the hedging relationships which comply with the hedging requirements of IAS 39, the hedge accounting method mainly interest rate and exchange rate derivatives. The fair value hedge model is adopted for debt securities, loans granted with fixed rate loans and deposits and money market loans. The cash flows hedge model is adopted for future transactions in foreign currency to cover dynamic changes in cash flows from loans granted and variable rate deposits in foreign currency and foreign currency mortgage loans.

The relationships that follow the fair value hedge model recorded ineffectiveness for the year in the amount of Euros 29,457,000 (31 December 2011: Euros 22,891,000) and the hedging relationships that follow the cash flows model recorded ineffectiveness for the period of a negative amount of Euros 14,623,000 (31 December 2011: Euros 1,118,000).

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows:

(Thousands of Euros)

	'12	'11
Hedged item		
Loans not represented by securities	**6,136**	7,024
Loans represented by securities	**646**	-
Deposits	**(23,333)**	(26,926)
Loans	**4,405**	14,696
Debt issued	**(235,125)**	(263,923)
Financial assets held to maturity	**3,623**	-
	(243,648)	**(269,129)**

The analysis of hedging derivatives portfolio by maturity as at 31 December 2012 is as follows:

(Thousands of Euros)

	'12					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC market:						
Interest rate swaps	627,068	517,765	4,731,938	5,876,771	117,841	75,042
Hedging derivatives related to credit risk changes:						
Embedded derivatives	-	-	-	-	-	5,414
Cash flow hedging derivatives related to interest rate risk changes:						
OTC market:						
Interest rate swaps	858,026	792,944	3,401,440	5,052,410	67,255	212,877
Cash flow hedging derivatives related to currency risk changes:						
OTC market:						
Forward exchange contract	7,373	22,271	41,244	70,888	936	7,982
Total financial instruments traded by:						
OTC Market	1,492,467	1,332,980	8,174,622	11,000,069	186,032	295,901
Embedded derivatives	-	-	-	-	-	5,414
	1,492,467	1,332,980	8,174,622	11,000,069	186,032	301,315

The analysis of hedging derivatives portfolio by maturity as at 31 December 2011 is as follows:

(Thousands of Euros)

	'11					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC market:						
Interest rate swaps	179,735	372,447	5,986,265	6,538,447	467,322	66,552
Cash flow hedging derivatives related to interest rate risk changes:						
OTC market:						
Interest rate swaps	1,393,153	1,193,754	-	2,586,907	28,557	425,265
Cash flow hedging derivatives related to currency risk changes:						
OTC market:						
Forward exchange contract	14,628	44,013	140,279	198,920	-	16,215
Total financial instruments traded by:						
OTC market	1,587,516	1,610,214	6,126,544	9,324,274	495,879	508,032

25. Financial assets held to maturity

The balance Financial assets held to maturity is analysed as follows:

(Thousands of Euros)

	'12	'11
Bonds and other fixed income securities		
Issued by government and public entities	2,093,921	3,011,692
Issued by other entities	1,475,045	2,681,153
	3,568,966	**5,692,845**
Impairment for securities	-	(532,665)
	3,568,966	**5,160,180**

The balance Bonds and other fixed income securities – Issued by government and public entities includes as at 31 December 2012 the amount of Euros 2,037,530,000 (31 December 2011: Euros 2,419,426,000) related to European Union countries, in bailout situation, detailed in note 57.

The balance Financial assets held to maturity also includes, as at 31 December 2012, the amount of Euros 1,204,825,000 (31 December 2011: Euros 1,421,590,000) related to non derivatives financial assets (bonds) reclassified from financial assets held for trading caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 23.

The balance Financial assets held to maturity also includes, as at 31 December 2012, the amount of Euros 547,811,000 (31 December 2011: Euros 578,799,000) related to non derivatives financial assets (bonds) reclassified from financial assets available for sale caption to financial assets held to maturity caption, as referred in the accounting policy note 1 f) and note 23.

The movements of impairment for financial assets held to maturity are analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	**532,665**	-
Impairment for the year	**119**	532,665
Securities charged-off	**(532,784)**	-
Balance on 31 December	**-**	532,665

As at 31 December 2011, the balance of Impairment for securities corresponded to the impairment recognised on Greek sovereign debt, considering the evolution of the European Union sovereign debt crisis and specifically the economic and political environment in Greece, which contributed to the continuous deterioration of economic and financial situation of Greece and the incapacity to obtain funds from the international markets, which implied that the short term solvency of the country is dependent on the continuous support by EU and IMF.

Impairment was determined considering the terms of the agreement established between the Greek state and the private sector (PSI), related to the restructuring of the Greek sovereign debt ('GGBs'). For the purposes of determining impairment, the Group considered the terms and conditions of the PSI and also paragraph AG 84 of IAS 39 that considers reasonable that, for the portfolio of assets held to maturity when, for practical reasons, there are relevant uncertainties regarding the estimate of future cash flows, impairment can be determined based on observable market prices.

Considering the available information regarding the bonds' characteristics, the fair value corresponded to approximately 23% of the book value of the portfolio. Following of the reestructuring of the Greek sovereign debt in the second quarter of 2012, the impairment was charged off. The exchange offer occurred in 12 March 2012.

The PSI is part of an European Union Euros 130,000,000,000 bailout package for Greece.

After the exchange, the Group sold almost all portfolio of Greek sovereign debt arising from the PSI. As at 31 Decembert 2012, as result of this exchange, there are Greek sovereign debt securities in the portfolio of Millennium Bank (Greece) in the amount of Euros 19,950,000 that are registered in the financial assets available for sale and held for trading portfolios. The analysis comparing the fair value of these securities and the face value is presented in note 57.

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2012 is as follows:

(Thousands of Euros)

	Up to 3 months	3 months to 1 year	Over 1 year	Over 5 years	Total
Fixed income:					
Bonds issued by public entities					
Portuguese issuers	-	-	1,508,715	319,460	1,828,175
Foreign issuers	916	5,266	209,355	50,209	265,746
Bonds issued by other entities					
Portuguese issuers	76,119	217,718	163,827	685,585	1,143,249
Foreign issuers	29,093	25,866	102,410	174,427	331,796
	106,128	248,850	1,984,307	1,229,681	3,568,966

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2011 is as follows:

(Thousands of Euros)

	Due within 3 months	3 months to 1 year	Over 1 year	Over 5 years	Total
Fixed income:					
Bonds issued by public entities					
Portuguese issuers	-	103,508	1,602,898	319,859	2,026,265
Foreign issuers	40,929	17,639	291,817	102,377	452,762
Bonds issued by other entities					
Portuguese issuers	-	56,381	960,559	716,875	1,733,815
Foreign issuers	551,478	35,311	106,748	253,801	947,338
	592,407	212,839	2,962,022	1,392,912	5,160,180

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by sector of activity, is analysed as follows:

(Thousands of Euros)

	'12	'11
Transport and communications	**170,845**	170,333
Services	**1,304,200**	2,510,819
	1,475,045	2,681,152
Government and Public securities	**2,093,921**	2,479,028
	3,568,966	5,160,180

As detailed in note 53, the Group, as part of the management process of the liquidity risk, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries were the Group operates, which include fixed income securities.

26. Investments in associated companies

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Portuguese credit institutions	**25,408**	24,863
Foreign credit institutions	**26,364**	24,104
Other Portuguese companies	**455,444**	247,053
Other foreign companies	**9,764**	9,055
	516,980	305,075

The balance Investments in associated companies is analysed as follows:

(Thousands of Euros)

	'12	'11
Banque BCP, S.A.S.	**21,734**	19,696
Banque BCP (Luxembourg), S.A.	**4,630**	4,408
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	**439,595**	233,441
SIBS, S.G.P.S, S.A.	**14,612**	13,312
Unicre - Instituição Financeira de Crédito, S.A.	**25,408**	24,863
Other	**11,001**	9,355
	516,980	305,075

These investments correspond to unquoted companies, consolidated by the equity method. The investment held in the associated company Millenniumbcp Ageas Grupo Segurador, S.G.P.S. corresponds to 49% of the share capital of the company. The Group's companies included in the consolidation perimeter are presented in note 59.

The main indicators of the associated companies are analysed as follows:

(Thousands of Euros)

	Total Assets	Total Liabilities	Total Income	Net income for the year
2012				
Banque BCP, S.A.S.	1,976,941	1,867,722	120,323	10,256
Banque BCP (Luxembourg), S.A.	602,162	578,897	19,426	931
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	12,022,761	10,673,081	551,592	93,692
SIBS, S.G.P.S., S.A. (*)	199,443	117,294	158,996	7,432
Unicre – Instituição Financeira de Crédito, S.A. (*)	306,204	221,950	229,536	10,844
VSC – Aluguer de Veículos Sem Condutor, Lda.	27,204	55,144	18,786	(11,145)
2011				
Banque BCP, S.A.S.	2,033,039	1,934,062	124,270	10,682
Banque BCP (Luxembourg), S.A.	556,745	534,594	19,350	975
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	11,678,148	10,731,860	575,911	16,412
SIBS. S.G.P.S.,S.A.	159,434	92,743	152,999	10,195
Unicre – Instituição Financeira de Crédito, S.A.	309,410	236,034	242,202	8,745
VSC – Aluguer de Veículos Sem Condutor, Lda.	75,883	92,678	33,922	(4,883)

(*) – Estimated values.

27. Non current assets held for sale

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Subsidiaries acquired exclusively with the purpose of short-term sale	**49,119**	48,884
Investments, properties and other assets arising from recovered loans	**1,554,470**	1,352,995
	1,603,589	1,401,879
Impairment	**(319,463)**	(297,229)
	1,284,126	1,104,650

The assets included in this balance are accounted for in accordance with the accounting policy note 1 k).

The balance Investments, properties and other assets arising from recovered loans includes assets resulting from (i) foreclosure, with an option to repurchase or leaseback, which are accounted following the establishment of the contract or the promise of contract and the respective irrevocable power of attorney issued by the client on behalf of the Bank; or (ii) judicial foreclosure as a result of the judicial process of execution of collaterals, accounted for with the title of adjudication or following the adjudication request after the record of the first pledge.

These assets are available for sale in a period less than one year and the Bank has a strategy for its sale. However, taking into account the actual market conditions, it is not possible in all instances to conclude the sales in the expected time.

The strategy of alienation results in an active search of buyers, with the Bank having a website that advertises these properties, contracts with intermediaries for sales promotion and sales initiatives in real estate auctions. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

The referred balance includes buildings and other assets for which the Group has already established contracts for the sale in the amount of Euros 103,063,000 (31 December 2011: Euros 108,871,000).

The balance Subsidiaries acquired exclusively with the view of short-term sale corresponds to two real estate companies acquired by the Group within the restructuring of a loan exposure, that the Group intends to sell in less than one year. However, taking into account the actual market conditions, it was not possible to conclude the sales in the expected time. Until the date of the sale, the Group continues to consolidate in reserves and income, any changes occurred in the net assets of the subsidiaries.

The movements of impairment for non current assets held for sale are analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	**297,229**	227,670
Transfers	**6,252**	1,083
Impairment for the year	**144,447**	119,672
Write-back for the year	**(11)**	(113)
Loans charged-off	**(128,454)**	(51,083)
Balance on 31 December	**319,463**	297,229

28. Investment property

The balance Investment property includes the amount of Euros 544,142,000 (31 December 2011: Euros 550,237,000) related to buildings accounted in the "Fundo de Investimento Imobiliário Imosotto Acumulação", "Fundo de Investimento Imobiliário Gestão Imobiliária", "Fundo de Investimento Imobiliário Imorenda", "Fundo Especial de Investimento Imobiliário Oceânico II", "Fundo Especial de Investimento Imobiliário Fechado Stone Capital", "Fundo Especial de Investimento Imobiliário Fechado Sand Capital", "Fundo de Investimento Imobiliário Fechado Gestimo" and "Fundo Especial de Investimento Imobiliário Fechado Intercapital", which are consolidated under the full consolidation method as referred in the accounting policy presented in note 1 b).

The buildings are valuated in accordance with the accounting policy presented in note 1 r), based on independent assessments and compliance with legal requirements.

29. Property and equipment

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Land and buildings	**971,143**	960,072
Equipment		
Furniture	**98,415**	98,511
Machines	**56,540**	53,291
Computer equipment	**316,939**	311,571
Interior installations	**148,097**	146,022
Motor vehicles	**20,584**	20,749
Security equipment	**84,180**	84,140
Other equipment	**44,886**	47,761
Work in progress	**115,786**	96,710
Other tangible assets	**455**	312
	1,857,025	1,819,139
Accumulated depreciation:		
Charge for the year	**(62,292)**	(80,482)
Accumulated charge for the previous years	**(1,168,335)**	(1,114,058)
	(1,230,627)	(1,194,540)
	626,398	624,599

The Property and equipment movements during 2012 are analysed as follows:

(Thousands of Euros)

	Balance on 1 January	Acquisitions/ Charge	Disposals/ Charged-off	Transfers and change of perimeter	Exchange differences	Balance on 31 December
Cost:						
Land and buildings	960,072	8,253	(16,264)	20,737	(1,655)	971,143
Equipment:						
Furniture	98,511	1,256	(1,145)	673	(880)	98,415
Machines	53,291	3,105	(2,245)	881	1,508	56,540
Computer equipment	311,571	5,704	(6,656)	8,030	(1,710)	316,939
Interior installations	146,022	3,592	(708)	702	(1,511)	148,097
Motor vehicles	20,749	4,770	(4,481)	(55)	(399)	20,584
Security equipment	84,140	1,247	(761)	401	(847)	84,180
Other equipment	47,761	645	(7,198)	1,166	2,512	44,886
Work in progress	96,710	60,535	(3,037)	(33,119)	(5,303)	115,786
Other tangible assets	312	185	(26)	-	(16)	455
	1,819,139	89,292	(42,521)	(584)	(8,301)	1,857,025
Accumulated depreciation:						
Land and buildings	527,608	28,918	(9,719)	1	3,432	550,240
Equipment:						
Furniture	88,192	3,637	(1,058)	(1,043)	(454)	89,274
Machines	44,598	2,628	(506)	1,043	1,483	49,246
Computer equipment	288,959	14,382	(6,641)	-	(900)	295,800
Interior installations	130,649	3,979	(622)	19	(741)	133,284
Motor vehicles	11,992	2,918	(3,564)	(50)	(480)	10,816
Security equipment	68,614	2,414	(678)	-	(409)	69,941
Other equipment	33,856	3,415	(7,003)	-	1,712	31,980
Outros ativos tangíveis	72	1	(26)	-	(1)	46
	1,194,540	62,292	(29,817)	(30)	3,642	1,230,627

The movement of impairment for Property and equipment is analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	-	4,199
Transfers	-	(4,199)
Balance on 31 December	-	-

30. Goodwill and intangible assets

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Intangible assets		
Software	151,956	142,871
Other intangible assets	58,129	53,741
	210,085	196,612
Accumulated depreciation		
Charge for the year	(15,773)	(15,628)
Accumulated charge for the previous years	(149,644)	(144,172)
	(165,417)	(159,800)
	44,668	36,812
Goodwill		
Millennium Bank, Societé Anonyme (Greece)	294,260	294,260
Bank Millennium, S.A. (Poland)	164,040	164,040
Real estate and mortgage credit	40,859	40,859
Unicre – Instituição Financeira de Crédito, S.A.	7,436	7,436
Others	15,570	15,638
	522,165	522,233
Impairment		
Millennium Bank, Societé Anonyme (Greece)	(294,260)	(294,260)
Others	(13,519)	(13,519)
	(307,779)	(307,779)
	214,386	214,454
	259,054	251,266

The movement of impairment for goodwill is analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	307,779	147,130
Impairment for the year		
Millennium Bank, Societé Anonyme (Greece)	-	147,130
Others	-	13,519
Balance on 31 December	307,779	307,779

The Goodwill and intangible assets movements, during 2012, are analysed as follows:

(Thousands of Euros)

	Balance on 1 January	Acquisitions/ Charge	Disposals/ Charged-off	Transfers	Exchange differences	Balance on 31 December
Intangible assets						
Software	142,871	23,540	(16,724)	(369)	2,638	151,956
Other intangible assets	53,741	546	(1,052)	492	4,402	58,129
	196,612	**24,086**	**(17,776)**	**123**	**7,040**	**210,085**
Accumulated depreciation						
Software	111,282	15,052	(16,666)	534	2,311	112,513
Other intangible assets	48,518	721	(788)	(42)	4,495	52,904
	159,800	**15,773**	**(17,454)**	**492**	**6,806**	**165,417**
Goodwill	522,233	-	-	-	(68)	522,165
Impairment for goodwill	307,779	-	-	-	-	307,779

According to the accounting policy described in note 1 b), the recoverable amount of the Goodwill is annually assessed, regardless of the existence of impairment triggers or, in accordance with the paragraph 9 of the IAS 36, every time there are indicators that the asset might be impaired.

In accordance with IAS 36 the recoverable amount of goodwill should be the greater between its value in use (the present value of the future cash flows expected from its use) and its fair value less costs to sell. Based on this criteria, the Group made, in 2012, valuations of their investments for which there is goodwill recognised considering among other factors:

(i) an estimate of future cash flows generated by each entity;
(ii) an expectation of potential changes in the amounts and timing of cash flows;
(iii) the time value of money;
(iv) a risk premium associated with the uncertainty by holding the asset;
(v) other factors associated with the current situation of financial markets.

The valuations are based on reasonable and sustainable assumptions representing the best estimate of the Executive Committee on the economic conditions that affect each subsidiary, the budgets and the latest projections approved for those subsidiaries and their extrapolation to future periods.

The assumptions made for these valuations might vary with the change in economic conditions and in the market.

Bank Millennium, S.A. (Poland)

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee up to 2017, after which a perpetuity was considered based on the average long-term expected rate of return for this activity in the Polish market to be reached by 2017. Additionally, it was taken into consideration the market performance of the Bank Millennium, S.A. and the percentage of shareholding, which constitutes per si a control premium over the market price on 31 December 2012. Based on this analysis and the expectations of future development, the Group conclude for the absence of impairment.

The business plan of Bank Millennium, S.A. comprises a five-year period, from 2013 to 2017, considering, along this period, a compound annual growth rate of 5% for Total Assets and of 10% for Total Equity, while considering a ROE evolution from 10% in 2012 to 14% by the end of the period.

The exchange rate EUR/PLN considered was 4.09 (December 2012 average).

The Cost of Equity considered was 10.125% and the annual growth rate in perpetuity (g) was 0%.

Millennium Bank, S.A. (Greece)

Taking into account the continuous deterioration of the economic situation in Greece and its impact on the projections for Millennium bank (Greece), the Group decided to book an additional impairment charge in the financial statements as at 31 December 2011, equivalent to the remaining amount of goodwill on its shareholding in such company, then amounting to Euros 147,130,000.

Real estate and mortgage credit

Considering the changes made in management of the real estate and mortgage credit over the past few years, the Executive Committee analysed this business as a whole regardless the origin of the operations and the company where they are accounted for.

The estimated cash flows of the business were projected based on current operating results and assuming the business plan and projections approved by the Executive Committee up to 2017 for the business of Banco de Investimento Imobiliário, S.A. and a set of assumptions related to the estimated future evolution of the businesses of mortgage credit originated in real estate agents network and real estate promotion. Based on this analysis and the expectations of future development, the Group conclude for the absence of impairment.

The real estate and mortgage business comprises the current Banco de Investimento Imobiliário operations plus the income associated with other portfolios meanwhile booked in Banco Comercial Português.

The business plan and estimates for such business unit comprises a five-year period, from 2013 to 2017, considering, along this period, a compound annual growth rate of -21% for Total Assets and of -11% for the Allocated Capital and an average ROE evolution from 9% in 2012 to 17% by the end of the period.

The Cost of Equity considered was 13.375% for the period 2013-17 and 10.125% in perpetuity.

An average exit multiple of 1.73x was considered in relation to 2017 Allocated Capital, applied to the group of businesses associated with Real estate and mortgage business.

31. Income tax

Deferred income tax assets and liabilities generated by temporary differences are analysed as follows:

(Thousands of Euros)

	'12			'11		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
Intangible assets	**58**	**-**	**58**	59	-	59
Other tangible assets	**5,633**	**3,851**	**1,782**	4,014	3,813	201
Impairment losses	**775,176**	**4,750**	**770,426**	629,060	5,942	623,118
Benefits to employees	**565,917**	**-**	**565,917**	606,027	-	606,027
Financial assets available for sale	**9,433**	**37,559**	**(28,126)**	144,069	74,965	69,104
Derivatives	**-**	**2,784**	**(2,784)**	-	3,312	(3,312)
Allocation of profits	**68,634**	**-**	**68,634**	78,760	-	78,760
Tax losses carried forward	**448,681**	**-**	**448,681**	253,166	-	253,166
Others	**31,687**	**103,732**	**(72,045)**	40,265	105,235	(64,970)
Total deferred taxes	**1,905,219**	**152,676**	**1,752,543**	1,755,420	193,267	1,562,153
Offset between deferred tax assets and deferred tax liabilities	**(149,808)**	**(149,808)**	**-**	(190,882)	(190,882)	-
Net deferred taxes	**1,755,411**	**2,868**	**1,752,543**	1,564,538	2,385	1,562,153

Deferred taxes are calculated at the tax rates expected to be in force when the temporary differences are reversed, which correspond to the rates enacted or substantively enacted at the balance sheet date.

The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offseted and when the deferred taxes are related to the same tax.

The caption deferred tax assets – Employee benefits includes as at 31 December, 2012 the amount of Euros 289,994,000 (31 December 2011: Euros 292,518,000) related to the recognition of deferred taxes associated with actuarial gains and losses recognised against reserves, as a result of a change in the accounting policy as referred in notes 1 and 50. The referred caption also includes the amount of Euros 45,129,000 (31 December 2011: Euros 47,783,000) related to deferred taxes associated to the charge deriving from the transfer of the liabilities with retired employees/ pensioners to the General Social Security Scheme, which was recognised in the income statement.

The negative impact in equity associated with the change in the above mentioned accounting policy is deductible for tax purposes, in equal parts, for a 10 years period starting on 1 January, 2012. The expense arising from the transfer of liabilities with pensioners to the General Social Security Scheme, is deductible for tax purposes, in equal parts starting on 1 January, 2012, for a period corresponding to the average number of years of life expectancy of retirees/pensioners whose responsibilities were transferred (18 years for the Bank).

The expire date of recognised tax losses carried forward is presented as follows:

(Thousands of Euros)

Expire date	'12	'11
2013	**1**	-
2014	**11,611**	51,111
2015	**28,065**	169,990
2016	**21,108**	28,153
2017	**383,957**	-
2018	**3,939**	3,912
	448,681	253,166

The Group recognised deferred taxes based on valuation of their recoverability, considering the expectation of future taxable income. The amount of unrecognised deferred taxes are as follows.

(Thousands of Euros)

	'12	'11
Provisions	**93,439**	-
Benefits to employees	**218,712**	275,000
Tax losses carried forward	**122,550**	8,080
	434,701	283,080

The impact of income taxes in Net (loss)/income and other captions of equity of the Group, is analysed as follows:

(Thousands of Euros)

	'12			'11		
	Net (loss)/ income	**Reserves and retained earnings**	**Exchange differences**	Net (loss)/ income	Reserves and retained earnings	Exchange differences
Deferred taxes						
Intangible assets	**(1)**	**-**	**-**	(1)	-	(315)
Other tangible assets	**1,385**	**-**	**196**	3,680	-	(186)
Impairment losses	**144,172**	**-**	**3,136**	364,189	-	(8,898)
Benefits to employees	**(42,158)**	**1,515**	**533**	14,094	5,460	(193)
Financial assets available for sale	**-**	**(97,714)**	**484**	-	47,868	933
Allocation of profits	**(10,126)**	**-**	**-**	33,238	-	-
Derivatives	**821**	**-**	**(292)**	(577)	-	332
Tax losses carried forward	**167,030**	**23,855**	**4,629**	160,185	12,274	(3,033)
Others	**(1,594)**	**-**	**(5,481)**	(49,094)	-	6,863
	259,529	**(72,344)**	**3,205**	525,714	65,602	(4,497)
Current taxes						
Actual year	**(71,539)**	**134**	**-**	(70,081)	2	-
Correction of previous years estimate	**(10,157)**	**-**	**-**	3,224	-	-
	(81,696)	**134**	**-**	(66,857)	2	-
	177,833	**(72,210)**	**3,205**	458,857	65,604	(4,497)

The reconciliation of the effective tax rate is analysed as follows:

	'12		'11	
	%	Euros '000	%	Euros '000
Net loss before income taxes		**(1,315,042)**		(1,221,627)
Current tax rate	**29.0%**	**381,362**	29.0%	354,272
Foreign tax rate effect and in "Zona Franca da Madeira"	**-0.5%**	**(6,320)**	-0.5%	(6,237)
Accruals for the calculation of taxable income (i)	**-12.2%**	**(160,247)**	-8.7%	(106,676)
Deductions for the calculation of taxable income (ii)	**3.7%**	**49,239**	9.5%	115,633
Fiscal incentives (iii)	**0.6%**	**7,708**	0.9%	10,388
Effect of the tax losses used/recognised	**-4.6%**	**(60,140)**	0.0%	-
Effect of deferred tax losses not recognised previously	**-0.2%**	**(3,128)**	9.2%	111,985
Tax rate effect (iv)	**-1.6%**	**(20,809)**	-1.8%	(22,207)
Previous years corrections	**-0.6%**	**(7,849)**	0.3%	3,792
(Autonomous tax)/tax credits	**-0.2%**	**(1,983)**	-0.2%	(2,093)
	13.4%	**177,833**	37.7%	458,857

(i) Corresponds, essentially, to tax associated with provisions not allowed for tax purposes.
(ii) Tax associated with the following deductions allowed in the determination of the taxable income:
a) Net income of non-residents companies, in the amount of Euros 20,614,000 (Tax: Euros 5,978,000) (2011: Euros 14,903,000 (Tax: Euros 4,322,000));
b) Net income of associated companies consolidated under the equity method, in the net amount of Euros 54,296,000 (Tax: Euros 15,746,000) (2011: Euros 28,568,000 (Tax: Euros 8,285,000));
c) Fair value adjustment in the amount of Euros 47,921,000 (Tax: Euros 13,897,000) (2011: Euros 48,495,000 (Tax: Euros 14,063,000));
(iii) Includes namely interest income of Angola Sovereign debt in the amount of Euros 19,290,000 (Tax: Euros 6,752,000) (2011: Euros 29,161,000 (Tax: Euros 9,156,000));
(iv) Corresponds, essentially, to the difference in rate of deferred tax associated with tax losses.

The caption Effect of deferred tax losses not recognised previously included in 2011, the amount of Euros 132,000,000 resulting from the recognition of deferred tax assets associated with losses related to the investment held in Bitalpart, BV.

32. Other assets

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Debtors	**301.878**	540,751
Supplementary capital contributions	**137.230**	81,729
Amounts due for collection	**20.671**	20,413
Recoverable tax	**122.851**	110,816
Recoverable government subsidies on interest on mortgage loans	**17.272**	20,154
Associated companies	**1.896**	1,943
Interest and other amounts receivable	**28.374**	34,030
Prepayments and deferred costs	**26.178**	29,006
Amounts receivable on trading activity	**209.924**	566,814
Amounts due from customers	**136.815**	147,398
Reinsurance technical provision	**3.164**	3,188
Sundry assets	**278.116**	316,994
	1.284.369	1,873,236
Impairment for other assets	**(160.046)**	(82,586)
	1.124.323	1,790,650

As referred in note 58, the balance Supplementary capital contributions includes, as at 31 December 2012, the amount of Euros 128,061,000, related to the junior bonds related with the sale of loans and advances to costumers to Specialized recovery Funds wich are fully provided.

The balance Sundry assets includes, as at 31 December, 2012, the amount of Euros 139,071,000 related to the assets associated with liabilities for post-employment benefits, as described in note 50.

The movement of impairment for other assets is analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	82,586	33,754
Transfers	(35,018)	39,532
Impairment for the year	127,080	9,970
Write back for the year	(10,861)	(964)
Amounts charged-off	(3,380)	(623)
Exchange rate differences	(361)	917
Balance on 31 December	160,046	82,586

33. Deposits from credit institutions

This balance is analysed as follows:

(Thousands of Euros)

	'12			'11		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Deposits from Central Banks	2	12,400,008	12,400,010	2	13,670,432	13,670,434
Deposits from credit institutions in Portugal	33,556	123,275	156,831	154,889	932,422	1,087,311
Deposits from credit institutions abroad	327,971	2,380,948	2,708,919	55,048	2,910,626	2,965,674
	361,529	14,904,231	15,265,760	209,939	17,513,480	17,723,419

The balance Deposits from Central Banks includes the amount of Euros 12,284,559,000 (31 December 2011: Euros 13,306,000,000) related to deposits obtained from the European Central Bank. This funding represents a remaining term of up to 3 months in the amount of Euros 234,559,000 and 1 to 5 years of Euros 12,050,000,000.

This balance is analysed by the maturity, as follows:

(Thousands of Euros)

	'12	'11
Up to 3 months	2,043,306	10,961,386
3 to 6 months	160,576	284,326
6 to 12 months	146,029	326,086
1 to 5 years	12,731,732	6,005,545
Over 5 years	184,117	146,076
	15,265,760	17,723,419

Within the scope of the derivative financial transactions with institutional counterparties, and according to the signed agreements, the Group has the amount of Euros 110,048,000 (31 December 2011: Euros 369,535,000) of Deposits from other credit institutions, received as collateral of the mentioned transactions.

34. Deposits from customers

This balance is analysed as follows:

(Thousands of Euros)

	'12			'11		
	Non interest bearing	**Interest bearing**	**Total**	Non interest bearing	Interest bearing	Total
Deposits from customers:						
Repayable on demand	**13,765,901**	**645,561**	**14,411,462**	12,451,576	1,349,130	13,800,706
Term deposits	**-**	**32,906,076**	**32,906,076**	-	31,976,867	31,976,867
Saving accounts	**-**	**1,750,451**	**1,750,451**	-	1,342,413	1,342,413
Treasury bills and other assets sold under repurchase agreement	**-**	**43,707**	**43,707**	-	113,847	113,847
Other	**185,306**	**92,864**	**278,170**	190,194	92,083	282,277
	13,951,207	**35,438,659**	**49,389,866**	12,641,770	34,874,340	47,516,110

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the referred fund are defined in the Regulation no. 11/94 of the Bank of Portugal.

This balance is analysed by the period to maturity, as follows:

(Thousands of Euros)

	'12	'11
Deposits from customers repayable on demand	**14,411,462**	13,800,706
Term deposits and saving accounts from customers:		
Up to 3 months	**19,657,185**	19,003,418
3 to 6 months	**4,910,195**	4,900,467
6 to 12 months	**6,882,346**	5,602,098
1 to 5 years	**3,201,900**	3,696,824
Over 5 years	**4,901**	116,473
	34,656,527	33,319,280
Treasury bills and other assets sold under repurchase agreement:		
Up to 3 months	**43,707**	100,320
3 to 6 months	**-**	7,741
6 to 12 months	**-**	5,786
	43,707	113,847
Other:		
Up to 3 months	**15,430**	168,118
Over 3 months	**262,740**	114,159
	278,170	282,277
	49,389,866	47,516,110

35. Debt securities issued

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Bonds	**13,441,773**	14,699,586
Commercial paper	**-**	1,439,407
Others	**106,490**	97,209
	13,548,263	16,236,202

The characteristics of the bonds issued by the Group, as at 31 December, 2012 are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Banco Comercial Português:					
BCP Ob Cx E. Gr. S. Dec 05/15	December, 2005	December, 2015	Indexed to Down Jones EuroStoxx 50	365	283
BCP Ob Cx E. I. S. Mar 06/16	March, 2006	March, 2016	Indexed to Down Jones EuroStoxx 50	1,100	1,043
BCP FRN May 07/14	May, 2007	May, 2014	Euribor 3M + 0.150%	687,253	687,012
BCP Cov Bonds Jun 07/17	June, 2007	June, 2017	Fixed rate of 4.750%	879,750	932,055
BCP Cov Bonds Oct 07/14	October, 2007	October, 2014	Fixed rate of 4.750%	870,850	927,028
BCP FRN Mar 17	December, 2007	March, 2017	Euribor 3M + 0.180%	100,000	99,959
BCP Ob Cx S Af 1E Mar 08/13	March, 2008	March, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	57,898	57,898
BCP Ob Cx S Af 2E Mar 08/13	March, 2008	March, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	11,185	11,185
BCPsfi Ob Cx S Af 1E Mar 08/13	March, 2008	March, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	7,912	7,912
BCPsfe Ob Cx S Af 1E Mar 08/13	March, 2008	March, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	993	993
BCP Ob Cx S Af 3E May 08/13	May, 2008	May, 2013	Euribor 3M + Remain Prize 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	64.916	64.916
BCPsfi Ob Cx S Af 3E May 08/13	May, 2008	May, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	5,529	5,529
BCPsfe Ob Cx S Af 3E May 08/13	May, 2008	May, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	537	537
BCP Ob Cx S Af 4E Jun 08/13	June, 2008	June, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	52,933	52,933
BCPsfi Ob Cx S Af 4E Jun 08/13	June, 2008	June, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	3,794	3,794
BCPsfe Ob Cx S Af 4E Jun 08/13	June, 2008	June, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	388	388
BCP Ob Cx S Af 5E Jul 08/13	July, 2008	July, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	12,409	12,409
BCPsfi Ob Cx S Af 5E Jul 08/13	July, 2008	July, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	2,385	2,385

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCPsfe Ob Cx S Af 5E Jul 08/13	July, 2008	July, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	439	439
BCP O Cx S A M B 1E Oct 08/13	October, 2008	October, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.00%	50,392	50,392
BCP Sfi O Cx S A M B 1E 08/13	October, 2008	October, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	6,006	6,006
BCP Sfe O Cx S A M B1E Oct08/13	October, 2008	October, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	788	788
BCP O Cx S A M B2E Nov 08/13	November, 2008	November, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	31,234	31,234
BCP Sfi O Cx S A M B2E 08/13	November, 2008	November, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	2,833	2,833
BCP Sfe O Cx S A M B2E Nov 08/13	November, 2008	November, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	260	260
BCP O Cx S A M B3E Dec 08/13	December, 2008	December, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	40,457	40,457
BCP Sfi O Cx S A M B3E 08/13	December, 2008	December, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	3,080	3,080
BCP Sfe O Cx S A M B3E Dec 08/13	December, 2008	December, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	552	552
BCP S Aforro Ser B Feb 2009/14	February, 2009	February, 2014	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	40,731	40,731
BCP Super Aforro Ser B Mar 2009/14	March, 2009	March, 2014	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	30,347	30,347
BCP 5.625 % -Book Entry Note Synd	April, 2009	April, 2014	Fixed rate of 5.625%	890,642	893,233
BCP S. Aforro Ser C 09/280409	April, 2009	April, 2014	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.750%; 4th year 1.000%; 5th year 1.250%	10,960	10,960
BCP Sup Afor Ser B 09/190514	May, 2009	May, 2014	Euribor 3M + Remain Prize 1st year 0.125%; 2nd year 0.250%; 3rd year 0.750%; 4th year 1.000%; 5th year 1.250%	1,878	1,878
BCP Super Aforro Serie C Jun/2014	June, 2009	June, 2014	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.750%; 4th year 1.000%; 5th year 1.250%	7,448	7,448
BCP Sup Aforro Ser C Aug 2009/14	August, 2009	August, 2014	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.750%; 4th year 1.000%; 5th year 1.250	28,212	20,859

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Cov Bonds Oct 09/16	October, 2009	October, 2016	Fixed rate of 3.750%	380,838	402,992
BCP Rend.Trim. Nov 2009/14	November, 2009	November, 2014	1st year=2.500%; 2nd year=2.750%; 3rd year=3.000%; 4th year=3.500%; 5th year=4.500%	40,363	42,786
BCP Emissão Sindicada - Emtn 668	December, 2009	February, 2013	Euribor 3M + 0.900%	464,229	464,117
BCP Rend.Trim. 09/22.12.2014	December, 2009	December, 2014	1st year=2.500%; 2nd year=2.750%; 3rd year=3.000%; 4th year=3.500%; 5th year=4.250%	53,822	57,042
BCP Fixed Rate Note Inv Top Mais	January, 2010	January, 2015	1st year=2.500%; 2nd year=2.750%; 3rd year=3.250%; 4th year=4.125%; 5th; year=5.000%	43,346	46,298
BCP Sup Rend Mar 2010 Fix. Rate Note	March, 2010	March, 2013	1st sem.=2.250%; 2nd sem.=2.500%; 3rd sem.=2.750%; 4th sem.=3.000%; 5th sem.=3.250%; 6th sem.=4.500%	132,558	133,289
BCP Rend Sem. Fixe Rate Note	March, 2010	March, 2013	1st sem.=1.500%; 2nd sem.=1.750%; 3rd sem.=2.000%; 4th sem.=2.250%; 5th sem.=2.500%; 6th sem.=3.500%	121,669	122,297
BCP Frn Mar 2013-Em Sind-Emtn 707	March, 2010	March, 2013	Euribor 3 months + 1.300% per year	264,344	264,257
BCP Fixed Rate Note Rd Ext-Emtn 685	April, 2010	April, 2015	1st sem.=2.000%; 2nd sem.=2.125%; 3rd sem.=2.250%; 4th sem.=2.375%; 5th sem.=2.500%; 6th sem.=2.750% ; 7th sem.=2.875% ; 8th sem.=3.125%; 9th sem.=3.500%; 10th sem.=4.000%	97,281	103,122
BCP Fixed Rate Note Rend Top April	April, 2010	April, 2015	1st sem.=2.250%; 2nd sem.=2.500%; 3rd sem.=2.600%; 4th sem.=2.800% ; 5th sem.=3.000% ; 6th sem.=3.150%; 7th sem.=3.200%; 8th sem.=3.500%; 9th sem.=3.800%; 10th sem.=4.500%	122,734	130,070
BCP Rend Plus-Emtn 697	April, 2010	April, 2014	1st sem.=2.000%; 2nd sem.=2.125%; 3rd sem.=2.250%; 4th sem.=2.375%; 5th sem.=2.500%; 6th sem.=2.625% ; 7th sem.=2.750%; 8th sem.=3.250%	22,879	23,537
BCP Rend Mais-Emtn 699	April, 2010	April, 2014	1st sem.=1.750%; 2nd sem.=1.875%; 3rd sem.=2.000%; 4th sem.=2.125%; 5th sem.=2.250%; 6th sem.=2.375% ; 7th sem.=2.500%; 8th sem.=3.000%	13,899	14,300
BCP Frn Rend Plus June 10/14-Emtn 718	June, 2010	June, 2014	1st sem.=1.875%; 2nd sem.=2.000%; 3rd sem.=2.125%; 4th sem.=2.250%; 5th sem.=2.375%; 6th sem.=2.500%; 7th sem.=2.625%; 8th sem.=3.250%	15,876	16,326
BCP Frn Rend Mais June 2014-Emtn 720	June, 2010	June, 2014	1st sem.=1.625%; 2nd sem.=1.7500%; 3rd sem.=1.875%; 4th sem.=2.000%; 5th sem.=2.125%; 6th sem.=2.250%; 7th sem.=2.375%; 8th sem.=3.000%	11,361	11,684
BCP Rend Ext 1 Ser 2010-2015	August, 2010	August, 2015	1st sem.=1.875%; 2nd sem.=2.000%; 3rd sem.=2.125%; 4th sem.=2.250%; 5th sem.=2.375%; 6th sem.=2.500%; 7th sem.=2.750%; 8th sem.=2.875%; 9th sem.=3.000%; 10th sem.=3.500%	38,787	40,801

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Rend Ext 2 Ser 2010-15	August, 2010	August, 2015	1^{st} sem.=2.125%; 2^{nd} sem.=2.300%; 3^{rd} sem.=2.425%; 4^{th} sem.=2.550%; 5^{th} sem.=2.800%; 6^{th} sem.=3.050%; 7^{th} sem.=3.300%; 8^{th} sem.=3.550%; 9^{th} sem.=3.800%; 10^{th} sem.=4.300%	66,182	69,913
BCP Rend Ext 1 Ser-Emtn 749	September, 2010	September, 2015	1^{st} sem.=1.875%; 2^{nd} sem.=2.000%; 3^{rd} sem.=2.125%; 4^{th} sem.=2.250%; 5^{th} sem.=2.375%; 6^{th} sem.=2.500%; 7^{th} sem.=2.750%; 8^{th} sem.=2.875%; 9^{th} sem.=3.000%; 10^{th} sem.=3.500%	45,900	48,370
BCP Rend Ext 2 Ser Sep 2010-2015	September, 2010	September, 2015	1^{st} sem.=2.175%; 2^{nd} sem.=2.300%; 3^{rd} sem.=2.425%; 4^{th} sem.=2.550%; 5^{th} sem.=2.800%; 6^{th} sem.=3.050%; 7^{th} sem.=3.300%; 8^{th} sem.=3.550%; 9^{th} sem.=3.800%; 10^{th} sem.=4.300%	79,377	83,982
BCP Rend Pr 1 Ser Apr 2013	October, 2010	April, 2013	1^{st} sem.=1.850%; 2^{nd} sem.=1.975%; 3^{rd} sem.=2.225%; 4^{th} sem.=2.475%; 5^{th} sem.=2.725%	8,826	8,883
BCP Rend Pr 2 Ser 26 Apr 2013	October, 2010	April, 2013	1^{st} sem.=2.300%; 2^{nd} sem.=2.425%; 3^{rd} sem.=2.675%; 4^{th} sem.=2.925%; 5^{th} sem.=3.425%	78,396	78,951
BCP Rend Pr 3 Serie-Emtn 767	November, 2010	May, 2013	1^{st} sem.=1.850%; 2^{nd} sem.=1.975%; 3^{rd} sem.=2.225%; 4^{th} sem.=2.475%; 5^{th} sem.=2.725%	2,351	2,370
BCP Rend Pr 4 Ser 2010-2013	November, 2010	May, 2013	1^{st} sem.=2.300%; 2^{nd} sem.=2.425%; 3^{rd} sem.=2.675%; 4^{th} sem.=2.925%; 5^{th} sem.=3.425%	18,648	18,813
BCP Mil Rend Pr Mais 1 Serie	December, 2010	June, 2014	1^{st} sem.=1.750%; 2^{nd} sem.=2.000%; 3^{rd} sem.=2.250%; 4^{th} sem.=2.500%; 5^{th} sem.=2.750%; 6^{th} sem.=3.000%; 7^{th} sem.=3.250%	1,007	1,041
BCP Rend Pr Mais 2 Serie	December, 2010	June, 2014	1^{st} sem.=2.500%; 2^{nd} sem.=2.750%; 3^{rd} sem.=3.000%; 4^{th} sem.=3.250%; 5^{th} sem.=3.500%; 6^{th} sem.=3.750%; 7^{th} sem.=4.000%	8,743	9,032
BCP Frn Rend Cres I-11 Eur-Jan 2016	January, 2011	January, 2016	1^{st} sem.=1.75%; 2^{nd} sem.=2.25%; 3^{rd} sem.=2.750%; 4^{th} sem.=3.250%; 5^{th} sem.=3.750%; 6^{th} sem.=4.250%; 7^{th} sem.=4.750%; 8^{th} sem.=5.250%; 9^{th} sem.=5.750%; 10^{th} sem.=6.250%	2,500	2,735
BCP Rend Cres 2011 1 Ser Feb 2014	February, 2011	February, 2014	1^{st} sem.=2.000%; 2^{nd} sem.=2.125%; 3^{rd} sem.=2.250%; 4^{th} sem.=2.375%; 5^{th} sem.=2.750%; 6^{th} sem.=3.500%	4,174	4,295
BCP Rend Cres 2 Ser Feb 2014	February, 2011	February, 2014	1^{st} sem.=2.500%; 2^{nd} sem.=2.625%; 3^{rd} sem.=2.750%; 4^{th} sem.=3.000%; 5^{th} sem.=3.125%; 6^{th} sem.=4.000%	33,159	34,097

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Rend Cres 3 Sr Mar 2014	March, 2011	March, 2014	1st sem.=2.000%; 2nd sem.=2.125%;	8,707	9,000
			3rd sem.=2.250%; 4th sem.=2.375%;		
			5th sem.=2.750%; 6th sem.=3.500%		
BCP Rend Cres 4 Sr Mar 2014	March, 2011	March, 2014	1st sem.=2.500%; 2nd sem.=2.625%;	66,706	68,914
			3rd sem.=2.750%; 4th sem.=3.000%;		
			5th sem.=3.125%; 6th sem.=4.000%		
BCP Ob Mil Rend M 1 Ser-Val M Nr. 5	May, 2011	May, 2016	1st sem.=2.650%; 2nd sem.=2.750%;	12,496	13,672
			3rd sem.=2.875%; 4th sem.=3.000%;		
			5th sem.=3.125%; 6th sem.=3.250%;		
			7th sem.=3.375%; 8th sem.=3.500%;		
			9th sem.=3.750%; 10th sem.=4.250%		
BCP Rend M 2 Ser-Val M Nr. 6	May, 2011	May, 2016	1st sem.=3.000%; 2nd sem.=3.125%;	67,856	74,361
			3rd sem.=3.250%; 4th sem.=3.375%;		
			5th sem.=3.500%; 6th sem.=3.625%;		
			7th sem.=3.750%; 8th sem.=4.250%;		
			9th sem.=4.500%; 10th sem.=5.125%		
BCP Rend M 3 Ser-Val M Nr. 8	May, 2011	May, 2016	1st sem.=3.250%; 2nd sem.=3.375%;	34,812	38,208
			3rd sem.=3.500%; 4th sem.=3.625%;		
			5th sem.=3.875%; 6th sem.=4.125%;		
			7th sem.=4.375%; 8th sem.=4.625%;		
			9th sem.=4.875%; 10th sem.=5.625%		
BCP Sfe Rend M Sr 2-Val Mob Nr. 7	May, 2011	May, 2016	1st sem.=3.000%; 2nd sem.=3.125%;	166	182
			3rd sem.=3.250%; 4th sem.=3.375%;		
			5th sem.=3.500%; 6th sem.=3.625%;		
			7th sem.=3.750%; 8th sem.=4.250%;		
			9th sem.=4.500%; 10th sem.=5.125%		
BCP Sfe Rend M Sr 9-Val Mob Nr. 9	May, 2011	May, 2016	1st sem.=3.250%; 2nd sem.=3.375%;	786	862
			3rd sem.=3.500%; 4th sem.=3.625%;		
			5th sem.=3.875%; 6th sem.=4.125%;		
			7th sem.=4.375%; 8th sem.=4.625%;		
			9th sem.=4.875%; 10th sem.=5.625%		
BCP Rend Sup M 2 S - Val Mob Sr. 13	June, 2011	June, 2016	1st sem.=3.500%; 2nd sem.=3.625%;	3,057	3,320
			3rd sem.=3.750%; 4th sem.=3.875%;		
			5th sem.=4.000%; 6th sem.=4.125%;		
			7th sem.=4.250%; 8th sem.=4.375%;		
			9th sem.=4.625%; 10th sem.=5.125%		
BCP Rend Sup M 3 Sr -Val Mob Sr. 14	June, 2011	June, 2016	1st sem.=3.875%; 2nd sem.=4.000%;	5,879	6,382
			3rd sem.=4.125%; 4th sem.=4.250%;		
			5th sem.=4.375%; 6th sem.=4.500%;		
			7th sem.=4.625%; 8th sem.=4.750%;		
			9th sem.=5.000%; 10th sem.=5.500%		
BCP Ob.Mill Rend Super-Vm Sr. Nr. 12	June, 2011	June, 2016	1st sem.=3.000%; 2nd sem.=3.125%;	742	806
			3rd sem.=3.250%; 4th sem.=3.375%;		
			5th sem.=3.500%; 6th sem.=3.625%;		
			7th sem.=3.750%; 8th sem.=3.875%;		
			9th sem.=4.125%; 10th sem.=4.625%		

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Iln Permal Macro Hold Class D	June, 2011	June, 2021	Indexed to Permal Macro Holding Lda	611	611
BCP Sfe Rendim Super M 3 Sr.	June, 2011	June, 2016	1st sem.=3.875%; 2nd sem.=4.000%; 3rd sem.=4.125%; 4th sem.=4.250%; 5th sem.=4.375%; 6th sem.=4.500%; 7th sem.=4.625%; 8th sem.=4.750%; 9th sem.=5.000%; 10th sem.=5.500%	157	170
BCP Rend Super M 4 Ser-Vm Sr. 21	July, 2011	July, 2016	1st sem.=3.000%; 2nd sem.=3.125%; 3rd sem.=3.250%; 4th sem.=3.375%; 5th sem.=3.500%; 6th sem.=3.625%; 7th sem.=3.750%; 8th sem.=3.875%; 9th sem.=4.125%; 10th sem.=4.625%	375	404
BCP Rend Super M 5 Ser-Vm Sr. 22	July, 2011	July, 2016	1st sem.=3.500%; 2nd sem.=3.625%; 3rd sem.=3.750%; 4th sem.=3.875%; 5th sem.=4.000%; 6th sem.=4.125%; 7th sem.=4.250%; 8th sem.=4.375%; 9th sem.=4.625%; 10th sem.=5.125%	1,194	1,286
BCP Rend Super M 6 Ser-Vm Sr. 23	July, 2011	July, 2016	1st sem.=3.875%; 2nd sem.=4.000%; 3rd sem.=4.125%; 4th sem.=4.250%; 5th sem.=4.375%; 6th sem.=4.500%; 7th sem.=4.625%; 8th sem.=4.750%; 9th sem.=5.000%; 10th sem.=5.500%	3,125	3,465
BCP Float 11/17062013-Vm Sr. Nr. 34	July, 2011	June, 2013	Until 17 Dec 2011: Fixed rate 2.198% year; after 17 Dec 2011: Euribor 6M + 0.450%	69,950	68,679
BCP Fix Jul 2016-Val Mob Sr. 38	August, 2011	July, 2016	Fixed rate of 6.180%	1,750	1,750
BCP Float Nov 2015-Val Mob Sr. 36	August, 2011	November, 2015	Until 28 Nov 2011: Fixed rate 2.587% year; after 28 Nov 2011: Euribor 6M + 0.875%	1,600	1,484
BCP Float Jun 2016-Val Mob Sr. 37	August, 2011	June, 2016	Until 27 Dec 2011: Fixed rate 2.646% year; after 27 Dec 2011: Euribor 6M + 0.875%	1,330	1,240
BCP Float Feb 2015-Val Mob Sr. 35	August, 2011	February, 2015	Euribor 6M + 0.875%	1,750	1,616
BCP Float Mar 2018-Val Mob Sr. 40	August, 2011	March, 2018	Until 03 Sep 2011: Fixed rate 2.332% year; after 03 Sep 2011: Euribor 6M + 0.950%	2,850	2,348
BCP Float Dec 2017-Val Mob Sr. 41	August, 2011	December, 2017	Until 20 Dec 2011: Fixed rate 2.702% year; after 20 Dec 2011: Euribor 6M + 0.950%	2,450	2,252
BCP Float Jun 2017-Val Mob Sr. 39	August, 2011	June, 2017	Until 27 Dec 2011: Fixed rate 2.646% year; after 27 Dec 2011: Euribor 6M + 0.875%	900	837
BCP Float Jan 2018-Val Mob Sr. 42	August, 2011	January, 2018	Until 28 Jan 2012: Fixed rate 2.781% year; after 28 Jan 2012: Euribor 6M + 0.950%	2,800	2,338
BCP Rend Extra M 1 Ser-Vm Sr. 28	September, 2011	September, 2014	1st sem.=3.250%; 2nd sem.=3.375%; 3rd sem.=3.500%; 4th sem.=3.750%; 5th sem.=4.125%; 6th sem.=4.500%	1,554	1,592
BCP Rend Extra M 2 Ser-Vm Sr. 29	September, 2011	September, 2014	1st sem.=3.500%; 2nd sem.=3.625%; 3rd sem.=3.750%; 4th sem.=4.000%; 5th sem.=4.375%; 6th sem.=4.75%	5,298	5,429
BCP Rend Extra M 3 Ser-Vm Sr. 31	September, 2011	September, 2014	1st sem.=3.750%; 2nd sem.=3.875%; 3rd sem.=4.000%; 4th sem.=4.250%; 5th sem.=4.625%; 6th sem.=5.000%	11,190	11,466

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Fix Rate Notes 9.25 Pct -Emtn 827	October, 2011	October, 2014	Fixed rate of 9.250%	554,047	476,389
BCP Zero Cp 11/13.10.2013 Emtn 829	October, 2011	October, 2013	Zero coupon	18,680	16,269
BCP Float Jun 2017-Vm Sr. 47	November, 2011	June, 2017	Fixed rate of 1.771% (1st interest)	4,575	3,195
			and Euribor 6 M (2nd and following)		
BCP Float Jan 2018-Vm Sr. 46	November, 2011	January, 2018	Fixed rate of 1.831% (1st interest)	8,750	5,883
			and Euribor 6 M (2nd and following)		
BCP Float Sep 2015-Vm Sr. 45	November, 2011	September, 2015	Fixed rate of 1.732% (1st interest)	2,550	2,023
			and Euribor 6 M (2nd and following)		
BCP Float Nov 2015-Vm Sr. 48	November, 2011	November, 2015	Fixed rate of 1.712% (1st interest)	2,075	1,629
			and Euribor 6 M (2nd and following)		
BCP Fix Oct 2019-Vm Sr. 44	November, 2011	October, 2019	Fixed rate of 6.875%	5,400	4,347
Estrut Taxa Step Up Xii-11-Vm Sr. 56	December, 2011	December, 2014	1st sem.=7.000%; 2nd sem.=7.000%;	8,226	8,445
			3rd sem.=7.000%; 4th sem.=7.000%;		
			5th sem.=7.500%; 6th sem.=7.500%;		
			7th sem.=7.500%; 8th sem.=7.500%;		
			9th sem.=8.000%; 10th sem.=8.000%;		
			11th sem.=8.000%; 12th sem.=8.000%		
Bcp Rend Special One Sr 1-Vm Sr. 50	December, 2011	December, 2015	1st year=3.500%; 2nd year=4.750%;	2,318	2,448
			3rd year=6.000%. 4th year=6.750%		
Bcp Rend Special One Sr 2-Vm Sr. 51	December, 2011	December, 2015	1st year=3.750%; 2nd year=5.000%;	2,629	2,777
			3rd year=6.250%. 4th year=7.000%		
Bcp Rend Special One Sr 3-Vm Sr. 52	December, 2011	December, 2015	1st year=4.000%; 2nd year=5.250%;	2,154	2,275
			3rd year=6.500%. 4th year=7.250%		
Bcp Rend Ja Feb 2013-Vm Sr. 49	December, 2011	February, 2013	Fixed rate of 6.000%	98,200	97,161
Bcp Rend Tx Cres Xii 11 Eur-Vm Sr. 58	December, 2011	December, 2014	1st sem.=7.000%; 2nd sem.=7.000%;	3,608	3,697
			3rd sem.=7.000%; 4th sem.=7.000%;		
			5th sem.=7.500%; 6th sem.=7.500%;		
			7th sem.=7.500% ; 8th sem.=7.500%;		
			9th sem.=8.000%; 10th sem.=8.000%;		
			11th sem.=8.000%; 12th sem.=8.000%		
Bcp Millen Rend Cres S1-Vm Sr. 54	December, 2011	January, 2014	1st sem.=4.000%; 2nd sem.=4.750%;	2,016	2,058
			3rd sem.=5.750%; 4th sem.=6.500%		
Bcp Millen Rend Cres S2-Vm Sr. 55	December, 2011	January, 2014	1st sem.=4.250%; 2nd sem.=5.000%;	6,157	6,285
			3rd sem.=6.000%; 4th sem.=6.750%		
Bcp Mill Rend Ja 2 Sr-Feb 13-Vm Sr. 53	December, 2011	February, 2013	Fixed rate of 6.000%	118,848	117,976
Bcp Mill Rend Imed Feb 13-Vm Sr. 57	December, 2011	February, 2013	Fixed rate of 5.250%	28,288	28,114
Bcp Mill Rend Ja 3 Sr-Feb 14-Vm Sr. 59	December, 2011	February, 2014	Fixed rate of 6.250%	10,726	10,069
Bcp Float Apr 2014-Vm Sr. 76-Ref. 9	December, 2011	April, 2014	Until 1Apr 2012: Fixed rate 2.000% year;	25,000	23,051
			after 1 Apr 2012: Euribor 3M + 0.450%		
Bcp Float Apr 2017-Vm Sr. 95-Ref. 28	December, 2011	April, 2017	Until 1Apr 2012: Fixed rate 2.050% year;	90,000	67,070
			after 1 Apr 2012: Euribor 3M + 0.500%		
Bcp Float Apr 2016-Vm Sr. 82 Ref. 15	December, 2011	April, 2016	Until 4 Apr 2012: Fixed rate 2.054% year;	137,200	110,124
			after 4 Apr 2012: Euribor 3M + 0.500%		
Bcp Float Jan 2019-Vm 105-Ref. 38	December, 2011	January, 2019	Until 5Apr 2012: Fixed rate 2.367% year;	50,000	36,891
			after 5 Apr 2012: Euribor 3M + 0.810%		

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bcp Float Jul 2016-Vm Sr. 87-Ref. 20	December, 2011	July, 2016	Until 8 Apr 2012: Fixed rate 2.056% year; after 8 Apr 2012: Euribor 3M + 0.500%	40,000	31,412
Bcp Float Jul 2013-Vm Sr. 68-Ref. 1	December, 2011	July, 2013	Until 16 Apr 2012: Fixed rate 2.022% year; after 16 Apr 2012: Euribor 3M + 0.450%	37,500	36,213
Bcp Float Oct 2013-Vm Sr. 71-Ref. 4	December, 2011	October, 2013	Until 15 Apr 2012: Fixed rate 2.022% year; after 15 Apr 2012: Euribor 3M + 0.450%	18,000	17,097
Bcp Float Apr 2016-Vm Sr. 83-Ref. 16	December, 2011	April, 2016	Until 14 Apr 2012: Fixed rate 2.071% year; after 14 Apr 2012: Euribor 3M + 0.500%	35,000	27,982
Bcp Float Oct 2016-Vm 91 Ref. 24	December, 2011	October, 2016	Until 15Apr 2012: Fixed rate 2.072% year; after 15 Apr 2012: Euribor 3M + 0.500%	18,000	13,861
Bcp Float Oct 2014-Vm Sr. 80-Ref. 13	December, 2011	October, 2014	Until 28 Apr 2012: Fixed rate 2.038% year; after 28 Apr 2012: Euribor 3M + 0.450%	12,900	11,384
Bcp Float 2 jul 2016-Vm Sr. 88 Ref. 21	December, 2011	July, 2016	Until 30 Apr 2012: Fixed rate 2.090% year; after 30 Apr 2012: Euribor 3M + 0.500%	45,200	35,191
Bcp Float Jul 2017-Vm Sr. 97-Ref. 30	December, 2011	July, 2017	Until 28 Apr 2012: Fixed rate 2.738% year; after 28 Apr 2012: Euribor 3M + 1.150%	28,750	20,872
Bcp Float Oct 2017-Vm Sr. 100 Ref. 33	December, 2011	October, 2017	Until 28 Apr 2012: Fixed rate 2.088% year; after 28 Apr 2012: Euribor 3M + 0.500%	49,250	34,832
Bcp Float Aug 2017-Vm Sr. 98-Ref. 31	December, 2011	August, 2017	Until 5 May 2012: Fixed rate 2.080% year; after 5 May 2012: Euribor 3M + 0.500%	5,000	3,607
Bcp Float May 2016-Vm Sr. 84-Ref. 17	December, 2011	May, 2016	Until 7 May 2012: Fixed rate 2.080% year; after 7 May 2012: Euribor 3M + 0.500%	39,100	31,086
Bcp Float May 2014-Vm Sr. 77-Ref.10	December, 2011	May, 2014	Until 8 May 2012: Fixed rate 2.988% year; after 8 May 2012: Euribor 3M + 1.500%	101,000	92,352
Bcp Float May 2014-Vm Sr. 78-Ref. 11	December, 2011	May, 2014	Until 13 May 2012: Fixed rate 1.914% year; after 13 May 2012: Euribor 3M + 0.450%	4,950	4,520
Bcp Float May 2017-Vm Sr. 96-Ref. 29	December, 2011	May, 2017	Until 13 May 2012: Fixed rate 1.964% year; after 13 May 2012: Euribor 3M + 0.500%	44,450	32,649
Bcp Float May 2018-Vm 104-Ref. 37	December, 2011	May, 2018	Until 12 May 2012: Fixed rate 1.964% year; after 12 May 2012: Euribor 3M + 0.500%	38,850	26,443
Bcp Float Aug 2013-Vm Sr. 69-Ref. 2	December, 2011	August, 2013	Until 14 May 2012: Fixed rate 1.914% year; after 14 May 2012: Euribor 3M + 0.450%	30,850	29,625
Bcp Float Feb 2019-Vm 106 Ref. 39	December, 2011	February, 2019	Until 16 May 2012: Fixed rate 2.459% year; after 16 May 2012: Euribor 3M + 1.000%	10,850	7,946
Bcp Float Feb 2018-Vm 102-Ref. 35	December, 2011	February, 2018	Until 17 May 2012: Fixed rate 1.957% year; after 17 May 2012: Euribor 3M + 0.500%	56,950	39,528
Bcp Float Feb 2014-Vm Sr. 74-Ref. 7	December, 2011	February, 2014	Until 18 May 2012: Fixed rate 1.908% year; after 18 May 2012: Euribor 3M + 0.450%	9,950	9,224
Bcp Float May 2016-Vm 85-Ref. 18	December, 2011	May, 2016	Until 20 May 2012: Fixed rate 1.960% year; after 20 May 2012: Euribor 3M + 0.500%	21,000	16,626
Bcp Float Feb 2017-Vm Sr. 94-Ref. 27	December, 2011	February, 2017	Until 18 May 2012: Fixed rate 1.958% year; after 18 May 2012: Euribor 3M + 0.500%	93,250	69,683
Bcp Float Aug 2016-Avl Sr. 89 Ref. 22	December, 2011	August, 2016	Until 22 May 2012: Fixed rate 1.965% year; after 22 May 2012: Euribor 3M + 0.500%	36,700	28,568
Bcp Float Nov 2013-Vm Sr. 72-Ref. 5	December, 2011	November, 2013	Until 26 May 2012: Fixed rate 1.924% year; after 26 May 2012: Euribor 3M + 0.450%	7,000	6,593

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bcp Float Feb 2014 2Em-Vm Sr. 75-Ref. 8	December, 2011	February, 2014	Until 27 May 2012: Fixed rate 1.924% year; after 27 May 2012: Euribor 3M + 0.450%	1,000	925
Bcp Float Nov 2016-Vm Sr .92-Ref. 25	December, 2011	November, 2016	Until 26 May 2012: Fixed rate 1.974% year; after 26 May 2012: Euribor 3M + 0.500%	8,000	6,082
Bcp Float Sep 2013-Vm Sr. 70-Ref. 1	December, 2011	September, 2013	Until 3 Jun 2012: Fixed rate 1.919% year; after 3 Jun 2012: Euribor 3M + 0.450%	37,050	35,431
Bcp Float 11/03.09.2016 Ref. 23 Vm 90	December, 2011	September, 2016	Until 3 Jun 2012: Fixed rate 1.969% year; after 3 Jun 2012: Euribor 3M + 0.500%	13,600	10,547
Bcp Float Jun 2016-Vm Sr. 86-Ref. 19	December, 2011	June, 2016	Until 20 Jun 2012: Fixed rate 1.917% year; after 20 Jun 2012: Euribor 3M + 0.500%	47,000	37,024
Bcp Float Sep 2014-Vm Sr. 79-Ref.12	December, 2011	September, 2014	Until 21 Jun 2012: Fixed rate 2.270% year; after 21 Jun 2012: Euribor 3M + 0.852%	93,900	84,200
Bcp Float Sep 2017-Vm Sr. 99-Ref. 32	December, 2011	September, 2017	Until 23 Jun 2012: Fixed rate 1.916% year; after 23 Jun 2012: Euribor 3M + 0.500%	14,500	10,490
Bcp Float Mar 2016-Vm 81-Ref. 14	December, 2011	March, 2016	Until 25 Jun 2012: Fixed rate 1.910% year; after 25 Jun 2012: Euribor 3M + 0.500%	122,500	98,269
Bcp Float Sep 2015-Vm Sr. 62	December, 2011	September, 2015	Until 28 Sep 2012: Fixed rate 2.607% year; after 28 Sep 2012: Euribor 6M + 0.875%	8,900	7,782
Bcp Float Dec 2013-Vm Sr. 73-Ref. 6	December, 2011	December, 2013	Euribor 3M + 0.450%	6,600	6,178
Bcp Float Dec 2016-Vm Sr. 93-Ref. 26	December, 2011	December, 2016	Euribor 3M + 0.500%	19,500	14,751
Bcp Float Dec 2017-Vm Sr. 101 Ref. 34	December, 2011	December, 2017	Euribor 3M + 0.500%	65,900	46,056
Bcp Float Mar 2018-Vm Sr. 103 Ref. 36	December, 2011	March, 2018	Euribor 3M + 0.500%	49,300	33,920
Bcp Float Nov 2015-Vm Sr. 64	December, 2011	November, 2015	Until 28 Nov 2012: Fixed rate 2.577% year; after 28 Nov 2012: Euribor 6M + 0.875%	8,500	6,901
Bcp Float Jun 2017-Vm Sr. 63	December, 2011	June, 2017	Until 27 Dec 2012: Fixed rate 2.537% year; after 27 Dec 2012: Euribor 6M + 0.875%	6,000	4,635
Bcp Fixa Oct 2019-Vm Sr. 61	December, 2011	October, 2019	Fixed rate of 6.875%	9,500	7,593
Bcp Mill Rend Ja 3 Ser-Vm Sr. 60	January, 2012	March, 2013	Fixed rate of 6.000%	34,785	34,468
Bcp Floater Sep 15-Vm Sr. 111	January, 2012	September, 2015	Until 28 Sep2012: fixed rate 2.607% year; after 28 Sep2012: Euribor 6M + 0.875%	5,000	4,381
Bcp Floater Nov 15-Vm Sr. 112	January, 2012	November, 2015	Until 28 Nov 2012: fixed rate 2.577% year; after 28 Nov 2012: Euribor 6M + 0.875%	2,900	2,373
Bcp Floater Jun 17-Vm Sr. 113	January, 2012	June, 2017	Until 27 Dez 2012: fixed rate 2.537% year; after 27 Dez 2012: Euribor 6M + 0.875%	6,000	4,732
Bcp Fixa Oct 19-Vm Sr. 110	January, 2012	October, 2019	Fixed rate of 6.875%	4,000	3,168
Bcp Rend Ja 5 Serie-Vm Sr. 65	February, 2012	April, 2013	Fixed rate of 5.500% por year	51,340	50,724
Bcp Floater Dec 13-Vm Sr. 1	February, 2012	December, 2013	Until 30 Jun 2012: fixed rate 1.396% year; after 30 Jun 2012: Euribor 3M	213,200	199,127
Bcp Floater Mar 13-Vm Sr. 114	February, 2012	March, 2016	Until 28 Jan 2013: fixed rate 2.389% year; after 28 Jan 2013: Euribor 6M + 0.950	8,000	6,643
Bcp Floater Apr 16-Vm Sr. 115	February, 2012	April, 2016	Until 28 Jan 2013: fixed rate 2.389% year; after 28 Jan 2013: Euribor 6M + 0.950	1,700	1,411
Bcp Floater Jun 16-Vm Sr. 116	February, 2012	June, 2016	Until 28 Jan 2013: fixed rate 2.389% year; after 28 Jan 2013: Euribor 6M + 0.950	8,586	7,105
Bcp Floater Jul 17-Vm Sr. 122	February, 2012	July, 2017	Until 28 Jul 2012: fixed rate 2.738% year; after 28 Jul 2012: Euribor 3M + 1.150	3,750	2,904
Bcp Floater Nov 18-Vm Sr. 124	February, 2012	November, 2018	Until 3 ago 2012: fixed rate 1.715% year; after 3 ago 2012: Euribor 3M + 0.600	30,000	20,819

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Rend Tx Cres Ii -Vm Sr. 117	February, 2012	February, 2015	1st sem.=7.000%; 2nd sem.=7.000%; 3rd sem.=7.000%; 4th sem.=7.000%; 5th sem.=7.500%; 6th sem.=7.500%; 7th sem.=7.500% ; 8th sem.=7.500%; 9th sem.=8.000%; 10th sem.=8.000%; 11th sem.=8.000%; 12th sem.=8.000%	1,620	1,660
Bcp Floater May 14-Vm Sr. 131	February, 2012	May, 2014	Until 10 Nov 2012: fixed rate 1.742% year; after 10 Nov 2012: Euribor 6M + 0.050	18,050	16,601
Bcp Floater Jun 18-Vm Sr. 132	February, 2012	June, 2018	Until 15 Jun 2013: fixed rate 2.639% year; after 15 Jun 2013: Euribor 12M + 0.500	20,000	14,172
Retorno Sem Cres Ii 12 Eur-Vm Sr. 133	February, 2012	February, 2013	1st sem.=5.750%; 2nd sem.=6.250%	4,608	4,616
Mill Rend Extra 360-Vm Sr. 139	February, 2012	February, 2013	Fixed rate of 5.500%	13,950	13,950
Mill Rend Especial 360-Vm Sr. 136	February, 2012	February, 2013	Fixed rate of 6.250%	20,500	20,500
Mill Rend Extra 360-CP-Vm Sr.143	March, 2012	March, 2013	Fixed rate of 5.500%	12,350	12,350
Mill Rend Especial 360 -CP-Vm Sr. 149	March, 2012	March, 2013	Fixed rate of 6.000%	25,300	25,300
Mill Rend Plus 360 -CP-Vm Sr. 146	March, 2012	March, 2013	Fixed rate of 5.750%	14,100	14,100
Bcp Ret Sem Cresc Iii-Vm Sr. 163	March, 2012	March, 2013	1st sem.=5.750%; 2nd sem.=6.250%	8,688	8,713
Bcp Mill Rend Ja 6 Serie-Vm Sr. 140	March, 2012	May, 2013	Fixed rate of 5.250%	62,811	61,662
Bcp Cupao Zero 12/260313-Vm Sr. 166	March, 2012	March, 2013	Zero coupon	37,740	36,855
Bcp Floater Jun 16-Vm Sr. 167	March, 2012	June, 2016	Until 3 Mar 2013: fixed rate 2.217% year; after 3 Mar 2013: Euribor 6M + 0.950	4,987	3,978
Bcp Floater Jul 16-Vm Sr. 168	March, 2012	July, 2016	Until 3 Mar 2013: fixed rate 2.217% year; after 3 Mar 2013: Euribor 6M + 0.950	1,513	1,206
Bcp Ret Sem Cresc Iii 12 Usd-Vm Sr. 170	March, 2012	April, 2013	1st sem.=3.500%; 2nd sem.=4.250%	1,209	1,210
Bcp Rend Tx Cresc Iii 12 Usd-Vm Sr. 171	March, 2012	March, 2015	1st quarter=3.750%; 2nd quarter=3.750%; 3rd quarter=3.750%; 4th quarter=3.750%; 5th quarter=4.000%; 6th quarter=4.000%; 7th quarter=4.000%; 8th quarter=4.000%; 9th quarter=4.250%; 10th quarter=4.250%; 11th quarter=4.250%; 12th quarter=4.250%	758	765
Rend Taxa Cres Iv -Vm Sr. 172	April, 2012	April, 2015	1st quarter=6.000%; 2nd quarter=6.000%; 3rd quarter=6.000%; 4th quarter=6.000%; 5th quarter=6.500%; 6th quarter=6.500%; 7th quarter=6.500%; 8th quarter=6.500%; 9th quarter=7.000%; 10th quarter=7.000%; 11th quarter=7.000%; 12th quarter=7.000%	1,645	1,682
Bcp Floater Feb 15-Vm Sr. 174	April, 2012	February, 2015	Until 8 Feb 2013: fixed rate 2.266% year; after 8 Feb 2013: Euribor 6M + 0.875	8,300	7,181
Bcp Floater Sep 15-Vm Sr. 175	April, 2012	September, 2015	Until 28 Mar 2013: fixed rate 1.978% year; after 28 Mar 2013: Euribor 6M + 0.875	8,200	7,096
Bcp Floater Jun 17-Vm Sr. 176	April, 2012	June, 2017	Until 27 Dec 2012: fixed rate 2.537% year; after 27 Dec 2012: Euribor 6M + 0.875	8,800	7,037
Bcp Fixa Oct 19-Vm Sr. 177	April, 2012	October, 2019	Fixed rate of 6.875%	2,000	1,529
Bcp Floater May 13-Vm Sr. 188	April, 2012	May, 2013	Until 9 Nov 2012: fixed rate 2.570% year; after 9 Nov 2012: Euribor 6M + 0.875	1,000	989
Bcp Floater Feb 15-Vm Sr. 189	April, 2012	February, 2015	Until 8 Feb 2013: fixed rate 2.266% year; after 8 Feb 2013: Euribor 6M + 0.875	18,000	15,384

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bcp Floater Sep 15-Vm Sr. 190	April, 2012	September, 2015	Until 28 Mar 2013: fixed rate 1.978% year; after 28 Mar 2013: Euribor 6M + 0.875	15,900	13,695
Bcp Floater Jun 17-Vm Sr. 191	April, 2012	June, 2017	Until 27 Dec 2012: fixed rate 2.537% year; after 27 Dec 2012: Euribor 6M + 0.875	19,500	15,408
Bcp Floater Mar 18-Vm Sr .192	April, 2012	March, 2018	Until 27 Dec 2012: fixed rate 2.217% year; after 27 Dec 2012: Euribor 6M + 0.950	3,055	2,346
Bcp Fixa Oct 19-Vm Sr. 193	April, 2012	October, 2019	Fixed rate of 6.875%	4,900	3,749
Mill Rend Extra 360-Vm Sr. 153	April, 2012	April, 2013	Fixed rate of 5.500%	44,700	44,700
Mill Rend Especial 360 -Vm Sr. 159	April, 2012	April, 2013	Fixed rate of 6.000%	37,650	37,650
Mill Rend Plus 360 Apr 13-Vm Sr. 156	April, 2012	April, 2013	Fixed rate of 5.750%	35,150	35,150
Mille Rend Extra 360 -Vm Sr. 180	May, 2012	May, 2013	Fixed rate of 4.750%	17,400	17,400
Mill Rend Especial 360 -Vm Sr. 186	May, 2012	May, 2013	Fixed rate of 5.250%	21,400	21,400
Mill Rend Plus 360 -Vm Sr. 183	May, 2012	May, 2013	Fixed rate of 5.000%	24,450	24,450
Bcp Retorno Sem Cres V-Vm Sr. 197	May, 2012	May, 2013	1st semester=4.750%; 2nd semester=5.250%	4,720	4,735
Bcp Mill Rend Ja Jul 13-Vm Sr. 195	May, 2012	July, 2013	Fixed rate of 4.500%	103,183	101,057
Mill Rend Extra 360 2Serie -Vm Sr. 207	May, 2012	May, 2013	Fixed rate of 4.750%	19,000	19,000
Mill Rend Especial 360 2Se -Vm Sr. 213	May, 2012	May, 2013	Fixed rate of 5.250%	25,300	25,300
Mill Rend Plus 360 2S -Vm Sr. 210	May, 2012	May, 2013	Fixed rate of 5.000%	26,700	26,700
Bcp Eur Cln Edp 2 Em -Vm Sr. 230	May, 2012	March, 2013	Until 27 Dec 2012: fixed rate 2.537% year; after 27 Dec 2012: Euribor 6M + 0.875	5,700	5,663
Bcp Eur Cln Edp Mar 13-Vm Sr. 229	May, 2012	March, 2013	Until 26 set 2012: fixed rate 2.231% year; after 26 set 2012: Euribor 6M + 0.500	100,000	99,069
Bcp Eur Cln Jeronimo Martins -Vm Sr. 23	May, 2012	April, 2014	Until 14 Feb 2013: fixed rate 2.240% year; after 14 Feb 2013: Euribor 6M + 0.875	24,000	22,880
Bcp Eur Cln Bes Jun 14-Vm Sr. 232	May, 2012	June, 2014	Until 14 Feb 2013: fixed rate 2.240% year; after 14 Feb 2013: Euribor 6M + 0.875	24,400	23,215
Bcp FRN 5.625 % Sep 14-Emtn 841	June, 2012	September, 2014	Fixed rate of 5.625%	51,550	51,067
Bcp FRN 5.625 % Apr15-Emtn 842	June, 2012	April, 2015	Fixed rate of 5.625%	61,150	59,484
Bcp FRNs 5.625 % Feb 16-Emtn 843	June, 2012	February, 2016	Fixed rate of 5.625%	10,450	9,829
Mill Rend Extra 360 -Vm Sr. 217	June, 2012	June, 2013	Fixed rate of 4.500%	10,000	10,000
Mill Rend Especial 360 -Vm Sr. 223	June, 2012	June, 2013	Fixed rate of 5.000%	13,450	13,450
Mill Rend Plus 360 Jun 13-Vm Sr. 2	June, 2012	June, 2013	Fixed rate of 4.750%	13,400	13,400
Bcp Retorno Sem Cres Vi -Vm Sr. 214	June, 2012	June, 2013	1st semester=4.750%; 2nd semester=5.250%	9,951	9,951
Mill Rend Ja Ago 13-Vm Sr. 224	June, 2012	August, 2013	Fixed rate of 4.125%	58,926	57,473
Mill Rend Extra 180 -Vm Sr. 234	July, 2012	January, 2013	Fixed rate of 4.000%	11,600	11,600
Mill Rend Especial 180 -Vm Sr. 240	July, 2012	January, 2013	Fixed rate of 4.500%	6,100	6,100
Mill Rend Plus 180--Vm Sr. 237	July, 2012	January, 2013	Fixed rate of 4.250%	13,500	13,500
Mill Rend Extra 360 -Vm Sr. 235	July, 2012	July, 2013	Fixed rate of 4.500%	19,300	19,300
Mill Rend Especial 360 -Vm Sr. 241	July, 2012	July, 2013	Fixed rate of 5.000%	12,550	12,550
Mill Rend Plus 360- Vm Sr. 238	July, 2012	July, 2013	Fixed rate of 4.750%	22,000	22,000
Bcp Ret Trim Cres Vii 12 -Vm Sr. 261	July, 2012	July, 2014	1st quarter=4.000%; 2nd quarter=4.000%; 3rd quarter=4.250%; 4th quarter=4.250%; 5th quarter=4.750%; 6th quarter=4.750%; 7th quarter=5.500%; 8th quarter=5.500%	1,410	1,426
Bcp Mill Rend Esp 180 -Vm Sr. 259	August, 2012	February, 2013	Fixed rate of 4.000%	9,000	9,000
Bcp Mill Rend Plus 180 -Vm Sr. 256	August, 2012	February, 2013	Fixed rate of 3.750%	7,200	7,200
Bcp Mill Rend Esp 360 -Vm Sr. 260	August, 2012	August, 2013	Fixed rate of 4.500%	22,800	22,800
Bcp Mill Rend Plus 360 -Vm Sr. 257	August, 2012	August, 2013	Fixed rate of 4.250%	25,900	25,900

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bcp Ret Trim Taxa Cres Viii -Vm 251	August, 2012	August, 2014	1st quarter=3.750%; 2nd quarter=3.750%; 3rd quarter=4.000%; 4th quarter=4.000%; 5th quarter=4.500%; 6th quarter=4.500%; 7th quarter=5.250%; 8th quarter=5.250%	1,470	1,480
Bcp Ret Sem Cres Viii -Vm Sr. 249	August, 2012	September, 2013	Until 1 Mar 2013: fixed rate 4.750% year; after 1 Mar 2013: fixed rate 5.250% year	29,013	29,071
Mill Rend Ja Oct 13-Vm Sr. 250	August, 2012	October, 2013	Fixed rate of 3.4997143%	47,714	46,351
BCP Ret Sem Cres Ix/12 Eur -Vm Sr. 273	September, 2012	September, 2013	Until 10 Mar 2013: fixed rate 4.250% year; after 10 Mar 2013: fixed rate 4.750% year	20,700	20,738
Bcp Ret Trim Cres Ix/12-Vm Sr. 274	September, 2012	September, 2014	1st quarter=3.500%; 2nd quarter=3.500%; 3rd quarter=3.750%; 4th quarter=3.750%; 5th quarter=4.250%; 6th quarter=4.250%; 7th quarter=4.750%; 8th quarter=4.750%	1,770	1,780
Bcp 4.75 Por Cento Sep -Vm Sr. 279	September, 2012	September, 2020	Fixed rate of 4.750%	27,100	25,848
Val. Mob. CP 04.01.13-Vm Sr. 281	October, 2012	January, 2013	Fixed rate of 0.750%	150,000	150,000
Val. Mob. CP 8 Jan 13-Vm Sr. 282	October, 2012	January, 2013	Fixed rate of 0.750%	130,000	130,000
Val. Mob. CP 7 Feb 13-Vm Sr. 288	November, 2012	February, 2013	Variable rate Euribor 3M + 2.050%	250,000	250,000
Val. Mob. CP 12Feb2013-Vm Sr. 289	November, 2012	February, 2013	Variable rate Euribor 3M + 2.050%	250,000	250,000
Val. Mob. CP 14Feb2013-Vm Sr. 291	November, 2012	February, 2013	Fixed rate of 0.700%	123,000	123,000
Val. Mob. CP 18.02.2013-Vm Sr. 292	November, 2012	February, 2013	Fixed rate of 0.700%	127,000	127,000
Val. Mob. CP 25.02.2013-Vm Sr. 294	November, 2012	February, 2013	Fixed rate of 0.700%	120,000	120,000
Val. Mob. CP 14 Mar 13-Vm Sr. 297	December, 2012	March, 2013	Fixed rate of 0.700%	160,000	160,000
Val. Mob. CP 15 Mar 13-Vm Sr. 298	December, 2012	March, 2013	Fixed rate of 0.700%	140,000	140,000
Cln Grupo Pestana Sgps -Vm Sr. 295	December, 2012	December, 2015	Variable rate Euribor 6M + 0.950%	10,000	8,209
Mill Rend.Trim Dec 20-Vm Sr. 290	December, 2012	December, 2020	Fixed rate of 4.500%	49,980	49,980
Cln Gr.Pestana Sgps 2ª Em-Vm Sr. 296	December, 2012	December, 2015	Variable rate Euribor 6M + 0.875%	10,000	8,070
Bank Millennium:					
Orchis Sp. z o.o. – G. S. Inv. Bond	December, 2007	December, 2016	WIBOR 1M + 26.0 bp	10,297	10,297
Orchis Sp. z o.o. – EIB S. Inv. Bond	December, 2007	December, 2016	WIBOR 1M + 26.0 bp	13,518	13,518
Orchis Sp. z o.o. – M. Inv. Bond	December, 2007	December, 2016	WIBOR 1M + 215.0 bp	8,659	8,659
Bank Millennium – BM_2013/10	September, 2009	October, 2013	Indexed to a portfolio of 5 shares	133	133
Bank Millennium – BM_2013/10A	September, 2009	October, 2013	Indexed to a portfolio of 5 shares	141	141
Bank Millennium – BM_2014/01	December, 2009	January, 2014	Indexed to a portfolio of 5 shares	620	620
Bank Millennium – BM_2014/01A	December, 2009	January, 2014	Indexed to a portfolio of 5 shares	906	906
Bank Millennium – BM_2013/02	January, 2010	February, 2013	Indexed to a portfolio of 6 shares	1,400	1,400
Bank Millennium – BM_2013/02A	January, 2010	February, 2013	Indexed to a portfolio of 6 shares	1,676	1,676
Bank Millennium – BM_2013/03	February, 2010	March, 2013	Indexed to S&P 500	88	88
Bank Millennium – BM_2013/03A	February, 2010	March, 2013	Indexed to S&P 500	18	18
Bank Millennium – BM_2013/03B	February, 2010	March, 2013	Indexed to a portfolio of 6 shares	1,329	1,329
Bank Millennium – BM_2013/03C	February, 2010	March, 2013	Indexed to a portfolio of 6 shares	926	926
Bank Millennium – BM_2013/03D	February, 2010	March, 2013	Indexed to a portfolio of 6 shares	1,089	1,089
Bank Millennium – BM_2013/04	March, 2010	April, 2013	Indexed to a portfolio of 6 shares	770	770
Bank Millennium – BM_2013/04A	March, 2010	April, 2013	Indexed to a portfolio of 5 shares	263	263
Bank Millennium – BM_2013/04B	March, 2010	April, 2013	Indexed to a portfolio of 5 shares	130	130
Bank Millennium – BM_2013/05	April, 2010	May, 2013	Indexed to a portfolio of 5 shares	1,228	1,228
Bank Millennium – BM_2013/05A	April, 2010	May, 2013	Indexed to a portfolio of 5 shares	1,211	1,211
Bank Millennium – BM_2013/05B	April, 2010	May, 2013	Indexed to a portfolio of 4 indexes	636	636
Bank Millennium – BM_2013/05C	April, 2010	May, 2013	Indexed to a portfolio of 4 indexes	366	366

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bank Millennium – BM_2013/06	May, 2010	June, 2013	Indexed to a portfolio of funds	1,460	1,460
Bank Millennium – BM_2013/06A	May, 2010	June, 2013	Indexed to WIG20 Trendvol Strategy	743	743
Bank Millennium – BM_2013/06B	May, 2010	June, 2013	Indexed to WIG20 Trendvol Strategy	344	344
Bank Millennium – BPW_2013/07	June, 2010	July, 2013	Indexed to Gold Trendvol Strategy	236	236
Bank Millennium – BPW_2013/07A	June, 2010	July, 2013	Indexed to a portfolio of commodities	522	522
Bank Millennium – BPW_2013/08	July, 2010	August, 2013	Indexed to a portfolio of 4 indexes	2,320	2,320
Bank Millennium – BPW_2013/09	August, 2010	September, 2013	Indexed to a portfolio of 4 indexes	785	785
Bank Millennium – BPW_2013/10	September, 2010	October, 2013	Indexed to WIG20	1,504	1,504
Bank Millennium – BPW_2013/11	October, 2010	November, 2013	Indexed to a portfolio of 5 shares	1,886	1,886
Bank Millennium – BPW_2013/12	November, 2010	December, 2013	Indexed to a portfolio of commodities	2,451	2,451
Bank Millennium – BPW_2014/01	December, 2010	January, 2014	Indexed to a portfolio of 4 indexes	1,990	1,990
Bank Millennium – BPW_2013/02	January, 2011	February, 2013	Indexed to WIG20	2,592	2,592
Bank Millennium – BPW_2013/03	February, 2011	March, 2013	Indexed to Russian Depositary	2,993	2,993
Bank Millennium – BM_2014/04	March, 2011	April, 2014	Indexed to a portfolio of 6 indexes	1,451	1,451
Bank Millennium – BPW_2014/04	March, 2011	April, 2014	Indexed to Lbma Pm Gold Fix Price	936	936
Bank Millennium – BPW_2014/05	April, 2011	May, 2014	Indexed to Nikke 225	1,524	1,524
Bank Millennium – BPW_2014/06	May, 2011	June, 2014	Indexed to Euro Stoxx 50	3,096	3,096
Bank Millennium – BPW_2014/07	June, 2011	July, 2014	Indexed to Dax	1,914	1,914
Bank Millennium – BPW_2013/07B	July, 2011	July, 2013	Indexed to Wig20	3,019	3,019
Bank Millennium – BPW_2014/09	August, 2011	September, 2014	Indexed to a portfolio of 5 indexes	2,785	2,785
Bank Millennium – BPW_2013/09A	September, 2011	September, 2013	Indexed to Wig20	1,622	1,622
Bank Millennium – BPW_2013/10A	October, 2011	October, 2013	Indexed to a portfolio of commodities	4,392	4,392
Bank Millennium – BPW_2013/11A	November, 2011	November, 2013	Indexed to a portfolio of commodities	3,130	3,130
Bank Millennium – BPW_2013/11B	November, 2011	November, 2013	Indexed to a portfolio of commodities	2,834	2,834
Bank Millennium – BPW_2015/01	December, 2011	January, 2015	Indexed to Euro Stoxx 50	915	915
Bank Millennium – BPW_2013/12A	December, 2011	December, 2013	Indexed to a portfolio of commodities	2,981	2,981
Bank Millennium – BPW_2014/01A	January, 2012	January, 2014	Indexada a Wti Crude Oil	1,836	1,836
Bank Millennium – BPW_2015/01A	January, 2012	January, 2015	Indexed to a portfolio of 5 indexes	600	600
Bank Millennium – BPW_2014/09A	February, 2012	September, 2014	Indexed to Nasdaq-100	622	622
Bank Millennium – BPW_2015/03	February, 2012	March, 2015	Indexed to Wig20	1,687	1,687
Bank Millennium – BPW_2015/04	March, 2012	April, 2015	Indexed to Wig20	3,168	3,168
Bank Millennium – BPW_2015/04A	March, 2012	April, 2015	Indexed to a portfolio of 6 shares	818	818
Bank Millennium – BPW_2014/04A	April, 2012	April, 2014	Indexed to Dax	2,401	2,401
Bank Millennium – BPW_2015/04B	April, 2012	April, 2015	Indexed to Wig20	2,059	2,059
Bank Millennium – BPW_2015/06	May, 2012	June, 2015	Indexed to a portfolio of 6 shares	838	838
Bank Millennium – BPW_2015/06A	May, 2012	June, 2015	Indexed to Russian Depositary	1,882	1,882
Bank Millennium – BPW_2015/07	June, 2012	July, 2015	Indexed to Gold Fix Price	4,065	4,065
Bank Millennium – BPW_2014/07A	July, 2012	July, 2014	Indexed to Wti Crude Oil	4,409	4,409
Bank Millennium – BPW_2014/07B	July, 2012	July, 2014	Indexed to Wti Crude Oil	2,624	2,624
Bank Millennium – BPW_2014/09B	August, 2012	September, 2014	Indexed to Dax	2,475	2,475
Bank Millennium – BPW_2014/09C	August, 2012	September, 2014	Indexed to Msci Emerging Markets	712	712
Bank Millennium – BPW_2015/09	September, 2012	September, 2015	Indexed to um cabaz de 2 índices	1,473	1,473
Bank Millennium – BPW_2015/09A	September, 2012	September, 2015	Indexed to a portfolio of 6 shares	1,081	1,081
Bank Millennium – BKMO_051015B	October, 2012	October, 2015	Fixed rate of 6.940%	61,365	61,365
Bank Millennium – BPW_2015/04C	October, 2012	April, 2015	Indexed to Wig20	2,455	2,455
Bank Millennium – BPW_2015/11	November, 2012	November, 2015	Indexed too S&P 500	1,655	1,655
Bank Millennium – BPW_2015/12	December, 2012	December, 2015	Indexed to Russian Depositary	648	648
Bank Millennium – BPW_2015/12A	December, 2012	December, 2015	Indexed to Dax	593	593
Bank Millennium – BKMO_281215A	December, 2012	December, 2015	Fixed rate of 5.710%	24,546	24,546

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Finance Bank:					
BCP Fin.Bank – Euros 90 M	June, 2003	June, 2013	Euribor 3M + 0.350%	90,000	89,990
BCP Fin.Bank – Euros 20 M	December, 2003	December, 2023	Fixed rate of 5.310%	20,000	18,471
BCP Fin.Bank – EUR 10 M	March, 2004	March, 2024	Fixed rate of 5.010%	10,000	9,808
BCP Fin.Bank – EUR 50 M	September, 2004	September, 2014	Euribor 3M + 0.200%	50,000	49,958
BCP Fin.Bank – EUR 20 M	December, 2004	December, 2014	Euribor 6M + 0.220%	20,000	19,993
BCP Fin.Bank – EUR 2.9 M	February, 2005	February, 2015	1st year 9.700% *n/N;2nd year and following Formar coupon *n/N; (n: n. of days USD Libor 6M <= Barrier)	938	938
BCP Fin.Bank – EUR 20 M	April, 2005	April, 2015	Euribor 3M + 0.180%	20,000	19,990
BCP Fin. Bank – EUR 3.5 M	April, 2005	April, 2015	1st year 6.000% *n/N; 2nd year and following Formar coupon *n/N; (n: n. of days Euribor 3M <= Barrier)	2,276	2,109
BCP Fin.Bank – EUR 11 M	June, 2006	June, 2014	Euribor 6M + 35 bp	11,000	10,999
BCP Fin.Bank – USD 3 M	July, 2006	July, 2016	USD Libor 6M + 0.75% *n/N; (n: n. of days USD Libor 6M< Barrier)	989	819
BCP Fin.Bank – EUR 100 M	January, 2007	January, 2017	Euribor 3M + 0.175%	100,000	99,946
BCP Finance Bank – EUR 8.018 M	February, 2009	February, 2014	Euribor 3M + Remain Prize: 1st year 0.125%;2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	2,619	2,619
BCP Finance Bank – EUR 4.484 M	March, 2009	March, 2014	Euribor 3M + Remain Prize: 1st year 0.125%;2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	1,451	1,451
BCP Finance Bank – EUR 2.353 M	April, 2009	April, 2014	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.750%; 4th year 1.000%; 5th year 1.250%	579	579
BCP Finance Bank – EUR 0.554 M	May, 2009	May, 2014	Euribor 3M + Remain Prize: 1st year 0.125%;2nd year 0.250%; 3rd year 0.750%; 4th year 1.000%; 5th year 1.250	32	32
BCP Finance Bank – EUR 0.758 M	June, 2009	June, 2014	Euribor 3M + Remain Prize 1st year 0.125%; 2nd year 0.250%; 3rd year 0.750%; 4th year 1.000%; 5th year 1.250%	232	232
BCP Finance Bank – EUR 15 M	July, 2009	July, 2017	Euribor 3M + 2.500%	15,000	15,000
BCP Finance Bank – EUR 1.648 M	August, 2009	August, 2014	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.750%; 4th year 1.000%; 5th year 1.250%	411	411
BCP Finance Bank – EUR 15.492	November, 2009	November, 2014	1st year=2.500%; 2nd year=2.750%; 3rd year=3.00%; 4th year=3.500%; 5th year=4.500%	13,640	14,457
BCP Finance Bank – EUR 5 M	December, 2009	March, 2015	Euribor 3M + 2.250%	5,000	5,000
BCP Finance Bank – EUR 12,951 M	December, 2009	December, 2014	1st year=2.500%; 2nd year=2.75%; 3rd year=3.000%;4th year=3.500%; 5th year=4.250%	10,259	10,871
BCP Finance Bank – EUR 8.424 M	January, 2010	January, 2015	1st year=2.500%; 2nd year=2.75%; 3rd year=3.250%; 4th year=4.125%; 5th year=5.000%	6,608	7,057
BCP Finance Bank – EUR 23,861 M	March, 2010	March, 2013	1.º semestre=2,250%; 2.º semestre=2,500%; 3.º semestre=2,750%; 4.º semestre=3,000%; 5.º semestre=3,250%; 6.º semestre=4,500%	19,152	19,258
BCP Finance Bank – EUR 8.283 M	March, 2010	March, 2013	1st sem.=1.500%; 2nd sem.=1.750%; 3rd sem.=2.000%; 4th sem.=2.250%; 5th sem.=2.500%; 6th sem.=3.500%	7,064	7,100
BCP Finance Bank – EUR 4.64 M	April, 2010	April, 2015	1st sem.=2.000%; 2nd sem.=2.125%; 3rd sem.=2.250%; 4th sem.=2.375%; 5th sem.=2.500%; 6th sem.=2.750%; 7th sem.=2.875%; 8th sem.=3.125%; 9th sem.=3.500%; 10th sem.=4.000%	3,853	4,084

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Finance Bank – EUR 15.733 M	April, 2010	April, 2015	1st sem.=2.250%; 2nd sem.=2.500%; 3rd sem.=2.600%; 4th sem.=2.800%; 5th sem.=3.000%; 6th sem.=3.150%; 7th sem.=3.200%; 8th sem.=3.500%; 9th sem.=3.800%; 10th sem.=4.500%	12,550	13,299
BCP Finance Bank – EUR 0.785 M	April, 2010	April, 2014	1st sem.=1.75%; 2nd sem.=1.875%; 3rd sem.=2.000%; 4th sem.=2.125%; 5th sem.=2.250%; 6th sem.=2.375%; 7th sem.=2.500%; 8th sem.=3.000%	669	688
BCP Finance Bank – EUR 3.857 M	April, 2010	April, 2014	Indexed to a portfolio of shares	3,671	3,777
BCP Finance Bank – USD 9.32 M	June, 2010	June, 2014	1st sem.=2.000%; 2nd sem.=2.125%; 3rd sem.=2.250%; 4th sem.=2.375%; 5th sem.=2.500%; 6th sem.=2.750%; 7th sem.=3.000%; 8th sem.=3.500%	5,527	5,686
BCP Finance Bank – EUR 3.635 M	June, 2010	June, 2014	1st sem.=1.875%; 2nd sem.=2.000%; 3rd sem.=2.125%; 4th sem.=2.250%; 5th sem.=2.375%; 6th sem.=2.500%; 7th sem.=2.625%; 8th sem.=3.250%	3,308	3,402
BCP Finance Bank – EUR 1.458 M	June, 2010	June, 2014	1st sem.=1.625%; 2nd sem.=1.750%; 3rd sem.=1.875%; 4th sem.=2.000%; 5th sem.=2.125%; 6th sem.=2.250%; 7th sem.=2.375%; 8th sem.=3.000%	1,317	1,354
BCP Finance Bank – EUR 1.756 M	August, 2010	August, 2015	1st sem.=1.875%; 2nd sem.=2.000%; 3rd sem.=2.125%; 4th sem.=2.250%; 5th sem.=2.375%; 6th sem.=2.500%; 7th sem.=2.750%; 8th sem.=2.875% 9th sem.=3.000%; 10th sem.=3.500%	1,628	1,713
BCP Finance Bank – EUR 11.537 M	August, 2010	August, 2015	1st sem.=2.125%; 2nd sem.=2.300%; 3rd sem.=2.425%; 4th sem.=2.550%; 5th sem.=2.800%; 6th sem.=3.050%; 7th sem.=3.300%; 8th sem.=3.550%; 9th sem.=3.800%; 10th sem.=4.300%	9,259	9,780
BCP Finance Bank – USD 3.069 M	August, 2010	August, 2015	1st sem.=1.875%; 2nd sem.=2.000%; 3rd sem.=2.125%; 4th sem.=2.250%; 5th sem.=2.375%; 6th sem.=2.500%; 7th sem.=2.625%; 8th sem.=2.875%; 9th sem.=3.250%; 10th sem.=3.750%	2,178	2,275
BCP Finance Bank – EUR 3.547 M	September, 2010	September, 2015	1st sem.=1.875%; 2nd sem.=2.000%; 3rd sem.=2.125%; 4th sem.=2.250%; 5th sem.=2.375%; 6th sem.=2.500%; 7th sem.=2.750%; 8th sem.=2.875% 9th sem.=3.000%; 10th sem.=3.500%	3,294	3,471
BCP Finance Bank – EUR 19.203 M	September, 2010	September, 2015	1st sem.=2.175%; 2nd sem.=2.300%; 3rd sem.=2.425%; 4th sem.=2.550%; 5th sem.=2.800%; 6th sem.=3.050%; 7th sem.=3.300%; 8th sem.=3.550%; 9th sem.=3.800%; 10th sem.=4.300%	16,433	17,385

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Finance Bank – EUR 0.595 m	October, 2010	April, 2013	1st sem.=1.850%; 2nd sem.=1.975%; 3rd sem.=2.225%; 4th sem.=2.475%; 5th sem.=2.725%	502	505
BCP Finance Bank – EUR 8.722 m	October, 2010	April, 2013	1st sem.=2.300%; 2nd sem.=2.425%; 3rd sem.=2.675%; 4th sem.=2.925%; 5th sem.=3.425%	7,672	7,726
BCP Finance Bank – EUR 0.155 m	November, 2010	May, 2013	1st sem.=1.850%; 2nd sem.=1.975%; 3rd sem.=2.225%; 4th sem.=2.475%; 5th sem.=2.725%	92	93
BCP Finance Bank – EUR 2.617 m	November, 2010	May, 2013	1st sem.=2.300%; 2nd sem.=2.425%; 3rd sem.=2.675%; 4th sem.=2.925%; 5th sem.=3.425%	2,170	2,189
BCP Finance Bank – EUR 0.026 m	December, 2010	June, 2014	1st sem.=1.750%; 2nd sem.=2.000%; 3rd sem.=2.250%; 4th sem.=2.500%; 5th sem.=2.750% ; 6th sem.=3.000%; 7th sem.=3.250%	20	21
BCP Finance Bank – EUR 1.078 m	December, 2010	June, 2014	1st sem.=2.500%; 2nd sem.=2.750%; 3rd sem.=3.000%; 4th sem.=3.250%; 5th sem.=3.500% ; 6th sem.=3.750%; 7th sem.=4.000%	933	964
BCP Finance Bank – EUR 0.354 m	February, 2011	February, 2014	1st sem.=2.500%; 2nd sem.=2.625%; 3rd sem.=2.750%; 4th sem.=3.000%; 5th sem.=3.125%; 6th sem.=4.000%	295	303
BCP Finance Bank – EUR 0.525 m	March, 2011	March, 2014	1st sem.=2.500%; 2nd sem.=2.625%; 3rd sem.=2.750%; 4th sem.=3.000%; 5th sem.=3.125%; 6th sem.=4.000%	354	366
BCP Finance Bank – EUR 0.6 m	June, 2011	June, 2013	1st year=3.000%: 2nd year=3.750%	455	456
Bank Millennium (Greece):					
Kion 2006-1 A	December, 2006	July, 2051	Euribor 3M + 0.150%	91,900	91,900
Kion 2006-1 B	December, 2006	July, 2051	Euribor 3M + 0.270%	12,308	12,308
Kion 2006-1 C	December, 2006	July, 2051	Euribor 3M + 0.550%	7,856	7,856
Magellan Mortgages No. 2:					
SPV Magellan No. 2 - Class A Notes	October, 2003	July, 2036	Euribor 3M + 0.440%	152,975	152,975
SPV Magellan No. 2 - Class B Notes	October, 2003	July, 2036	Euribor 3M + 1.100%	39,640	39,640
SPV Magellan No. 2 - Class C Notes	October, 2003	July, 2036	Euribor 3M + 2.300%	18,900	18,900
SPV Magellan No. 2 - Class D Notes	October, 2003	July, 2036	Euribor 3M + 1.700%	3,500	3,500
Magellan Mortgages No. 3:					
Mbs Magellan Mortgages S.3 Cl.A	June, 2005	May, 2058	Euribor 3M + 0.130%	407,165	375,987
Mbs Magellan Mortgages S.3 Cl.B	June, 2005	May, 2058	Euribor 3M + 0.190%	1,995	1,842
Mbs Magellan Mortgages S.3 Cl.C	June, 2005	May, 2058	Euribor 3M + 0.290%	3,098	2,861
Nova Finance No. 4:					
Nova No. 4 - Class A Notes	December, 2007	March, 2019	Euribor 3M + 0.30%. a.a. (Actual/360)	183,598	55,421
BIM – Banco Internacional de Moçambique, S.A:					
Obrigações BIM / 2010	October, 2010	October, 2015	Fixed rate of 19.000%	25,526	25,526
					13,312,942
Accruals					128,831
					13,441,773

The balance Debt securities issued includes, as at 31 December 2011, the amount of Euros 441,916,000 related to the issue of senior debt, resulting from the exchange offer of subordinated debt and preferred shares occurred in October of 2011.

This balance is analysed by the period to maturity as follows:

(Thousands of Euros)

	'12	'11
Bonds:		
Up to 3 months	**3,116,652**	1,120,330
3 to 6 months	**831,774**	184,194
6 to 12 months	**888,725**	725,798
1 to 5 years	**7,394,863**	9,203,028
Over 5 years	**1,080,928**	3,314,646
	13,312,942	14,547,996
Accruals	**128,831**	151,590
	13,441,773	14,699,586
Commercial paper:		
Up to 3 months	-	1,434,000
	-	1,434,000
Accruals	-	5,407
	-	1,439,407
Other:		
Up to 3 months	**6,959**	3,454
6 to 12 months	-	4,737
1 to 5 years	-	9,193
Over 5 years	**99,531**	79,825
	106,490	97,209
	13,548,263	16,236,202

36. Financial liabilities held for trading

The balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Derivatives		
FRA	**1,432**	27
Swaps	**1,169,446**	1,298,411
Forwards over preference shares	-	2,601
Options	**155,449**	29,739
Embedded derivatives	**693**	11,351
Forwards	**4,821**	13,250
Others	**61,353**	123,301
	1,393,194	1,478,680
of which:		
Level 2	**1,393,194**	1,478,680

As referred in IFRS 7, financial liabilities held for trading are classified in accordance with the following fair value measurement level:

– Level 1: financial instruments measured in accordance with quoted market prices or providers.
– Level 2: financial instruments measured in accordance with internal valuation techniques based on observable market inputs.

– Level 3: financial instruments measured in accordance with valuation techniques based on inputs not based on observable data that have significant impact in the instruments valuation.

The balance Financial liabilities held for trading includes the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 d), in the amount of Euros 693,000 (31 December 2011: Euros 11,351,000). This note should be analysed together with note 23.

37. Other financial liabilities at fair value through profit or loss

The balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Deposits from credit institutions	-	14,510
Deposits from customers	**14,532**	5,834
Bonds	**314,735**	2,558,646
	329,267	**2,578,990**

Other financial liabilities at fair value through profit or loss are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 7, these instruments are classified in level 2.

The balance Other financial liabilities at fair value through profit or loss account is revalued against income statement, as referred in the accounting policy presented in note 1 d). As at 31 December 2012, a loss in the amount of Euros 30,047,000 was recognised (31 December 2011: loss of Euros 20,591,000) related to the fair value changes resulting from variations in the credit risk of the Group.

The characteristics of the bonds issued by the Group at fair value through profit or loss as at 31 December, 2012 are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Banco Comercial Português:					
BCP Inv Telecoms Mar 2013	March, 2010	March, 2013	Indexed to a portfolio of 3 shares	7,050	6,972
BCP Iln Euro Inv Apr 10/13	April, 2010	April, 2013	Indexed to a portfolio of indexes	1,847	1,828
BCP Rend Diversificado Apr 10/13	April, 2010	April, 2013	Indexed to a portfolio of 4 shares	1,730	1,705
BCP Cln Portugal - Emtn 726	June, 2010	June, 2018	Fixed rate of 4.720%	59,600	57,085
BCP Iln Inv Opc Tripla Jun 10/13	June, 2010	June, 2013	Indexed to a portfolio of 4 shares	1,189	1,218
BCP Cabaz Mundial 26 Oct 10/14	October, 2010	October, 2014	Indexed to a portfolio of 4 shares	220	207
BCP Eur Cln Port 2Emis Jun 10/18	November, 2010	June, 2018	Fixed rate of 4.450%	14,600	14,006
BCP Eur Cln Portugal 10/15.06.20	November, 2010	June, 2020	Fixed rate of 4.800%	30,000	27,210
BCP Iln Inv Índices Mundiais Xi	November, 2010	November, 2013	Indexed to a portfolio of 3 indexes	1,771	1,751
BCP Iln Inv Índices Mundiais Xii	December, 2010	December, 2013	Indexed to a portfolio of 3 indexes	2,100	2,127
BCP Iln Blue Chip Cupão Conve I – I I	January, 2011	January, 2016	Indexed to índice DJ EuroStoxx 50	3,000	3,159
BCP Iln Range Acc Infl I – 11 jan 2016	January, 2011	January, 2016	Fixed rate of 3.500%	3,000	2,739
BCP Iln Ações Eur E Eua Ii 11	February, 2011	February, 2014	Indexed to a portfolio of indexes	1,680	1,830
BCP Iln Reto Fin Cup Ext 2014	February, 2011	February, 2014	Fixed rate of 8% year+portfolio of 2 shares	1,010	812
BCP Iln Seleç Merc Emerg 10 Feb 16	February, 2011	February, 2016	Indexed to MSCI Emerging Market Fund	1,005	896
BCP Iln Invest Dupla Opcao Feb 13	February, 2011	February, 2013	Indexed to a portfolio of 4 shares	7,443	7,315
BCP Iln Indic Internac Cup Fixo Iii	March, 2011	March, 2015	Fixed rate of 10% year+portfolio of	1,410	1,309
BCP Iln Merc Emerg Asia Autocalle	March, 2011	March, 2014	Indexed to a portfolio of 3 indexes	1,285	1,326
BCP Inv America Latina May 2014	May, 2011	May, 2014	Indexed to S&P Latin America 40	1,414	1,424
BCP Iln Empr E Sober Autocc V 11	May, 2011	May, 2014	Indexed to a portfolio of indexes	775	853
BCP Ind Eru Autocallable Jun 2013	June, 2011	June, 2013	Indexed to a portfolio of shares	3,405	3,071
BCP Iln Inv Dupla Opc Eur Jun 13	June, 2011	June, 2013	Fixed rate of 3% year+portfolio of shares	7,230	7,065
Industria Mundial Autocallable Vii	July, 2011	July, 2013	Indexed to a portfolio of 4 shares	3,480	3,580
Rend Real Eur Vii 11-Emtn 817	July, 2011	July, 2014	Indexed to Eurostat Eurozone Harmonised Index of Consumer Prices	3,395	3,318

(continue)

(continuation)

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Rend Real Usd Vii 11-Emtn 816	July, 2011	July, 2014	Indexed to The US CPI Urban Consum Index	796	818
BCP Cab Tecnol Usa Autoc Viii	August, 2011	August, 2014	Indexed to a portfolio of 3 shares	1,400	1,371
BCP Iln Estr Global Viii/11 Eur	August, 2011	August, 2016	Fixed rate of 1.600% per year	2,710	3,158
BCP Inv Dupla Opcao Eur Sep11	September, 2011	September, 2013	Fixed rate of 3.000% (1st interest); indexed to portfolio of 4 shares (2nd and following)	8,297	8,436
Bcp Cp Fix Ant Autocall Iv-Vm Sr. 198	April, 2012	April, 2014	Fixed rate of 7,500%	1,835	1,621
Bcp Eur Cln Portugal 3Rd-Emtn 840	May, 2012	June, 2018	Fixed rate of 4,450%	33,700	33,537
Bcp Blue Chips Zona Eur Viii-Vm Sr. 263	August, 2012	August, 2013	Indexed to DJ EuroStoxx 50	1,720	1,834
Bcp Ind Tecn Eua Autoc Viii-Vm Sr. 264	August, 2012	August, 2015	Indexed to a portfolio of 4 shares	1,210	1,256
Multsetores Zona Euro Autoc -Vm Sr. 283	October, 2012	October, 2013	Indexed to a portfolio of indexes	1,400	1,458
Inv. Reemb. Duplo-Vm Sr. 270	November, 2012	November, 2014	Indexed to DJ EuroStoxx 50	4,963	4,698
Inv. Europa Nov 14-Vm Sr. 271	November, 2012	November, 2014	Indexed to a portfolio of 3 indexes	15,512	15,461
Invest. Mundial Nov 14-Vm Sr. 272	November, 2012	November, 2014	Indexed to a portfolio of 5 shares	21,219	20,260
Inv. Reem. Duplo Zona Eur-Vm Sr. 284	November, 2012	November, 2014	Indexed to DJ EuroStoxx 50	5,460	5,284
Cabaz 2 Indices Autocall Xi-Vm Sr. 287	November, 2012	November, 2014	Indexed to a portfolio of 2 indexes	2,440	2,561
Rend. Zona Euro Dec 14-Vm Sr. 293	December, 2012	December, 2014	1st sem.=1.250%; 2nd sem.=3.33333% after indexed to DJ EuroStoxx 50	3,880	3,748
Bcp Inv. Europa Dec 14-Vm 285	December, 2012	December, 2014	Indexed to a portfolio of 3 indexes	24,991	25,749
Bcp Inv. Mundial Dec 14-Vm 286	December, 2012	December, 2014	Indexed to a portfolio of 4 shares	24,979	23,899
BCP Finance Bank:					
MTN – EUR 9 Millions	June, 2008	June, 2013	Indexed to DB SALSA Sector EUR	148	228
MTN – EUR 1.075 Millions	November, 2009	November, 2014	Indexed to Down Jones EuroStoxx 50	980	1,019
MTN – EUR 1.295 Millions	March, 2010	March, 2013	Indexed to a portfolio of 3 indexes	860	903
MTN – EUR 1 Millions	June, 2010	June, 2013	Indexed to a portfolio of 4 shares	919	984
					311,089
Accruals					**3,646**
					314,735

This balance is analysed by the period to maturity as follows:

(Thousands of Euros)

	'12	'11
Bonds issued:		
Up to 3 months	**15,190**	2,197,579
3 to 6 months	**16,099**	115,973
6 to 12 months	**19,186**	27,573
1 to 5 years	**128,776**	85,332
Over 5 years	**131,838**	63,033
	311,089	2,489,490
Accruals	**3,646**	69,156
	314,735	2,558,646

38. Provisions for liabilities and charges

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Provision for guarantees and other commitments	**107,470**	100,708
Technical provision for the insurance activity:		
For direct insurance and reinsurance accepted:		
Unearned premium / reserve	**11,403**	13,663
Life insurance	**50,814**	56,039
Bonuses and rebates	**2,286**	2,866
Other technical provisions	**9,962**	9,095
Provision for pension costs	**4,440**	3,768
Other provisions for liabilities and charges	**66,953**	59,961
	253,328	**246,100**

Changes in Provision for guarantees and other commitments are analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	**100,708**	80,906
Transfers	**3,739**	7,930
Charge for the year	**17,091**	28,423
Write-back for the year	**(13,944)**	(16,743)
Amounts charged-off	**-**	(233)
Exchange rate differences	**(124)**	425
Balance on 31 December	**107,470**	100,708

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	**59,961**	89,397
Transfers resulting from changes in the Group's structure	**-**	4
Transfers	**(1,460)**	1,392
Charge for the year	**14,763**	4,620
Write-back for the year	**(1,119)**	(30,356)
Amounts charged-off	**(4,685)**	(5,225)
Exchange rate differences	**(507)**	129
Balance on 31 December	**66,953**	59,961

The provisions are accounted in accordance with the probability of occurrence of certain contingencies related with the Group's inherent risks, which are revised in each reporting date in order to reflect the best estimate of the amount and probability of payment.

39. Subordinated debit

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Bonds	**4,298,773**	1,146,543
	4,298,773	1,146,543

The caption Subordinated debt – Bonds includes, as at 31 December 2012, the amount of Euros 3,000,000,000 related to the issue of hibrids subordinated debt instruments that qualify as core tier I Capital (CoCo's), in 29 June 2012 by Banco Comercial Português, S.A. and fully subscribed by the Portuguese State. The instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances such as deliquency or lack of payment, are susceptible of being convert in Bank's ordinary shares.

The referred instruments were issued under the scope of the recapitalization program of the Bank, using the Euros 12,000,000,000 line made available by the Portuguese State, under the scope of the IMF intervention program, in accordance with the Law no. 150-A/2012. These instruments are eligible for prudential efects as core tier I, allowing the Bank to fulfil the 10% limit of the core tier I ratio as at 31 December 2012, as referred in note 53. However, under the IAS 32 – Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability, according with its characteristics, namelly: (i) mandatory obligation to pay capital and interests; and (ii) in case of settlement through the delivery of equity securites, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled.

Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank.

The operation has an increasing interest rate begining in 8.5% and ending at the maturity at 10% in 2017.

As at 31 December 2012, the characteristics of subordinated debt issued are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Non Perpetual Bonds					
Banco Comercial Português:					
Mbcp Ob Cx Sub 1 Serie 2008-2018	September, 2008	September, 2018	See reference (i)	251,440	251,440
Mbcp Ob Cx Sub 2 Serie 2008-2018	October, 2008	October, 2018	See reference (i)	70,802	70,802
Bcp Ob Sub Jun 2020 – Emtn 727	June, 2010	June, 2020	See reference (ii)	87,178	90,996
Bcp Ob Sub Aug 2020 – Emtn 739	August, 2010	August, 2020	See reference (iii)	53,298	56,384
Bcp Ob Sub Mar 2021 – Emtn 804	March, 2011	March, 2021	See reference (iv)	114,000	114,000
Bcp Ob Sub Apr 2021 – Emtn 809	April, 2011	April, 2021	See reference (iv)	64,100	64,100
Bcp Ob Sub 3S Apr 2021 – Emtn 812	April, 2011	April, 2021	See reference (iv)	35,000	35,000
Bcp Sub 11/25.08.2019 – Emtn 823	August, 2011	August, 2019	Fixed rate of 6.383%	7,500	8,165
Bcp Subord Sep 2019 – Emtn 826	October, 2011	September, 2019	Fixed rate of 9.310%	50,000	47,157
Bcp Subord Nov 2019 – Emtn 830	November, 2011	November, 2019	Fixed rate of 8.519%	40,000	35,637
Bcp Subord Dec 2019 – Emtn 833	December, 2011	December, 2019	Fixed rate of 7.150%	26,600	21,837
Mill Bcp Subord Jan 2020 – Emtn 834	January, 2012	January, 2020	Fixed rate of 7.010%	14,000	10,822
Mbcp Subord Fev 2020 – Vm Sr. 173	April, 2012	February, 2020	Fixed rate of 9.000%	23,000	19,623
Bcp Subord Abr 2020 – Vm Sr 187	April, 2012	April, 2020	Fixed rate of 9.150%	51,000	44,050
Bcp Subord 2 Serie Abr 2020 – Vm 194	April, 2012	April, 2020	Fixed rate of 9.000%	25,000	21,408
Bcp Subordinadas Jul 20 – Emtn 844	July, 2012	July, 2020	Fixed rate of 9.000%	26,250	21,515

(continue)

(continuation)

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bank Millennium:					
Bank Millennium 2007	December, 2007	December, 2017	Fixed rate of 6.337%	150,523	150,523
Banco de Investimento Imobiliário:					
BII 2004	December, 2004	December, 2014	See reference (v)	15,000	14,989
BCP Finance Bank:					
BCP Fin Bank Ltd EMTN – 295	December, 2006	December, 2016	See reference (vi)	71,209	71,188
BCP Fin Bank Ltd EMTN – 828	October, 2011	October, 2021	Fixed rate of 13.000%	98,150	69,013
Magellan No. 3:					
Magellan No. 3 Series 3 Class F	June, 2005	May, 2058		44	44
					1,218,693
Perpetual Bonds					
BCP – Euro 200 millions	June, 2002	-	See reference (vii)	86	44
TOPS BPSM 1997	December, 1997	-	Euribor 6M + 0.900%	22,231	22,810
BCP Leasing 2001	December, 2001	-	See reference (viii)	5,054	5,054
					27,908
CoCo's					
Bcp Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (ix)	3,000,000	3,017,754
Accruals					**34,418**
					4,298,773

(i) 1st year 6.000%; 2nd to 5th year Euribor 6M + 1.000%; 6th year and following Euribor 6M + 1.400%;
(ii) Until the 5th year fixed rate of 3.250%; 6th year and following years Euribor 6M + 1.000%;
(iii) 1st year: 3.000%; 2nd year 3.250%; 3rd year 3.500%; 4th year 4.000%; 5th year 5.000%; 6th year and following Euribor 6M + 1.250%;
(iv) Euribor 3M + 3.750% per year;
(v) Until 10th coupon Euribor 6M + 0.400%; After 10th coupon Euribor 6M + 0.900%;
(vi) Euribor 3M + 0.300% (0.800% after December 2011);
(vii) Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.400%;
(viii) Until 40th coupon Euribor 3M + 1.750%; After 40th coupon Euribor 3M + 2.250%;
(ix) 1st year: 8.500%; 2nd year 8.750%; 3rd year 9.000%; 4th year 9.500%; 5th year 10.000%.

The balance Subordinated debt included, as at 31 December 2011, the amount of Euros 45,300,000 related to the issue of subordinated debt, as a result of the exchange offer occurred in October 2011, as referred in note 48.

The analysis of the subordinated debt by the period to maturity, is as follows:

(Thousands of Euros)

	'12	'11
1 to 5 years	**3,254,454**	86,200
Over 5 years	**981,993**	989,013
Undetermined	**27,908**	63,282
	4,264,355	**1,138,495**
Accruals	**34,418**	8,048
	4,298,773	**1,146,543**

40. Other liabilities

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Creditors:		
Suppliers	**50,388**	49,000
From factoring operations	**6,444**	2,839
Associated companies	**160**	457
Other creditors	**239,974**	423,983
Public sector	**86,934**	74,125
Interests and other amounts payable	**98,381**	83,948
Deferred income	**7,097**	8,948
Holiday pay and subsidies	**69,370**	75,863
Other administrative costs payable	**1,313**	2,214
Amounts payable on trading activity	**35,999**	316,625
Other liabilities	**349,569**	609,206
	945,629	1,647,208

The balance Creditors – Other creditors includes the amount of Euros 4,413,000 (31 December 2011: Euros 5,504,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors. As referred in note 50, the above mentioned obligations are not covered by the Pension Fund, and therefore correspond to amounts payable by the Group.

The balance Creditors – Other creditors also includes, Euros 49,562,000 (31 December 2011: Euros 53,150,000) related with the seniority premium, as described in note 50.

The balance Other liabilities includes the amount of Euros 139,071,000 (31 December, 2011: Euros 90,475,000) related to liabilities for post-employment benefits not covered by the pension fund, as described in note 50.

41. Share capital, preference shares and other capital instruments

The share capital of the Bank, amounts to Euros 3,500,000,000 and is represented by 19,707,167,060 nominate and ordinary shares without nominal value, which is fully paid.

In accordance with the Decree-Law no. 49/2010 of 19 May, that allows share capital of a company to be represented by shares without nominal value, the General Shareholders Meeting of Banco Comercial Português, S.A. approved in 2011 that the share capital of Banco Comercial Português, S.A. would be represented by shares with no nominal value.

Under the Bank's Capitalisation Plan, the share capital increase was successfully completed, following the issue of ordinary shares in the amount of Euros 500,000,000, through subscription reserved for shareholders exercising their legal preference right, of 12,500,000,000 new shares.

In accordance with the Shareholders General Meeting in 31 May of 2012, and as referred in note 48, in June 2012, the Bank reduced the share capital from Euros 6,064,999,986 to Euros 3,000,000,000, without changing the number of shares without nominal value at this date. The redution included two components: a) Euros 1,547,873,439.69 to cover losses on the individual accounts of the Bank occured in the year 2011; b) Euros 1,517,126,546.31, to reinforce the future conditions in order to have funds that can be distribute.

In 2011, the preference shares issued by BCP Finance Company in the amount of Euros 1,000,000,000, which in acordance with IAS 32 and the accounting policy described in note 1 h) were considered as capital instruments, were converted, in to debt instruments in accordance with the offering lauched by Banco Comercial Português, S.A. in 22 September 2011, for debt instruments and preference shares holders, included on the liability management strategy of the Group.

In June 2011 Banco Comercial Português, S.A. performed a share capital increase from Euros 4,694,600,000 to Euros 6,064,999,986 as a result of:

(i) Euros 120,400,000, by incorporation of share premium reserves, through the issuance of 206,518,010 new ordinary and nominative shares without nominal value;
(ii) Euros 990,147,000, by contribution in kind of 990,147 perpetual subordinated instruments with interests conditioned, by issuing 1,584,235,200 new ordinary and nominative shares without nominal value, that resulted in the conversion of the majority of the perpetual subordinated securities. These perpetual subordinated instruments result from the issue, during 2009, of three tranches of the program, in the amount of Euros 1,000,000,000 which, due to its characteristics, have been considered, in accordance with the accounting policy described in note 1 h), as equity instruments in accordance with IAS 32.
(iii) Euros 259,852,986, by the issue of 721,813,850 ordinary shares without nominal value, with the issue and subscribe value of Euros 0.36, with preference reserve to the shareholders, in the exercise of the preference legal rights.

42. Legal reserve

Under Portuguese legislation, the Bank is required to set-up annually a legal reserve equal to a minimum of 10 percent of annual profits until the reserve equals the share capital. Such reserve is not normally distributable. In accordance with the proposal of share capital reduction approved in the General Shareolders Meeting held on 31 May 2012, the Bank increase the legal reserves in the amount of Euros 123,892,877.

In accordance with current legislation, the Group companies must set-up annually a reserve with a minimum percentage between 5 and 20 percent of their net annual profits depending on the nature of their economic activity.

43. Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Actuarial losses (net of taxes)	**(1,843,748)**	(1,710,015)
Exchange differences arising on consolidation	**(93,159)**	(118,242)
Fair value reserves		
Financial assets available for sale		
Potencial gains and losses recognised in fair value reserves	**135,787**	(253,215)
Fair value hedge adjustments	**(2,222)**	-
Loans represented by securities (*)	**(30)**	(884)
Financial assets held to maturity (*)	**5,863**	6,227
In associated companies and others	**(70,521)**	(223,382)
Cash-flow hedge	**(33,124)**	12,126
	35,753	**(459,128)**
Tax		
Financial assets available for sale		
Potencial gains and losses recognised in fair value reserves	**(38,331)**	73,522
Fair value hedge adjustments	**644**	-
Loans represented by securities	**9**	256
Financial assets held to maturity	**(1,700)**	(1,806)
Cash-flow hedge	**6,293**	(2,304)
	(33,085)	**69,668**
	(1,934,239)	**(2,217,717)**
Other reserves and retained earnings:		
Legal reserve	**600,000**	476,107
Statutory reserve	**30,000**	30,000
Other reserves and retained earnings	**2,325,250**	246,143
Other reserves arising on consolidation	**(168,322)**	(165,483)
	2,786,928	**586,767**

(*) Refers to the amount not accrued the fair value reserve at the date of reclassification for securities subject to reclassification (see note 23).

The fair value reserve is analysed as follows:

(Thousands of Euros)

	'12	'11
Financial assets available for sale at amortised cost	**9,218,569**	5,089,601
Accumulated impairment recognised	**(130,945)**	(62,272)
Amortised cost net of impairment	**9,087,624**	5,027,329
Fair value reserves		
Gains and losses recognised in fair value reserves	**135,787**	(253,215)
Market value of financial assets available for sale	**9,223,411**	4,774,114

The legal reserve changes are analysed in note 42. The Fair value reserves correspond to the accumulated fair value changes of the financial assets available for sale and Cash flow hedge, in accordance with the accounting policy presented in note 1 d).

The balance Statutory reserves corresponds to a reserve to steady dividends that, according with the Bank's by-laws can be distributed.

The balance Other comprehensive income includes gains and losses that in accordance with IAS/IFRS are recognised in equity.

The balance Other reserves and retained earnings included in 31 December, 2011 the amount of Euros 440,435,000 regarding the positive impact of the exchange of preference shares for new debt instruments.

The changes occurred, during 2012, in Fair value reserves for loans represented by securities, financial assets available for sale, financial assets held to maturity, investments in associated companies and others, are analysed as follows:

(Thousands of Euros)

	Balance on 1 January	Revaluation	Impairment in profit and loss	Sales	Balance on 31 December
Millenniumbcp Ageas	(225,886)	151,753	-	-	(74,133)
Portuguese public debt securities	(174,728)	351,446	-	(47,199)	129,519
Other investments	(70,640)	8,555	74,580	996	13,491
	(471,254)	511,754	74,580	(46,203)	68,877

The changes occurred, during 2011, in Fair value reserves for loans represented by securities, financial assets available for sale, financial assets held to maturity, investments in associated companies and others, are analysed as follows:

(Thousands of Euros)

	Balance on 1 January	Revaluation	Impairment in profit and loss	Sales	Balance on 31 December
Millenniumbcp Ageas	(120,434)	(105,452)	-	-	(225,886)
Portuguese public debt securities	(811)	(174,101)	-	184	(174,728)
Other investments	(45,994)	(38,394)	17,185	(3,437)	(70,640)
	(167,239)	(317,947)	17,185	(3,253)	(471,254)

44. Treasury stock

This balance is analysed as follows:

	Banco Comercial Português, S.A. shares	Other trasury stock	Total
2012			
Net book value (Euros '000)	6,377	7,835	14,212
Number of securities	85,018,572(*)		
Average book value (Euros)	0,08		
2011			
Net book value (Euros '000)	3,803	7,619	11,422
Number of securities	25,127,258(*)		
Average book value (Euros)	0.15		

Treasury stock refers to own securities held by the companies included in the consolidation perimeter. These securities are held within the limits established by the Bank's by-laws and by Código das Sociedades Comerciais.

(*) As at 31 December 2012, this balance includes 85,018,572 shares (31 December 2011: 20,695,482 shares) owned by clients which were financed by the Bank. Considering the fact that for these clients there is evidence of impairment, under the IAS 39 the shares of the Bank owned by these clients were, only for accounting purposes and in accordance with this standard, considered as treasury stock.

45. Non-controlling interests

This balance is analysed as follows:

(Thousands of Euros)

	Balance sheet		Income statement	
	'12	'11	'12	'11
Bank Millennium, S.A.	**408,371**	354,789	**36,050**	39,627
BIM – Banco Internacional de Moçambique, SA	**114,583**	109,645	**29,614**	30,738
Banco Millennium Angola, S.A.	**109,198**	83,999	**18,353**	15,752
Other subsidiaries	**(4,138)**	(818)	**(2,173)**	(264)
	628,014	547,615	**81,844**	85,853

The movements of the non-controlling interests are analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	**547,615**	497,501
Exchange differences	**16,779**	(20,080)
Share capital increase of Banco Millennium Angola	**7,971**	-
Share capital reimbursement of M Inovação	**(1,179)**	-
Dividends	**(10,746)**	(19,154)
Fair value reserves	**(17,919)**	13,036
Other	**3,649**	(9,541)
	(1,445)	(35,739)
Net income attributable to non-controlling interests	**81,844**	85,853
Balance on 31 December	**628,014**	547,615

46. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Guarantees granted	**6,421,332**	7,873,914
Guarantees received	**29,223,557**	30,238,624
Commitments to third parties	**8,548,959**	9,699,210
Commitments from third parties	**16,079,980**	13,483,634
Securities and other items held for safekeeping on behalf of customers	**109,900,993**	121,083,525
Securities and other items held under custody by the Securities Depository Authority	**135,503,962**	132,002,341
Other off balance sheet accounts	**163,375,235**	165,643,770

The amounts of Guarantees granted and Commitments to third parties are analysed as follows:

(Thousands of Euros)

	'12	'11
Guarantees granted:		
Guarantees	**5,065,783**	6,127,839
Stand-by letter of credit	**196,457**	293,015
Open documentary credits	**220,991**	272,304
Bails and indemnities	**938,101**	1,180,756
	6,421,332	**7,873,914**
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	**4,328**	28,328
Irrevocable credit lines	**2,078,741**	2,145,275
Securities subscription	**-**	48,024
Other irrevocable commitments	**308,493**	364,725
Revocable commitments		
Revocable credit lines	**4,889,877**	5,664,922
Bank overdraft facilities	**1,137,876**	1,348,330
Other revocable commitments	**129,644**	99,606
	8,548,959	**9,699,210**

The guarantees granted by the Group may be related with loan transactions, where the Group grants a guarantee in connection with a loan granted to a client by a third entity. According with its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow.

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore the credit risk of these transactions is limited once they are collateralised by the shipped goods and are generally short term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk is limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in note 1 c). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Group in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

Considering their nature, as described above, no material losses are anticipated as a result of these transactions.

47. Assets under Management and custody

In accordance with the no. 4 of the 29th article of Decree-Law 252/2003 of October 17, which regulates collective investment organisms, the funds Managing Companies together with the custodian Bank of the Funds, are jointly responsible to all the funds investors, for the compliance of all legal obligations arising from the applicable Portuguese legislation and in accordance with the regulations of the funds. The total value of the funds managed by the Group companies is analysed as follows:

(Thousands of Euros)

	'12	'11
Banco Comercial Português, S.A.	**558,080**	532,590
Millennium bcp Bank & Trust	**11,472**	13,237
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	**1,338,904**	1,321,955
BII Investimentos International, S.A.	**66,299**	227,258
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	**1,206,445**	1,120,921
Millennium TFI S.A.	**724,521**	492,630
Millennium Mutual Funds Management Company, Societe Anonyme	**48,960**	43,634
	3,954,681	3,752,225

The Group provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. Those assets held in a fiduciary capacity are not included in the financial statements.

The total assets under management by Group companies is analysed as follows:

(Thousands of Euros)

	'12	'11
Investment funds	**1,828,418**	1,700,508
Real estate investment funds	**1,556,711**	1,505,890
Wealth management	**569,552**	545,827
Assets under deposit	**102,972,024**	113,757,955
	106,926,705	117,510,180

48. Relevant events occurred during 2012

Increase of the Bank's Share Capital from Euros 3,000,000,000 to Euros 3,500,000,000

Under the Bank's Capitalisation Plan, the share capital increase was successfully completed, following the issue of ordinary shares in the amount of Euros 500,000,000, through subscription reserved for shareholders exercising their legal preference right, of 12,500,000,000 new shares. The Bank's share capital as at 31 December 2012 amounts to Euros 3,500,000,000 and is represented by 19,707,167,060 nominate and ordinary shares without nominal value, which is fully paid.

Issue of hybrid intruments eligible as capital core tier 1

Following (i) the definition of principles publicly announced on June 4, (ii) the approval of the Recapitalization Plan by the shareholders in a general meeting held on June 25 and (iii) the Decision made by his Excellency the Minister of State and Finance relating to the Bank's Recapitalization Plan pursuant to Article 13. of the Law 63-A/2008, of November 24, in its current wording, the Board of Directors of the Bank, with the prior approval of the Audit Committee, approved the issuance of hybrid subordinated debt instruments eligible as core tier 1 amounting to Euros 3,000,000,000, already fully subscribed and paid-up by the State. As mentioned in note 54 with the completion of this issue the Bank is adequately capitalized and ensures compliance with the capital requirements set forth by Banco de Portugal through its Notice no. 5/2012, consisting in core tier 1 of 9% at end-June 2012, calculated according to more stringent criteria in order to create a temporary capital buffer.

As referred in note 39, the instrument is considered for accounting a debt instrument.

General Meeting in 31 May 2012

On May 31, 2012, the Annual General Meeting of the Bank was held. In this meeting the following resolutions were taken: (i) Approval of the individual and consolidated annual report, balance sheet and financial statements of 2011; (ii) Approval of the proposal to transfer the losses recorded in the 2011 individual balance sheet, amounting to 468,526,835.71 Euros, to Retained Earnings; (iii) Approval of the remuneration policy for the members of the Board of Directors, including the Executive Committee and approval of the remuneration policy for heads of function, senior executives and other employees and (iv) Approval of the change in the items under Equity, by reducing the amount of the share capital from Euros 6,064,999,986 to Euros 3,000,000,000.

Decrease of the Bank's Share Capital from Euros 6,064,999,986 to Euros 3,000,000,000

Banco Comercial Português, S.A. in accordance to the resolutions adopted at the Annual General Meeting of the Bank held on May 31, 2012, registered, at the respective Commercial Registry Office, the decrease of the Bank's share capital from 6,064,999,986 Euros to 3,000,000,000 without changing the number of existing shares with no nominal value, being this decrease composed of two separate amounts: a) 1,547,873,439.69 Euros, to cover losses recorded in the Bank's individual financial statements for 2011; b) 1,517,126,546.31 Euros, to reinforce future conditions for having funds that may be qualified as distributable under the regulatory provisions.

Offer of repurchase bonds

During the first semester of 2012, the Bank started an offer of repurchase of debt for holders of Magellan Mortgages No. 2 plc, and Magellan Mortgages No. 3 plc securities and Floating Rate Notes issued by Banco Comercial Portuguese SA, with repayment in May 2014. The offer is included in the set of initiatives undertaken by the Bank persuant its liability management stategy. On this basis, it was repurchased Euros 486,981,371 of the nominal of these operations.

Offer to repurchase covered bonds

As at 23 March 2012, the Bank concluded the offer to repurchase the covered bonds listed below, issued by the Bank:

– Issue of Euros 1,500 millions due 22 June 2017 ("OH2017");
– Issue of Euros 1,000 millions due 29 October 2014 ("OH2014");
– Issue of Euros 1,000 millions due 8 October de 2016 ("OH2016").

The Bank accepted all of the orders given by the investors which amounted to Euros 918,650,000 (nominal value). The following table sets out the amounts tendered and accepted for each issue:

– "OH2017" – Euros 467,500,000, corresponding to 9,350 covered bonds;
– "OH2014" – Euros 129,150,000, corresponding to 2,583 covered bonds;
– "OH2016" – Euros 322,000,000, corresponding to 6,440 covered bonds.

The purpose of the offer was to proactively manage the Bank's outstanding liability and capital structure.

49. Fair Value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according with its financial characteristics and the discount rates used include both the interest rate curve and the current conditions of the pricing policy in the Group.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model that, have some degree of judgement and reflect exclusively the value attributed to different financial instruments. However it does not consider prospective factors, as the future business evolution. Therefore the values presented cannot be understood as an estimate of the economic value of the Group.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities of the Group are presented as follows:

Cash and Deposits at Central Banks, Loans and Advances to Credit Institutions Repayable on Demand

Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and Advances to Credit Institutions, Deposits from Credit Institutions and Assets with Repurchase Agreements

The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates.

For deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank was 0.75% as at 30 December 2012 (31 December 2011: 1%).

Regarding loans and advances to credit institutions and deposits from credit institutions, the discount rate used reflects the current conditions applied by the Group on identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year). As at 31 December 2012, the average discount rate was 3.87% for loans and advances and 3.13% for deposits. As at 31 December 2011 the rates were 3.36% and 3.18%, respectively.

Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives), Financial assets available for sale and Other financial liabilities at fair value through profit or loss

These financial instruments are accounted for at fair value. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content – Reuters and Bloomberg – more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets held to maturity

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value.

In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "over-the-counter", it is applied methods based on numerical cash flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content – Reuters and Bloomberg – more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the instalments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments for each of the homogeneous classes of this type of instrument and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year) and the spread used at the date of the report, which was calculated from the average production of the fourth quarter of 2012. The average discount rate was 4.92% as at 31 December 2012 and 6.38% as at 31 December 2011, assuming the projection of the variable rates according to the evoluation of the forward rates implicit in the interest rate curves. The calculations also include the credit risk spread.

Loans and advances to customers and deposits repayable on demand without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore the amount in the balance sheet is a reasonable estimate of its fair value.

Deposits from customers

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Group in similar instruments with a similar maturity. The discount rate used reflects the actual rates of the Group to this type of funds and with similar residual maturity date. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of the Group at the date of the report, which was calculated from the average production of the fourth quarter of 2012. As at 31 December 2012, the average discount rate was 3.43% and as at 31 December 2011 was 5.09%.

Debt securities issued and Subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments for which the Group adopts hedge-accounting, the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted by associated factors, predominantly the credit risk and trading margin, the latter only in the case of issues placed for non-institutional customers of the Group.

As original reference, the Group applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own debts placed among non institutional Customers of the Group, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average reference yield curve obtained from market prices in EUR and used in the calculation of the fair value of own securities was 9.71% (31 December, 2011: 21.45%) for subordinated debt placed on the institucional market not considering the CoCo's issue. This issue, as referred in note 39, corresponds to a subordinated liability totally acquired by the State, issued at 29 June 2012, and therefore the fair value corresponds to the accounting balance. Regarding the subordinated issues placed on the retail market it was determined a discount rate of 12.21% (31 December, 2011: 13.16%). The average discount rate calculated for senior issues (including the Government guaranteed and asset-backed) was 5.38% (31 December 2011: 18.00%) and 4.25% (31 December, 2011: 5.30%) for senior and collateralised securities placed on the retail market.

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined as at 31 December 2012 was a negative amount of Euros 148,283,000 (31 December 2011: a negative amount of Euros 2,626,164,000), and includes a receivable amount of Euros 2,375,000 (31 December 2011: a receivable amount of Euros 107,250,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 31 December 2012, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the assets and liabilities of the Group:

(Thousands of Euros)

	Currencies			
	EUR	USD	GBP	PLN
1 day	0.01%	0.30%	0.52%	4.16%
7 days	0.04%	0.35%	0.48%	4.16%
1 month	0.06%	0.35%	0.50%	4.11%
2 months	0.09%	0.40%	0.52%	4.06%
3 months	0.13%	0.45%	0.57%	4.01%
6 months	0.26%	0.61%	0.70%	3.98%
9 months	0.38%	0.74%	0.84%	3.92%
1 year	0.33%	0.32%	0.98%	3.43%
2 years	0.37%	0.38%	0.71%	3.36%
3 years	0.46%	0.47%	0.78%	3.31%
5 years	0.77%	0.82%	1.02%	3.36%
7 years	1.13%	1.25%	1.36%	3.44%
10 years	1.57%	1.78%	1.87%	3.57%
15 years	2.02%	2.31%	2.43%	3.43%
20 years	2.17%	2.54%	2.74%	3.28%
30 years	2.24%	2.73%	2.97%	2.97%

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2012:

(Thousands of Euros)

	'12				
	At fair value through profit or loss	Available for sale	Amortised cost	Book value	Fair value
Cash and deposits at central banks	-	-	3,580,546	3,580,546	3,580,546
Loans and advances to credit institutions repayable on demand	-	-	829,684	829,684	829,684
Other loans and advances	-	-	1,887,389	1,887,389	1,878,694
Loans and advances to customers	-	-	62,618,235	62,618,235	59,624,471
Financial assets held for trading	1,690,926	-	-	1,690,926	1,690,926
Financial assets available for sale	-	9,223,411	-	9,223,411	9,223,411
Assets with repurchase agreement	-	-	4,288	4,288	4,288
Hedging derivatives	186,032	-	-	186,032	186,032
Held to maturity financial assets	-	-	3,568,966	3,568,966	3,435,714
	1,876,958	**9,223,411**	**72,489,108**	**83,589,477**	**80,453,766**
Deposits from credit institutions	-	-	15,265,760	15,265,760	15,197,616
Amounts owed to customers	-	-	49,389,866	49,389,866	49,372,287
Debt securities	-	-	13,548,263	13,548,263	13,298,116
Financial liabilities held for trading	1,393,194	-	-	1,393,194	1,393,194
Other financial liabilities held for trading at fair value through profit or loss	329,267	-	-	329,267	329,267
Hedging derivatives	301,315	-	-	301,315	301,315
Subordinated debt	-	-	4,298,773	4,298,773	4,661,626
	2,023,776	**-**	**82,502,662**	**84,526,438**	**84,553,421**

The following table shows the fair value of financial assets and liabilities of the Group, as at 31 December 2011:

(Thousands of Euros)

	'11				
	At fair value through profit or loss	Available for sale	Amortised cost	Book value	Fair value
Cash and deposits at central banks	-	-	2,115,945	2,115,945	2,115,945
Loans and advances to credit institutions repayable on demand	-	-	1,577,410	1,577,410	1,577,410
Other loans and advances	-	-	2,913,015	2,913,015	2,902,432
Loans and advances to customers	-	-	68,045,535	68,045,535	63,530,297
Financial assets held for trading	2,145,330	-	-	2,145,330	2,145,330
Financial assets available for sale	-	4,774,114	-	4,774,114	4,774,114
Assets with repurchase agreement	-	-	495	495	495
Hedging derivatives	495,879	-	-	495,879	495,879
Held to maturity financial assets	-	-	5,160,180	5,160,180	4,344,123
	2,641,209	**4,774,114**	**79,812,580**	**87,227,903**	**81,886,025**
Deposits from credit institutions	-	-	17,723,419	17,723,419	17,647,968
Amounts owed to customers	-	-	47,516,110	47,516,110	47,372,657
Debt securities	-	-	16,236,202	16,236,202	13,610,038
Financial liabilities held for trading	1,478,680	-	-	1,478,680	1,478,680
Other financial liabilities held for trading at fair value through profit or loss	2,578,990	-	-	2,578,990	2,578,990
Hedging derivatives	508,032	-	-	508,032	508,032
Subordinated debt	-	-	1,146,543	1,146,543	730,174
	4,565,702	**-**	**82,622,274**	**87,187,976**	**83,926,539**

50. Post-employment benefits and other long term benefits

The Group assumed the liability to pay to their employees pensions on retirement or disability and other obligations. These liabilities comply with the terms of the Acordo Colectivo de Trabalho do Grupo BCP. The Group's pension obligations and other liabilities are mainly covered through the Banco Comercial Português Pension Fund managed by PensõesGere - Sociedade Gestora de Fundo de Pensões, S.A.

Following the approval by the Government of the Decree-Law no.127/2011, which was published on 31 December, an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions was established that regulated the transfer of the liabilities related with pensions currently being paid to pensioners and retirees, to the Social Security.

This agreement established that the responsibilities to be transferred relate to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the 'Instrumento de Regulação Colectiva de Trabalho (IRCT)' of the retirees and pensioners. The responsibilities related with the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continue to be under the responsibility of the Financial Institutions and being financed through the corresponding Pensions funds. The Decree-Law also establishes the terms and conditions under which the transfer was made by setting a discount rate of 4% to determine the liabilities to be transferred.

As referred in note 1w), in addition to the benefits provided for in collective agreements, the Group had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to the Group's employees hired before 21 September, 2006 (Complementary Plan).

The Group at the end of 2012 decided to extinguish ("cut") the benefit of old age of the Complementary Plan. As at 14 December 2012, the ISP (Portuguese Insurance Institute) formally approved this change in the benefit plan of the Group with effect from 1 January 2012. The cut of the plan was made and the individual rights acquired were specifically assigned to the employees. On that date, the Group also performed to the settlement of the related liability, in the amount of Euros 233,457,000.

For accounting purposes and in accordance with the requirements of IAS 19, as at 31 December, 2012, there was no impact of the change of plan considering that: (i) the present value of the liabilities had no changes, and (ii) despite the Bank has carried a settlement of the plan, the actuarial deviations associated with these liabilities had already been recognised in reserves in 2011 following the change in accounting policy. Following the changes made, the Bank has no longer any financial or actuarial risk associated with liquidated liabilities.

As at 31 December 2012 and 2011 the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

	'12	'11
Number of participants		
Pensioners	**15,978**	15,727
Employees	**9,175**	10,046
	25,153	25,773

In accordance with the accounting policy described in note 1 w), the Group's pension obligation and the respective funding for the Group based on the projected unit credit method are analysed as follows:

(Thousands of Euros)

	'12	'11
Projected benefit obligations		
Pensioners	**1,359,418**	1,336,421
Employees	**933,657**	1,115,576
	2,293,075	2,451,997
Value of the Pension Fund	**(2,432,146)**	(2,361,522)
Net (Assets)/Liabilities in balance sheet	**(139,071)**	90,475
Accumulated acturial losses recognised in other comprehensive income for the year	**2,121,528**	1,957,337

The change in the projected benefit obligations is analysed as follows:

(Thousands of Euros)

	'12			'11
	Pension benefit obligations	**Extra-Fund**	**Total**	Total
Balance as at 1 January	**2,102,073**	**349,924**	**2,451,997**	5,321,598
	(7,274)	**735**	**(6,539)**	(5,253)
Service cost	**101,489**	**16,686**	**118,175**	282,157
Interest costs				
Actuarial (gains) and losses	**(16,990)**	**(111)**	**(17,101)**	38,074
Not related to changes in actuarial assumptions	**69,826**	**19,864**	**89,690**	(317,944)
Arising from changes in actuarial assumptions	**-**	**-**	**-**	164,808
Arising from the recalculation of the liabilities transferred to the General Social Security Scheme (GSSS)		**(63,951)**	**(63,951)**	-
Impact resulting from the change of the calculation of the Death Subsidy (Decret-Law no.133/2012)	**(42,596)**	**(23,706)**	**(66,302)**	(308,322)
Payments	**(7,143)**	**-**	**(7,143)**	(2,747,408)
Transfer to the GSSS	**(233,457)**	**-**	**(233,457)**	-
Settlement of the benefit for old-age of the Supplementary Plan	**3,194**	**(169)**	**3,025**	12,275
Early retirement programmes	**11,266**	**-**	**11,266**	11,328
Contributions of employees	**13,415**	**-**	**13,415**	684
Balance at the end of the period	**1,993,803**	**299,272**	**2,293,075**	2,451,997

The balances Projected benefit obligations and Value of the Pension Fund as at 31 December 2011 reflect the effect of the transfer of liabilities and assets of the Fund associated to retirees and pensioners to the Social Security, in the amount of Euros 2,754,551,000. The settlement of 55% of the transfer, in the amount of Euros 1,510,536,000 was performed before 31 December 2011. During 2012, the Fund transfered the remainning amount of Euros 1,244,015,000.

As at 31 December 2012, the balance Impact resulting from the change of the calculation of the Death Subsidy amounts to Euros 63,951,000 and arises from the change of method of calculation of the death subsidy, following the publication in 27 June 2012 of the Decree-Law no. 133/2012 which introduces the changes in the calculation of the amount of the subsidy.

In accordance with IAS 19, it is a negative past service cost which occurs when there are changes on the benefit plan, which impact in a redution of the current value of the responsabilities for past services. On this basis, the gain should be deferred and amortized through out the average vesting period. Considering that the aquisition conditions of the benefit are fulfiled (vested), since the pensioner has the right to the benefit without having to fulfil any service condition, the Group accounted the referred impact in results for the year.

As at 31 December 2012 the value of the benefits paid by the Pension Fund, excluding the Extra-fund, amounted to Euros 42,596,000 (31 December 2011: Euros 284,574,000). As at 29 June 2012 the final amount related to the pensioners to GSSS, in accordance with the Decree-Law no. 127/2011, was transfered which due to that change the population increased by Euros 7,143,000.

The liabilities with health benefits are fully covered by the Pension Fund and correspond, as at 31 December 2012, to the amount of Euros 264,163,000 (31 December 2011: Euros 251,017,000).

Regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2012 amounts to Euros 86,231,000 (31 December 2011: Euros 90,236,000), in order to pay:

i) pensions of former Group's Board Members in accordance with the Bank's Board Members Retirement Regulation.
ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree – Law no. 12/2006. As at 31 December 2012 the number of beneficiaries was 60.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the Group.

The evolution of responsibilities and funds balances and gains experience for the last five years is analysed as follows:

(Thousands of Euros)

	'12	'11	'10	'09	'08
Projected benefit obligations					
Pensioners	**1,359,418**	1,336,421	4,064,052	4,197,436	4,415,254
Employees	**933,657**	1,115,576	1,257,546	1,212,446	1,307,655
	2,293,075	**2,451,997**	**5,321,598**	**5,409,882**	**5,722,909**
Value of the Pension Fund	**(2,432,146)**	(2,361,522)	(5,148,707)	(5,530,471)	(5,322,224)
Provisions for defined contributions complementary plan	**-**	-	-	-	(12,812)
Liabilities not financed by the Pension Fund	**(139,071)**	**90,475**	**172,891**	**(120,589)**	**387,873**
Losses/(gains) arising from liabilities	**72,589**	(115,062)	(120,426)	(368,353)	(262,640)
Losses/(gains) arising from funds	**91,602**	315,759	588,322	(188,354)	1,090,002

The change in the value of plan's assets is analysed as follows:

(Thousands of Euros)

	'12	'11
Balance as at 1 January	**2,361,522**	5,148,707
Expected return on plan assets	**111,742**	263,790
Actuarial gains and (losses)	**(91,602)**	(315,759)
Settlement of the benefit for old-age of the Supplementary Plan	**(233,457)**	-
Contributions to the Fund	**300,871**	284,754
Payments	**(42,596)**	(284,574)
Transfer to the GSSS	**(7,143)**	(2,747,408)
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	**8,128**	-
Contributions of employees	**11,266**	11,328
Transfer from other plans	**13,415**	684
Balance at the end of the period	**2,432,146**	2,361,522

The elements of the Pension Fund's assets are analysed as follows:

(Thousands of Euros)

	'12	'11
Shares	**670,061**	1,149,401
Bonds and other fixed income securities	**490,299**	660,583
Participation units in real estate funds	**270,075**	826,419
Participations units in investment funds	**288,966**	289,868
Properties	**355,876**	353,698
Loans and advances to credit institutions and others	**356,869**	(918,447)
	2,432,146	2,361,522

The balance Properties includes buildings owned by the Fund and used by the Group's companies which as at 31 December 2012, amounts to Euros 354,134,000 (31 December 2011: Euros 351,186,000).

The balance Loans and advances to credit institutions and others includes a negative amount of Euros 1,236,872,000 to be transferred to the Social Security which has been deducted from the value of the fund, as at 31 December 2011.

The securities issued by Group's companies accounted in the portfolio of the Fund are analysed as follows:

(Thousands of Euros)

	'12	'11
Fixed income securities	**7**	37,627
Variable income securities	**141,941**	159,903
	141,948	**197,530**

The evolution of net (assets)/liabilities in the balance sheet is analysed as follows:

(Thousands of Euros)

	'12	'11
Balance as at 1 January	**90,475**	172,891
Service cost	**(6,539)**	(5,253)
Interest costs	**118,175**	282,157
Cost with early retirement programs	**3,025**	12,275
Expected return on plan assets	**(111,742)**	(263,790)
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Return of the fund	**91,602**	315,759
Difference between the expect and the effective obligations	**(17,101)**	38,074
Arising from changes in actuarial assumptions	**89,690**	(317,944)
Resulting from the transfer under DL 127/2011	**-**	164,808
Impact of the decrease of the changing of the calculation formula of the Death Subsidy DL 133/2012	**(63,951)**	-
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	**(8,128)**	-
Contributions to the fund	**(300,871)**	(284,754)
Payments	**(23,706)**	(23,748)
Balance at the end of the period	**(139,071)**	**90,475**

The contributions to the Pension Fund, made by the Group's companies, are analysed as follows:

(Thousands of Euros)

	'12	'11
Cash	**300,000**	206,000
Other securities	**871**	78,754
	300,871	**284,754**

In accordance with IAS 19, as at 31 December 2012, the Group accounted as post-employment benefits an income of Euros 69,160,000 (31 December 2011: cost of Euros 190,197,000), which is analysed as follows:

(Thousands of Euros)

	'12	'11
Service cost	**(6,539)**	(5,253)
Interest costs	**118,175**	282,157
Expected return on plan assets	**(111,742)**	(263,790)
Costs with early retirement programs	**3,025**	12,275
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	**(8,128)**	-
Impact of the decrease of the changing of the calculation formula of the Death Subsidy DL 133/2012	**(63,951)**	-
Costs resulting from the transfer under DL 127/2011	**-**	164,808
(Income)/Cost of the period	**(69,160)**	**190,197**

The caption Costs arising from the transfer under Decree-Law no. 127/2011 refers as at 31 December 2011, to the impact in the income statement resulting from the transfer of the liabilities of the retirees and pensioners to the Social Security Scheme. The impact refers to the recalculation of the liabilities based on the assumptions defined by the Portuguese Government within the scope of the transfer.

As the Board Members Retirement Regulation establish that the pensions are increased annually, and as it is not common on the insurance market the acquisition of perpetual annuities including the increase in pensions, the Bank determined the liability to be recognised on the financial statements taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Group has the responsibility of supporting the cost with the retirement pensions of former Group's Executive Board Members, as well as the Complementary Plan for these members in accordance with the applicable rules, funded through the Pension Fund, Extra-fund and perpetual annuities.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised a provision of Euros 4,413,000 (31 December 2011: Euros 5,504,000). As referred in notes 9 and 40, the decrease was the result of the write-down of provisions established to cover the future increases in the retirement pensions of the former members of the Executive Board of Directors, following the agreements established between the parties.

As referred in note 9, following the agreements established between the Bank and former members of the Executive Board of Directors the amount of Euros 18,900,000 related with amounts paid to set up a perpetual annuity policy to cover the responsibility with retirement pensions of former members of the Executive Board of Directors, were reimbursed by Ocidental Vida.

The movement of the amounts of the responsibilities with retirement pensions payable to former members of the Executive Board of Directors, included in the balance Other liabilities (note 40), is analysed as follows:

(Thousands of Euros)

	'12	**'11**
Balance as at 1 January	**5,504**	40,996
Write-back	**(1,091)**	(35,492)
Balance at the end of the peiod	**4,413**	5,504

Considering the market indicators, particularly the estimations of the inflation rate and the long term interest rate for Euro Zone as well as the demographic characteristics of the employees, the Group considered the following actuarial assumptions for the calculation of the liabilities with pension obligations with reference to 31 December 2012 and 2011:

	'12	**'11**
Increase in future compensation levels	**1% until 2016 1.75% after 2017**	2.00%
Rate of pensions increase		1.00%
Projected rate of return of fund assets	**4.50%**	5.50%
Discount rate		5.50%
Mortality tables		
Men		TV 73/77 – 1 year
Women		TV 88/90 – 2 years
Disability rate		0%
Turnover rate		0%
Costs with health benefits increase rate	**6.50%**	6.50%

The mortality tables consider an age inferior to the effective age of the beneficiaries, one year for men and two years for women, which is translated in higher average life expectancy.

The assumptions used on the calculation of the employees benefits are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

The determination of the discount rate as at 31 December 2012, took into account (i) the evolution in the major indexes in relation to high quality corporate bonds and (ii) duration of benefit plan liabilities.

The Group face to (i) the positive deviations observed in the last financial year and (ii) the current trend of wages evolution and the economic situation at this time, led to a growth rate of wages progressive of 1% by 2016 and 1.75% from 2017 and a growth rate of pensions from 0% by 2016 and 0.75% from 2017.

In accordance with the requirements of IAS 19, mandatory for annual periods beginning on 1 January 2013, the rate of return on plan assets considered in the calculation of the present value of the liabilities, corresponds to the discount rate.

However, the estimated expected return for 2013 is as follows:

	'13	
Type of assets	% Portfolio	Estimated return
Shares	27.55%	11.47%
Bonds and other fixed income securities	20.16%	3.50%
Participations units in investment funds	11.10%	5.08%
Participation units in real estate funds	11.88%	0.61%
Properties	14.63%	6.55%
Loans and advances to credit institutions and others	14.67%	3.50%
Total Expected Income		5.98%

Net actuarial losses amounts to Euros 164,191,000 (31 December 2011: actuarial losses of Euros 200,690,000) and are related to the difference between the actuarial assumptions used for the estimation of the pension liabilities and the actual liabilities and are analysed as follows:

	Actuarial (gains)/losses			
	'12		'11	
	%	Euros '000	%	Euros '000
Deviation between expected and actual liabilities:				
Increase in future compensation levels	**0.00%**	**(17,642)**	0.68%	(22,736)
Pensions increase rate	**0.00%**	**(13,364)**	0.00%	(60,961)
Disability	**0.58%**	**12,892**	0.12%	6,357
Others	**0.05%**	**1,011**	-0.12%	(6,381)
Changes on the assumptions:				
Discount rate	**4.50%**	**333,867**	5.50%	286,602
Increase in future compensation levels	**1% until 2016 1.75% after 2017**	**(53,295)**	2.00%	(80,726)
Pensions increase rate	**0% until 2016 0.75% after 2017**	**(190,880)**	1.00%	(237,217)
Return on plan assets	**1.62%**	**91,602**	-0.71%	315,752
		164,191		200,690

The caption Actuarial (gains)/losses – Change on the assumptions – Discount rate, includes the amount of Euros 164,808,000 related with the costs arising from the recalculation of the liabilities transferred to the Social Security based on the discount rate defined for the transfer in accordance with the Decree-Law no. 127/2011. This amount, as referred in note 10, was charged against income statement.

Health benefit costs have a significant impact on pension costs. Considering this impact the Group performed a sensitivity analysis assuming one percent positive variation in health benefit costs (from 6.5% to 7.5% in 2012) and a negative variation (from 6.5% to 5.5% in 2012) in health benefit costs, which impact is analysed as follows:

(Thousands of Euros)

	Positive variation of 1% (6.5% to 7.5%)		Negative variation of 1% (6.5% to 5.5%)	
	'12	'11	'12	'11
Pension cost impact	**433**	401	**(433)**	(401)
Liability impact	**41,443**	38,618	**(41,443)**	(38,618)

The liabilities related to the seniority premium are not post-employment liabilities and as a result, are not covered by the Pension Fund of the Group. As at 31 December, 2012, the liabilities associated with the seniority premium amounted to Euros 49,562,000 (31 December, 2011: 53,150,000 Euros) and are covered by provisions in the same amount, according to the note 40.

The cost of the seniority premium, for the years 2012 and 2011, is analysed as follows:

(Thousands of Euros)

	'12	'11
Service cost	**2,922**	3,099
Interest costs	**2,764**	2,936
Actuarial gains and losses	**(3,217)**	(3,578)
Cost of the year	**2,469**	2,457

51. Related parties

The group of companies considered as related parties by the Group, as defined by IAS 24, are detailed in notes 26 and 59.

The Group grants loans in the ordinary course of its business within the Group's companies and to other related parties. Under the Collective Agreement of Labour for Employees of the Portuguese Banking Sector which includes substantially all employees of banks operating in Portugal, the Group grants loans to employees at interest rates determined under the above mentioned agreement for each type of loan upon request by the employees.

As at 31 December 2012, loans to members of the Executive Committee of the Board of Directors and their direct family members amounted to Euros 304,000 (31 December 2011: Euros 340,000), which represented 0.01% of shareholders' equity (31 December 2011: 0.01%). These loans were granted in accordance with the applicable laws and regulations.

As at 31 December 2012, the principal loans and guarantees (excluding interbank and money market transactions) the Group has made to shareholders holding individually or together with their affiliates, 2% or more of the share capital whose holdings, in aggregate, represent 36.8% of the share capital as of 31 December 2012 (31 December 2011: 34.8%), described in the Board of Directors report, amounted to approximately Euros 1,093,159,000 (31 December 2011: Euros 1,274,080,000). Each of these loans was made in the ordinary course of business, on substantially the same terms as those prevailing at the time for comparable transactions with other entities, being respected the legal formalities and regulations. The amount of impairment constituted for these contracts amounts to Euros 39,204,000 as at 31 December 2012 (31 December 2011: Euros 0).

Remunerations to the and other management members

The remunerations paid to the members of the Executive Committee in 2012 amounted to Euros 2,803,000 (2011: Euros 3,814,000 which includes an amount related to the resignation process of a Director), with Euros 131,000 (2011: Euros 322,000) paid by subsidiaries or companies which governing bodies represent interests in the Group.

Considering that the remuneration of members of the Executive Committee intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or other companies for which they have been designated by indication of the Bank or representing it, the net amount of the remunerations annually received by each member is considered for calculating the fixed annual remuneration attributed by the Bank and set by the Remunerations Commission.

During 2012, the costs with Social Security and the contributions to the Pension Fund for members of the Executive Committee amounted to Euros 1,294,000 (2011: Euros 1,288,000).

The employees considered key management members, according to the Regulation no. 5/2008, are the Compliance Officer, the Group Auditor, the Risk Officer, the Group Treasurer, the Head of Assets and Liabilities Management Department and the responsible for the Credit Department. The remunerations paid to these employees in 2012 amounted to Euros 1,015,000 (2011: Euros 1,207,000), being also supported costs with contributions with Social Security and Pension Fund in the amount of Euros 203.000 (2011: Euros 347.000).

Transactions with the Pension Fund

During 2012, the Group sold to the Pension Fund: (i) commercial paper in the amount of Euros 706,700,000 (31 December 2011: Euros 1,607,663,000), (ii) Portuguese public debt securities in the amount of Euros 342,500,000 (31 December 2011: Euros 78,200,000) and (iii) bonds in the amount of Euros 213,000.

Additionally, the Group purchased to the Pension Fund: (i) commercial paper in the amount of Euros 188,450,000 (31 December 2011: Euros 219,190,000), (ii) bonds in the amount of Euros 262,334,000 (31 December 2011: Euros 149,565,000) and (iii) Portuguese public debt securities in the amount of Euros 343,000,000 (31 December 2011: Euros 177,874,000).

During 2012 were made in-kind contributions to the Pension Fund in the amount of Euros 871,000 related to Brisal rights.

The shareholder and bondholder position of members of the Executive Board, Directors and persons closely related to the previous categories, is as follows:

		Number of securities at		Changes during 2012			
Shareholders/Bondholders	Security	31-12-2012	31-12-2011 (a)	Acquisitions	Disposals	Date	Unit Price Euros
Members of Executive Board							
António Vítor Martins Monteiro (1)	BCP Shares	6,589	2,410	4,179		04/Oct/12	0.04
Carlos José da Silva	BCP Shares	414,089	151,438	262,651		04/Oct/12	0.04
	Obrig BCP Ret Sem Cresc III/12EUR 3/2013	300	0	300		22/Mar/12	1.000.00
Nuno Manuel da Silva Amado	BCP Shares	1,003,297	200,000	803,297		04/Oct/12	0.04
André Magalhães Luiz Gomes	BCP Shares	19,437	6,784	12,653		04/Oct/12	0.04
António Henriques Pinho Cardão (2)	BCP Shares	281,034	102,778	178,256		04/Oct/12	0.04
António Luís Guerra Nunes Mexia	BCP Shares	4,120	1,507	2,613		04/Oct/12	0.04
Jaime de Macedo Santos Bastos	BCP Shares	1,468	537	931		04/Oct/12	0.04
João Manuel Matos Loureiro	BCP Shares	4,793	1,753	3,040		04/Oct/12	0.04
José Guilherme Xavier de Basto	BCP Shares	4,951	1,811	3,140		04/Oct/12	0.04
	Obrig BCP Mill Rend Sem Mar 10/13	5	5				
José Jacinto Iglésias Soares	BCP Shares	384,002	130,743,(b)	253,259		04/Oct/12	0.04
Luís Maria França de Castro Pereira Coutinho	BCP Shares	822,123	286,914	535,209		04/Oct/12	0.04
Maria da Conceição Mota Soares de Oliveira Callé Lucas	BCP Shares	100,001	0	100,001		04/Oct/12	0.04
Miguel de Campos Pereira de Bragança	BCP Shares	623,813	0	623,813		04/Oct/12	0.04
Miguel Maya Dias Pinheiro	BCP Shares	601,733	210,000	391,733		04/Oct/12	0.04
Rui Manuel da Silva Teixeira (3)	BCP Shares	134,687	31,982	102,705		04/Oct/12	0.04
Directors							
Ana Isabel dos Santos de Pina Cabral (4)	BCP Shares	74,550	(c)	47,286		04/Oct/12	0.04
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	BCP Shares	82,031	(c)	52,031		04/Oct/12	0.04
Fernando Manuel Majer de Faria	BCP Shares	624,219	(c)	395,934		04/Oct/12	0.04
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	20,879	(c)				
Mário António Pinho Gaspar Neves	BCP Shares	31,500	(c)	21,500		04/Oct/12	0.04
	Obrig BCP Mill Rend Trim Nov 09/14	5	(c)				
	Obrig BCP Mill Rend Sem Mar 10/13	7	(c)				
	Obrig BCP Rend Mais Apr/12	0	(c)		5	27/Apr/12	1.000
	Obrig BCP Invest Tot Dec 2012	0	(c)		5	21/Dec/12	1.000
Pedro Manuel Rendas Duarte Turras	BCP Shares	25,207	(c)	22,880		04/Oct/12	
Persons closely related to the previous categories							
Isabel Maria V. Leite P. Martins Monteiro (1)	BCP Shares	5,311	1,854	3,457		04/Oct/12	0.04
Maria da Graça dos Santos Fernandes de Pinho Cardão (2)	BCP Shares	10,485	3,835	6,650		04/Oct/12	0.04
Maria Helena Espassandim Catão (3)	BCP Shares	1,000	253	747		04/Oct/12	0.04
José Manuel de Vasconcelos Mendes Ferreira (4)	BCP Shares	4,577	(c)	3,613		04/Oct/12	0.04

(a) If the person in question has taken possession later than December 31, 2011, it is considered the position at the date of entry into service.
(b) Corrects, by misprint, the shareholder position reported in the Annual Report, Volume II, 2011.
(c) It is provided information only to 2012, based on the 4th paragraph of section 1.2.2, of the CMVM Circular dated 28/01/2012.
All operations were performed at NYSE Euronext Lisbon – Lisbon Stock Exchange.

As at 31 December 2012 and 2011, the Group's credits over associated companies represented or not by securities, included in the captions of Loans and advances to customers and Other receivables, are analysed as follows:

(Thousands of Euros)

	'12			'11		
	Loans and advances to customers	**Loans and other receivables**	**Total**	Loans and advances to customers	Other receivables	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	**-**	**9,283**	**9,283**	212,525	18,041	230,566
Unicre – Instituição Financeira de Crédito, S.A.	**683**	**-**	**683**	673	-	673
VSC – Aluguer de Veículos Sem Condutor, Lda.	**20,685**	**-**	**20,685**	49,716	-	49,716
	21,368	**9,283**	**30,651**	262,914	18,041	280,955

As at 31 December 2012 and 2011 the Group's liabilities with associated companies, represented or not by securities, included in the captions Deposits from customers and Debt securities issued, are analysed as follows:

(Thousands of Euros)

	'12			'11		
	Loans and advances to customers	**Loans and other receivables**	**Total**	Loans and advances to customers	Other receivables	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	**650,998**	**3,684,225**	**4,335,223**	983,303	3,117,263	4,100,566
SIBS, S.G.P.S, S.A.	**1**	**-**	**1**	17,999	-	17,999
Unicre – Instituição Financeira de Crédito, S.A.	**212**	**-**	**212**	-	-	-
	651,211	**3,684,225**	**4,335,436**	1,001,302	3,117,263	4,118,565

As at 31 December 2012, the income recognised by the Group on inter-company transactions with associated companies, included in the captions of Interest income, Commissions and Other operating income, are analysed as follows:

(Thousands of Euros)

	Interest income	Commissions income	Other operating income	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	-	60,504	16,219	76,723
SIBS, S.G.P.S, S.A.	29	90,321	-	90,350
Unicre – Instituição Financeira de Crédito, S.A.	481	1,147	-	1,628
VSC – Aluguer de Veículos Sem Condutor, Lda.	4,409	-	438	4,847
	4,919	151,972	16,657	173,548

As at 31 December 2011, the income recognised by the Group on inter-company transactions with associated companies, included in the captions of Interest income, Commissions and Other operating income, are analysed as follows:

(Thousands of Euros)

	Interest income	Commissions income	Other operating income	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	-	72,749	37,487	110,236
SIBS, S.G.P.S, S.A.	-	93,618	-	93,618
Unicre – Instituição Financeira de Crédito, S.A.	-	1,473	-	1,473
VSC – Aluguer de Veículos Sem Condutor, Lda.	6,427	-	780	7,207
	6,427	167,840	38,267	212,534

As at 31 December 2012, the costs incurred by the Group on inter-company transactions with sassociated companies, included in the captions Interest expense, Commissions and Administrative costs, are analysed as follows:

(Thousands of Euros)

	Interest expense	Commissions costs	Staff costs	Administrative costs	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	131,798	-	3,787	7,794	143,379
SIBS, S.G.P.S, S.A.	53	43,121	-	-	43,174
Unicre – Instituição Financeira de Crédito, S.A.	-	20	-	-	20
	131,851	43,141	3,787	7,794	186,573

As at 31 December 2012, the costs incurred by the Group on inter-company transactions with sassociated companies, included in the captions Interest expense, Commissions and Administrative costs, are analysed as follows:

(Thousands of Euros)

	Interest expense	Commissions costs	Staff costs	Administrative costs	Total
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	167,233	-	4,291	8,072	179,596
SIBS, S.G.P.S, S.A.	-	46,769	-	-	46,769
Unicre – Instituição Financeira de Crédito, S.A.	-	6	-	-	6
	167,233	**46,775**	**4,291**	**8,072**	**226,371**

As at 31 December 2012 and 2011, the remunerations resulting from the services of insurance mediation or reinsurance are as follows:

(Thousands of Euros)

	'12	'11
Life insurance		
Saving products	**23,137**	34,319
Mortgage and consumer loans	**17,877**	19,149
Others	**34**	37
	41,048	**53,505**
Non-Life insurance		
Accidents and illness	**12,237**	12,240
Automobile insurance	**1,811**	1,746
Multi-Risk Housing	**4,382**	4,174
Others	**1,026**	1,084
	19,456	19,244
	60,504	**72,749**

The remuneration for insurance mediation services were received through bank transfers and resulted from insurance intermediation with the subsidiaries of Millenniumbcp Ageas Group (Ocidental Vida e Ocidental Seguros).

The Bank does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Bank, other than those already disclosed.

As at 31 December 2012 and 2011, the receivable balances from insurance mediation activity by nature and entity are analysed as follows:

(Thousands of Euros)

	'12	'11
By nature		
Funds receivable for payment of life insurance commissions	**2,572**	12,345
Funds receivable for payment of non-life insurance commissions	**4,795**	4,702
	7,367	**17,047**
By entity		
Ocidental – Companhia Portuguesa de Seguros de Vida, S.A.	**2,572**	12,345
Ocidental – Companhia Portuguesa de Seguros, S.A.	**4,795**	4,702
	7,367	**17,047**

The comissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:

– insurance contracts – use of fixed rates on gross premiums issued;
– investiment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

52. Segmental reporting

The segments presented, concerning business and geographic segments, are in accordance with IFRS 8. In accordance with the Group's management model, the primary segment corresponds to segments used for Executive Committee's management purposes. The Group offers a wide range of banking activities and financial services in Portugal and abroad, with a special focus on Commercial Banking, Corporate and Investment Banking and Asset Management and Private Banking.

Segments description

The Retail Banking activity includes the Retail activity of Banco Comercial Português 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 includes the Companies segment 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 in Portugal segment includes: (i) the Companies network, that covers the financial needs of companies with an annual turnover between Euros 2.5 million and Euros 50 million, and focuses on innovation, offering a wide range of traditional banking products complemented by specialised financing; (ii) the activity of the Real Estate Business Division.

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 50 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 Asset Management and Private Banking segment, for purposes of the geographical segments, comprises the Private Banking network in Portugal and subsidiary companies specialised in the asset management business in Portugal. In terms of business segments, it also includes the activities of Banque Privée BCP and Millennium bcp Bank & Trust.

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. The Foreign Business segment, in terms of the business segments, comprises the Group operations outside Portugal referred to above, excluding Banque Privée BCP in Switzerland and Millennium bcp Bank & Trust in the Cayman Islands, which are included in the Asset Management and Private Banking segment.

In Poland, the Group is represented by a universal bank offering a wide range of financial products and services to individuals and companies nationwide; in Greece by an operation 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).

Other segment includes the centralised management of shareholdings and the remaining corporate activities and operations that are not included in the business segments, namely the bancassurance activity, a joint-venture with the Belgian-Dutch Group Ageas, and the remaining amounts not allocated to the segments.

Business segments 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. Following the request submitted by the Bank, the Bank of Portugal authorised the adoption of methodologies based on Internal Rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risk 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, the Bank of Portugal authorised the extension of that methodology to the subclasses of risk "Renewable Retail Positions" and "Other Retail Positions" in Portugal with effect as from 31 December 2011. Afterwards, with effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for exposures of the class of risk "Corporates" in Portugal and the adoption of IRB methodologies for "Loans secured by residential real estate" and "Renewable positions" of the Retail portfolio in Poland.

Additionally, it was adopted the standard approach for operational risk and the internal models approach for general market risk and foreign exchange risk, for the perimeter managed centrally from Portugal. The capital allocation for each segment, in 2011 and in 2012, resulted from the application of 10% to the risks managed by each segment. Each operation is balanced through internal transfers of funds, with no impact on consolidated accounts.

Operating costs determined for each business area rely on one hand the amounts accounted directly in the respective cost centres, and on the other hand, the amounts resulting from internal cost allocation processes. For example, in the first set of costs are included costs related to phone communication, travelling accommodation and representation expenses and to advisory services and in the second set are included costs related to correspondence, water and electricity and to rents related to spaces occupied by organic units, among others. The allocation of this last set of costs is based on the application of previously defined criteria, related to the level of activity of each business area, like the number of current accounts, the number of customers or employees, the business volume and the space occupied.

Financial flows generated by the business areas, in particular the placement of funds from new deposits and funding of loans granted, are processed at market prices, having the Bank's Treasury as counterparty. These market prices are determined according to the currency, the maturity of the transactions and their repricing periods. Additionally, all financial flows resulting from capital allocation are based on the average 6-month Euribor interest rate for each given period.

Information related to 2011 is presented on a comparable basis with the information reported in 2012, reflecting the current organisational structure of the Group's business areas referred to in the Segment description described above and considering the effect of the transfer of clients and also the redeployment of cost of funds held under the rationalization of the business platform.

The net contributions of each segment include, where applicable, 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 31December 2012.

The Group operates with special emphasis in the Portuguese market, and also in a few affinity markets and in markets of recognised growth potential. Considering this, the geographical segments include Portugal, Poland, Greece, Mozambique, Angola and Other. The segment Portugal reflects, essentially, the activities carried out by Banco Comercial Português in Portugal, ActivoBank and Banco de Investimento Imobiliário. The segment Poland includes the business carried out by Bank Millennium (Poland); the segment Greece contains the activity of Millennium Bank (Greece), while the segment Mozambique contains the activity of BIM – Banco Internacional de Moçambique and the segment Angola contains the activity of Banco Millennium Angola. The segment Other, indicated within the geographical segment reporting, comprises the Group's operations not included in the remaining segments, namely the activities developed in other countries, such as Banque Privée BCP in Switzerland, Banca Millennium in Romania and Millennium bcp Bank & Trust in the Cayman Islands.

As at 31 December 2012, the net contribution of the major business segments is analysed as follows:

(Thousands of Euros)

	Commercial Banking			Companies Banking					
	Retail in Portugal	Foreign Business	Total	Copanies in Portugal	Corporate and Investment Banking in Portugal	Total	Asset Management and Private Banking	Other	Consolidated
Income statement									
Interest income	788,765	1,275,858	2,064,623	474,442	792,395	1,266,837	187,619	96,843	3,615,922
Interest expense	(616,024)	(789,365)	(1,405,389)	(236,965)	(484,519)	(721,484)	(133,800)	(331,664)	(2,592,337)
Net interest income	**172,741**	**486,493**	**659,234**	**237,477**	**307,876**	**545,353**	**53,819**	**(234,821)**	**1,023,585**
Commissions and other income	398,244	314,700	712,944	99,564	207,853	307,417	57,516	(69,191)	1,008,686
Commissions and other costs	(15,207)	(84,376)	(99,583)	(3,234)	(15,786)	(19,020)	(16,802)	(210,586)	(345,991)
Net commissions and other income	**383,037**	**230,324**	**613,361**	**96,330**	**192,067**	**288,397**	**40,714**	**(279,777)**	**662,695**
Net gains arising from trading activity	(10)	148,646	148,636	-	(8,167)	(8,167)	2,236	320,142	462,847
Staff costs and administrative costs	597,233	527,864	1,125,097	83,536	73,490	157,026	48,890	49,561	1,380,574
Depreciations	1,871	37,185	39,056	271	133	404	429	38,176	78,065
Operating costs	**599,104**	**565,049**	**1,164,153**	**83,807**	**73,623**	**157,430**	**49,319**	**87,737**	**1,458,639**
Impairment and provisions	(143,659)	(373,838)	(517,497)	(435,958)	(406,166)	(842,124)	(14,998)	(662,377)	(2,036,996)
Share of profit of associates under the equity method	-	1,363	1,363	-	-	-	-	54,296	55,659
Net gain from the sale of other assets	-	-	-	-	-	-	-	(24,193)	(24,193)
Net income before income tax	**(186,995)**	**(72,061)**	**(259,056)**	**(185,958)**	**11,987**	**(173,971)**	**32,452**	**(914,467)**	**(1,315,042)**
Income tax	51,235	2,943	54,178	54,012	(3,477)	50,535	(6,005)	79,125	177,833
Non-controlling interests	-	(81,313)	(81,313)	-	-	-	-	(531)	(81,844)
Net income after income tax	**(135,760)**	**(150,431)**	**(286,191)**	**(131,946)**	**8,510**	**(123,436)**	**26,447**	**(835,873)**	**(1,219,053)**
Income between segments	33,649	-	33,649	(5,353)	(23,904)	(29,257)	(4,392)	-	-
Balance sheet									
Cash and loans and advances to credit institutions	2,448,913	2,285,534	4,734,447	1,138,658	11,482,079	12,620,737	3,737,493	(14,795,058)	6,297,619
Loans and advances to customers	26,166,346	15,899,797	42,066,143	9,290,158	12,456,242	21,746,400	1,344,560	(2,538,868)	62,618,235
Financial assets	1,972	2,703,435	2,705,407	-	6,952,840	6,952,840	39,564	4,971,524	14,669,335
Other assets	119,032	770,637	889,669	13,884	224,726	238,610	18,946	5,011,625	6,158,850
Total assets	**28,736,263**	**21,659,403**	**50,395,666**	**10,442,700**	**31,115,887**	**41,558,587**	**5,140,563**	**(7,350,777)**	**89,744,039**
Deposits from other credit institutions	6,194,158	3,563,530	9,757,688	5,433,737	12,419,274	17,853,011	2,067,583	(14,412,522)	15,265,760
Deposits from customers	19,293,828	15,706,305	35,000,133	1,555,981	7,142,440	8,698,421	2,794,013	2,897,299	49,389,866
Debt securities issued	2,152,233	359,363	2,511,596	2,309,789	8,689,369	10,999,158	37,509	-	13,548,263
Other financial liabilities held for trading at fair value through profit or loss	239,332	191,399	430,731	256,853	966,272	1,223,125	41,166	27,439	1,722,461
Other financial liabilities	12,165	295,857	308,022	12,624	49,023	61,647	2,811	4,227,608	4,600,088
Other liabilities	17,714	367,242	384,956	15,644	64,114	79,758	6,412	746,287	1,217,413
Total liabilities	**27,909,430**	**20,483,696**	**48,393,126**	**9,584,628**	**29,330,492**	**38,915,120**	**4,949,494**	**(6,513,889)**	**85,743,851**
Equity and non-controlling interests	826,833	1,175,707	2,002,540	858,072	1,785,395	2,643,467	191,069	(836,888)	4,000,188
Total liabilities, equity and non-controlling interests	**28,736,263**	**21,659,403**	**50,395,666**	**10,442,700**	**31,115,887**	**41,558,587**	**5,140,563**	**(7,350,777)**	**89,744,039**

As at 31 December 2011, the net contribution of the major business segments is analysed as follows:

(Thousands of Euros)

	Commercial Banking			Companies Banking					
	Retail in Portugal	Foreign Business	Total	Copanies in Portugal	Corporate and Investment Banking in Portugal	Total	Asset Management and Private Banking	Other	Consolidated
Income statement									
Interest income	989,044	1,383,755	2,372,799	563,653	727,419	1,291,072	190,119	206,146	4,060,136
Interest expense	(767,261)	(712,357)	(1,479,618)	(317,470)	(432,425)	(749,895)	(154,985)	(96,364)	(2,480,862)
Net interest income	**221,783**	**671,398**	**893,181**	**246,183**	**294,994**	**541,177**	**35,134**	**109,782**	**1,579,274**
Commissions and other income	419,093	294,822	713,915	106,367	223,945	330,312	62,384	(50,691)	1,055,920
Commissions and other costs	(16,943)	(80,293)	(97,236)	(3,334)	(16,177)	(19,511)	(18,309)	(125,932)	(260,988)
Net commissions and other income	**402,150**	**214,529**	**616,679**	**103,033**	**207,768**	**310,801**	**44,075**	**(176,623)**	**794,932**
Net gains arising from trading activity	48	106,832	106,880	-	(7,891)	(7,891)	1,107	107,536	207,632
Staff costs and administrative costs	639,760	525,615	1,165,375	66,967	75,931	142,898	49,995	179,840	1,538,108
Depreciations	1,938	47,830	49,768	91	102	193	385	45,764	96,110
Operating costs	**641,698**	**573,445**	**1,215,143**	**67,058**	**76,033**	**143,091**	**50,380**	**225,604**	**1,634,218**
Impairment and provisions	(188,097)	(176,816)	(364,913)	(456,892)	(393,180)	(850,072)	(126,832)	(815,178)	(2,156,995)
Share of profit of associates under the equity method	-	-	-	-	(48)	(48)	-	14,668	14,620
Net gain from the sale of other assets	-	-	-	-	-	-	-	(26,872)	(26,872)
Net income before income tax	**(205,814)**	**242,498**	**36,684**	**(174,734)**	**25,610**	**(149,124)**	**(96,896)**	**(1,012,291)**	**(1,221,627)**
Income tax	59,447	(51,881)	7,566	50,655	(7,426)	43,229	27,456	380,606	458,857
Non-controlling interests	-	(78,454)	(78,454)	-	-	-	-	(7,399)	(85,853)
Net income after income tax	**(146,367)**	**112,163**	**(34,204)**	**(124,079)**	**18,184**	**(105,895)**	**(69,440)**	**(639,084)**	**(848,623)**
Income between segments	41,278	-	41,278	(5,589)	(34,795)	(40,384)	(894)	-	-
Balance sheet									
Cash and loans and advances to credit institutions	2,490,885	3,093,990	5,584,875	2,082,434	8,062,619	10,145,053	4,054,305	(13,177,863)	6,606,370
Loans and advances to customers	28,051,715	15,659,874	43,711,589	11,120,070	13,830,010	24,950,080	1,890,573	(2,506,707)	68,045,535
Financial assets	1,412	2,081,468	2,082,880	-	4,851,000	4,851,000	33,292	5,608,331	12,575,503
Other assets	125,934	601,985	727,919	14,858	601,886	616,744	28,263	4,881,742	6,254,668
Total assets	**30,669,946**	**21,437,317**	**52,107,263**	**13,217,362**	**27,345,515**	**40,562,877**	**6,006,433**	**(5,194,497)**	**93,482,076**
Deposits from other credit institutions	4,572,533	4,823,408	9,395,941	4,605,141	9,659,684	14,264,825	2,742,306	(8,679,653)	17,723,419
Deposits from customers	19,466,118	13,897,506	33,363,624	2,010,677	7,017,547	9,028,224	3,002,590	2,121,672	47,516,110
Debt securities issued	4,378,931	420,672	4,799,603	4,507,968	6,928,631	11,436,599	-	-	16,236,202
Other financial liabilities held for trading at fair value through profit or loss	1,113,759	239,382	1,353,141	1,046,579	1,762,263	2,808,842	31,521	(135,834)	4,057,670
Other financial liabilities	11,914	537,641	549,555	11,874	5,727	17,601	2,607	1,084,812	1,654,575
Other liabilities	92,225	229,615	321,840	4,130	192,725	196,855	1,032	1,400,003	1,919,730
Total liabilities	**29,635,480**	**20,148,224**	**49,783,704**	**12,186,369**	**25,566,577**	**37,752,946**	**5,780,056**	**(4,209,000)**	**89,107,706**
Equity and non-controlling interests	1,034,466	1,289,093	2,323,559	1,030,993	1,778,938	2,809,931	226,377	(985,497)	4,374,370
Total liabilities, equity and non-controlling interests	**30,669,946**	**21,437,317**	**52,107,263**	**13,217,362**	**27,345,515**	**40,562,877**	**6,006,433**	**(5,194,497)**	**93,482,076**

As at 31 December 2012, the net contribution of the major geographic segments is analysed as follows:

(Thousands of Euros)

	Portugal											
	Retail Banking	Companies	Asset Management and Private Banking	Corporate and Investment Banking	Other	Total	Poland	Greece	Angola	Mozambique	Other	Consolidated
Income statement												
Interest income	788,765	474,442	122,642	792,395	96,843	2,275,087	747,583	199,338	95,147	200,361	98,406	3,615,922
Interest expense	(616,024)	(236,965)	(88,946)	(484,519)	(331,664)	(1,758,118)	(477,787)	(192,122)	(28,840)	(70,917)	(64,553)	(2,592,337)
Net interest income	**172,741**	**237,477**	**33,696**	**307,876**	**(234,821)**	**516,969**	**269,796**	**7,216**	**66,307**	**129,444**	**33,853**	**1,023,585**
Commissions and other income	398,244	99,564	36,566	207,853	(69,191)	673,036	171,932	33,445	27,588	74,902	27,782	1,008,685
Commissions and other costs	(15,207)	(3,234)	(9,321)	(15,786)	(210,586)	(254,134)	(41,701)	(13,701)	(2,961)	(24,091)	(9,402)	(345,990)
Net commissions and other income	383,037	96,330	27,245	192,067	(279,777)	418,902	130,231	19,744	24,627	50,811	18,380	662,695
Net gains arising from trading activity	(10)	-	-	(8,167)	320,142	311,965	57,457	24,982	32,403	29,383	6,657	462,847
Staff costs and administrative costs	597,233	83,536	27,231	73,490	49,561	831,051	253,290	94,652	62,253	86,321	53,007	1,380,574
Depreciations	1,871	271	3	133	38,176	40,454	13,270	7,258	4,801	9,100	3,182	78,065
Operating costs	**599,104**	**83,807**	**27,234**	**73,623**	**87,737**	**871,505**	**266,560**	**101,910**	**67,054**	**95,421**	**56,189**	**1,458,639**
Impairment and provisions	(143,659)	(435,958)	(15,009)	(406,166)	(662,377)	(1,663,169)	(57,073)	(278,500)	(11,652)	(13,741)	(12,861)	(2,036,996)
Share of profit of associates under the equity method	-	-	-	-	54,296	54,296	527	-	-	836	-	55,659
Net gain from the sale of other assets	-	-	-	-	(24,193)	(24,193)	-	-	-	-	-	(24,193)
Net income before income tax	**(186,995)**	**(185,958)**	**18,698**	**11,987**	**(914,467)**	**(1,256,735)**	**134,378**	**(328,468)**	**44,631**	**101,312**	**(10,160)**	**(1,315,042)**
Income tax	51,235	54,012	(5,417)	(3,477)	79,125	175,478	(28,057)	58,521	(8,977)	(17,853)	(1,279)	177,833
Non-controlling interests	-	-	-	-	(531)	(531)	(36,670)	-	(16,851)	(27,792)	-	(81,844)
Net income after income tax	**(135,760)**	**(131,946)**	**13,281**	**8,510**	**(835,873)**	**(1,081,788)**	**69,651**	**(269,947)**	**18,803**	**55,667**	**(11,439)**	**(1,219,053)**
Income between segments	33,649	(5,353)	(4,392)	(23,904)	-	-	-	-	-	-	-	-
Balance sheet												
Cash and loans and advances to credit institutions	2,448,913	1,138,657	1,073,636	11,482,079	(14,795,058)	1,348,227	1,018,299	316,879	365,785	515,551	2,732,878	6,297,619
Loans and advances to customers	26,166,346	9,290,158	917,060	12,456,242	(2,538,868)	46,290,938	9,804,122	4,235,542	489,399	975,885	822,349	62,618,235
Financial assets	1,972	-	1,612	6,952,840	4,971,524	11,927,948	1,887,905	149,542	342,318	234,655	126,967	14,669,335
Other assets	119,032	13,884	5,607	224,726	5,011,625	5,374,874	184,347	238,050	177,118	145,579	38,882	6,158,850
Total assets	**28,736,263**	**10,442,699**	**1,997,915**	**31,115,887**	**(7,350,777)**	**64,941,987**	**12,894,673**	**4,940,013**	**1,374,620**	**1,871,670**	**3,721,076**	**89,744,039**
Deposits from other credit institutions	6,194,158	5,433,737	185,603	12,419,274	(14,412,522)	9,820,250	1,442,584	1,374,056	323,167	198,622	2,107,081	15,265,760
Deposits from customers	19,293,828	1,555,981	1,714,323	7,142,440	2,897,299	32,603,871	10,211,132	2,912,143	895,419	1,376,342	1,390,959	49,389,866
Debt securities issued	2,152,233	2,309,789	37,509	8,689,369	-	13,188,900	220,917	112,160	-	26,286	-	13,548,263
Other financial liabilities held for trading at fair value through profit or loss	239,332	256,852	4,171	966,272	27,439	1,494,066	114,770	75,524	-	-	38,101	1,722,461
Other financial liabilities	12,165	12,624	773	49,023	4,227,608	4,302,193	281,093	7,658	1,517	2,040	5,587	4,600,088
Other liabilities	17,714	15,644	3,000	64,114	746,287	846,759	124,157	58,525	51,378	129,714	6,880	1,217,413
Total liabilities	**27,909,430**	**9,584,627**	**1,945,379**	**29,330,492**	**(6,513,889)**	**62,256,039**	**12,394,653**	**4,540,066**	**1,271,481**	**1,733,004**	**3,548,608**	**85,743,851**
Equity and non-controlling interests	826,833	858,072	52,536	1,785,395	(836,888)	2,685,948	500,020	399,947	103,139	138,666	172,468	4,000,188
Total liabilities, equity and non-controlling interests	**28,736,263**	**10,442,699**	**1,997,915**	**31,115,887**	**(7,350,777)**	**64,941,987**	**12,894,673**	**4,940,013**	**1,374,620**	**1,871,670**	**3,721,076**	**89,744,039**

As at 31 December 2011, the net contribution of the major geographic segments is analysed as follows:

(Thousands of Euros)

	Portugal											
	Retail Banking	Companies	Asset Management and Private Banking	Corporate and Investment Banking	Other	Total	Poland	Greece	Angola	Mozambique	Other	Consolidated
Income statement												
Interest income	989,044	563,653	115,275	727,419	206,146	2,601,537	660,779	393,106	92,819	196,793	115,102	4,060,136
Interest expense	(767,261)	(317,470)	(87,911)	(432,425)	(96,364)	(1,701,431)	(398,683)	(202,719)	(32,432)	(58,144)	(87,453)	(2,480,862)
Net interest income	**221,783**	**246,183**	**27,364**	**294,994**	**109,782**	**900,106**	**262,096**	**190,387**	**60,387**	**138,649**	**27,649**	**1,579,274**
Commissions and other income	419,093	106,367	40,503	223,945	(50,691)	739,217	169,589	34,933	19,262	64,702	28,217	1,055,920
Commissions and other costs	(16,943)	(3,334)	(12,586)	(16,177)	(125,932)	(174,972)	(37,831)	(14,495)	(2,251)	(23,539)	(7,900)	(260,988)
Net commissions and other income	**402,150**	**103,033**	**27,917**	**207,768**	**(176,623)**	**564,245**	**131,758**	**20,438**	**17,011**	**41,163**	**20,317**	**794,932**
Net gains arising from trading activity	48	-	(5)	(7,891)	107,536	99,688	47,652	8,276	26,645	19,647	5,724	207,632
Staff costs and administrative costs	639,760	66,967	29,975	75,931	179,840	992,473	255,264	115,733	50,683	69,627	54,328	1,538,108
Depreciations	1,938	91	1	102	45,764	47,896	15,750	13,736	6,831	7,174	4,723	96,110
Operating costs	**641,698**	**67,058**	**29,976**	**76,033**	**225,604**	**1,040,369**	**271,014**	**129,469**	**57,514**	**76,801**	**59,051**	**1,634,218**
Impairment and provisions	(188,097)	(456,892)	(105,193)	(393,180)	(815,178)	(1,958,540)	(42,217)	(92,570)	(12,073)	(17,619)	(33,976)	(2,156,995)
Share of profit of associates under the equity method	-	-	-	(48)	14,668	14,620	-	-	-	-	-	14,620
Net gain from the sale of other assets	-	-	-	-	(26,872)	(26,872)	-	-	-	-	-	(26,872)
Net income before income tax	**(205,814)**	**(174,734)**	**(79,893)**	**25,610**	**(1,012,291)**	**(1,447,122)**	**128,275**	**(2,938)**	**34,456**	**105,039**	**(39,337)**	**(1,221,627)**
Income tax	59,447	50,655	23,238	(7,426)	380,606	506,520	(27,358)	(6,274)	(2,919)	(18,722)	7,610	458,857
Non-controlling interests	-	-	-	-	(7,399)	(7,399)	(34,806)	-	(14,905)	(28,743)	-	(85,853)
Net income after income tax	**(146,367)**	**(124,079)**	**(56,655)**	**18,184**	**(639,084)**	**(948,001)**	**66,111**	**(9,212)**	**16,632**	**57,574**	**(31,727)**	**(848,623)**
Income between segments	41,278	(5,589)	(894)	(34,795)	-	-	-	-	-	-	-	-
Balance sheet												
Cash and loans and advances to credit institutions	2,490,885	2,082,434	883,757	8,062,619	(13,177,863)	341,832	1,127,572	1,123,514	343,381	402,486	3,267,585	6,606,370
Loans and advances to customers	28,051,715	11,120,070	1,244,120	13,830,010	(2,506,707)	51,739,208	9,193,312	4,653,552	480,472	986,361	992,630	68,045,535
Financial assets	1,412	-	1,619	4,851,000	5,608,331	10,462,362	895,931	442,328	417,343	275,612	81,927	12,575,503
Other assets	125,934	14,858	6,399	601,886	4,881,742	5,630,819	153,852	144,376	146,736	128,282	50,603	6,254,668
Total assets	**30,669,946**	**13,217,362**	**2,135,895**	**27,345,515**	**(5,194,497)**	**68,174,221**	**11,370,667**	**6,363,770**	**1,387,932**	**1,792,741**	**4,392,745**	**93,482,076**
Deposits from other credit institutions	4,572,533	4,605,141	128,456	9,659,684	(8,679,653)	10,286,161	1,306,799	2,709,437	390,046	201,738	2,829,238	17,723,419
Deposits from customers	19,466,118	2,010,677	1,906,428	7,017,547	2,121,672	32,522,442	8,504,410	2,939,172	871,706	1,307,569	1,370,811	47,516,110
Debt securities issued	4,378,931	4,507,968	-	6,928,631	-	15,815,530	240,286	150,397	-	29,989	-	16,236,202
Other financial liabilities held for trading at fair value through profit or loss	1,113,759	1,046,579	-	1,762,263	(135,834)	3,786,767	128,806	110,240	-	-	31,857	4,057,670
Other financial liabilities	11,914	11,874	1,002	5,727	1,084,812	1,115,329	522,356	11,040	1,072	1,553	3,225	1,654,575
Other liabilities	92,225	4,130	13,015	192,725	1,400,003	1,702,098	72,707	7,493	32,042	117,079	(11,689)	1,919,730
Total liabilities	**29,635,480**	**12,186,369**	**2,048,901**	**25,566,577**	**(4,209,000)**	**65,228,327**	**10,775,364**	**5,927,779**	**1,294,866**	**1,657,928**	**4,223,442**	**89,107,706**
Equity and non-controlling interests	1,034,466	1,030,993	86,994	1,778,938	(985,497)	2,945,894	595,303	435,991	93,066	134,813	169,303	4,374,370
Total Liabilities, Equity and non-controlling Interests	30,669,946	13,217,362	2,135,895	27,345,515	(5,194,497)	68,174,221	11,370,667	6,363,770	1,387,932	1,792,741	4,392,745	93,482,076

Reconciliation of net income of reportable segments with the net result of the Group

Description of the relevant items of reconciliation:

(Thousands of Euros)

	'12	'11
Net contribution (excluding minority interest effect)		
Retail Banking in Portugal	**(135,760)**	(146,367)
Companies		(124,079)
Corporate and Investment Banking	**8,510**	18,184
Asset Management and Private Banking	**13,281**	(56,655)
Foreign Business	**(55,952)**	177,832
		(131,085)
Impact on the net interest income of the allocation of capital [(1)]	**2,727**	11,485
		(142,570)
Amounts included in the aggregate Others (not allocated to segments):		
Non-controlling interests [(2)]	**(81,844)**	(85,853)
Operating expenses [(3)]	**(87,736)**	(225,602)
Loan impairment and other provisions [(4)]	**(662,376)**	(668,045)
Equity accounted earnings	**55,659**	14,620
Own credit risk	**(30,047)**	(20,591)
Transfer of liabilities to the GSSS [(5)]	**-**	(164,800)
Settlement of the sale price of Eureko [(6)]	**-**	24,480
Impaiment for Millennium Bank (Greece) goodwill [(7)]	**-**	(147,130)
Impact on net interest income of the repurchase operations of liability management of 2011	**(195,300)**	(25,100)
Repurchase of own issues in 2012	**184,300**	-
Cost of debt issue with Stat Guarantee [(*)]	**(69,175)**	-
Impact of exchange rate hedging of investments	**(33,103)**	49,996
Interests of hybrid intruments	**(134,880)**	-
Others [(8)]		541,972
Total not allocated to segments	**(914,459)**	(706,053)
Consolidated net income	**(1,219,053)**	(848,623)

(*) Gross value.

(1) Represents the impact on net interest income due to allocation of capital. The balance sheet items of each subsidiary and each business unit are recalculated considering the replacement of accounting equity by the amounts assigned through the allocation within the strict fulfilment of solvency regulatory criteria.

(2) Corresponds mainly to the income attributable to third parties related to the subsidiaries in Poland, in Mozambique and in Angola.

(3) Includes difference in costs allocated to the segments, namely those connected with corporate areas and strategic projects.

(4) Includes provisions for property in kind, administrative infractions, various contingencies and other unallocated to commercial networks. The value of 2012 includes Euros 427,205,000 related to impairment losses from the transaction in Greece. The value of 2011 includes Euros 533,487,000 related to recognition of impairment losses for Greek public debt.

(5) Transfer of the liabilities of the pensions and the retired employees to the General Social Security Scheme, under the Decree Law no. 127/2011.

(6) Adjustment in price resulting from the evaluation carried out in the first quarter of the year.

(7) Goodwill of Millennium bank in Greece in accordance with the Group accounting policy and the disposal in IAS 36.

(8) Includes funding for non interest bearing assets and the financial strategies as well as tax effect associated with the items previously discriminated.

53. Risk Management

The Group is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally coordinating with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

Monitoring and control of the main types of financial risk – credit, market, liquidity and operational – to which the Group's business is subject are of particular importance.

Main Types of Risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfils their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk is understood to be the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal Organisation

The Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval at the very highest level of the principles and rules to be followed in risk management, as well as the guidelines dictating the allocation of economic capital to the business lines.

The Board of Directors, through the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at the level both of the Group and of each entity. At the proposal of the Banco Comercial Português Executive Committee, the Board of Directors also approves the risk-tolerance level acceptable to the Group.

The Risk Commission is responsible for monitoring the overall levels of risk incurred, ensuring that they are compatible with the objectives and strategies approved for the business.

The Group Risk Officer is responsible for the control of risks in all the Group entities, in order to ensure that the risks are monitored on an overall basis and that there is alignment of concepts, practices and objectives. It must also keep the Risk Commission informed of the Group's level of risk, proposing measures to improve control and implementing the approved limits.

The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Commission and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent in their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Group Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems of monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes, which include, among others, the prevention of money laundering, combating financing of terrorism, prevention of conflict of interest, issues related to abuse of market and compliance with the disclosure requirements to customers.

Risk evaluation and management model

For purposes of profitability analysis and risk quantification and control, each entity is divided into the following management areas:

– Trading and Sales: involves those positions whose objective is to obtain short-term gains through sale or revaluation. These positions are actively managed, are tradable without restriction and may be valued frequently and precisely, including the securities, the derivatives and the sales activities;
– Financing: financing operations of the group in the market, including both money market operations and institutional ones (and possible risk coverage), but no structural financing transactions (*e.g.* subordinated debt);
– Investment: includes those positions in securities to be held to maturity, during a longer period of time or those that are not tradable on liquid markets, or any others that are held with no other purpose than short-term gains. Also includes any other hedging risk operation associated to those;
– Commercial: includes all operations (assets and liabilities) held at the normal course of business group with its customers;
– ALM: is the Assets and Liabilities management function, including operations decided by CALCO in the group's global risk management function and centralizes the transfer of risk between the remaining areas;
– Structural: deals with balance sheet elements or operations that, because of their nature, are not directly related with any of the other areas, including structural financing operations of the group, capital and balance sheet fixed items;

The definition of the management areas allows effective separation of the management of the trading and banking portfolios, as well as a proper allocation of each operation to the most appropriate management area according to their context.

Risk Assessment

Credit Risk

Credit granting is based on prior classification of the customers' risk and on thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale. It is based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk. The Rating Master Scale also identifies those customers showing worsening credit capacity and, in particular, those classified as being in default in keeping with the Basel II Accord.

All the rating and scoring models used by the Group have been duly calibrated for the Rating Master Scale.

The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to more active collateralization of loans and more adequate pricing of the risk incurred.

To quantify the credit risk at the level of the various portfolios, the Group has developed a model based on an actuarial approach, which provides the distribution of total loss probability. In addition to the probability of default (PD) and of the amount of the loss given default (LGD) as the central points, consideration is also given to the uncertainty associated with the development of these parameters, through the introduction of the respective volatility. The effects of diversification and/or concentration between the sectors of the loan portfolios are quantified by introducing the respective correlations.

The gross Group's exposure to credit risk (original exposure), as at 31 December 2012 and 2011, is presented in the following table:

(Thousands of Euros)

	Original exposure	
Risk items	'12	'11
Central Governments or Central Banks	**10,976,372**	9,367,993
Regional Governments or Local Authorities	**637,504**	709,175
Administrative and non-profit Organisations	**181,341**	110,984
Multilateral Development Banks	**92,566**	88,213
Other Credit Institutions	**6,727,642**	8,187,435
Retail and Corporate customers	**82,300,341**	89,172,371
Other items	**10,010,098**	9,979,387
	110,925,865	117,615,558

Note: gross exposures of impairment and amortization, in accordance with the prudential consolidation perimeter. Includes securitization positions.

The following table includes the European countries that have been under particular attention in this period, such as Portugal, Greece, Ireland, Spain, Italy and Hungary. The amount represents the gross exposure (nominal value), as at 31 December 2012, of the credit granted to entities whose country is one of those identified.

(Thousands of Euros)

		'12					
		Country					
Counterparty type	Maturity	Spain	Greece	Hungary	Ireland	Italy	Portugal
Financial	2013	301,718	33,218	895	975,008	57,578	562,591
Institutions	2014	50,000	-	-	15,000	23,000	198,503
	2015	5,000	1,127	-	-	-	51,594
	>2015	75,000	94,507	-	-	-	337,846
		431,718	**128,852**	**895**	**990,008**	**80,578**	**1,150,534**
Companies	2013	66,408	319,630	-	4,136	-	7,437,463
	2014	7,127	105,772	-	-	-	1,329,389
	2015	90,000	143,889	-	-	-	620,502
	>2015	207,549	1,074,188	-	-	-	6,646,904
		371,084	**1,643,479**	**-**	**4,136**	**-**	**16,034,258**
Retail	2013	4,367	88,546	16	71	106	3,044,428
	2014	119	39,419	1	72	20	580,881
	2015	189	44,554	1	2,467	40	619,968
	>2015	84,074	1,773,808	70	63,043	6,259	22,938,387
		88,749	**1,946,327**	**88**	**65,653**	**6,425**	**27,183,664**
State and other	2013	-	79,940	5	-	-	4,091,587
Public entities	2014	-	1,014	-	200,000	-	306,647
	2015	-	256	-	-	-	2,050,799
	>2015	-	50,012	-	-	50,000	1,499,842
		-	**131,222**	**5**	**200,000**	**50,000**	**7,948,875**
Total Country		**891,551**	**3,849,880**	**988**	**1,259,797**	**137,003**	**52,317,331**

The balance Financial Institutions includes applications in other credit institutions. The amounts do not include interest and are not deducted from the values of impairment.

The balance Companies includes the amounts of credit granted to the companies segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance Retail includes the amounts of credit granted to the retail segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance State and other public entities includes the amounts related to sovereign debt, credit to governmental institutions, public companies, governments and municipalities, and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

Market Risks

The Group in monitoring and control of market risk existing in the diverse portfolios uses an integrated risk measure that includes the main types of market risk identified by the Group: generic risk, specific risk, non linear risk and commodities risk.

The measure used in evaluating the generic market risk is the VaR (Value at Risk). The VaR is calculated on the basis of the analysis approximation defined in the methodology developed by the RiskMetrics. It is calculated considering a 10-working day time horizon and an unilateral statistical confidence interval of 99%. In calculating the volatility associated with each risk vector, the model assumes a greater weighting for the market conditions seen in the more recent days, thus ensuring more accurate adjustment to market conditions.

A specific risk evaluation model is also applied to securities (bonds, shares, certificates, etc.) and associated derivatives for which the performance is related to its value. With the necessary adjustments, this model follows regulatory standard methodology.

Complementary measures for the non-linear risk, at a confidence level of 99%, and a standard measure for the commodities risk are also used.

These measures are included in the indicator of market risk with the conservative assumption of perfect correlation between the various types of risk (the worst-case scenario).

Capital at risk values are determined both on an individual basis for each one of the position portfolios of those areas having responsibilities in risk taking and management, as well as in consolidated terms taking into account the effects of diversification between the various portfolios.

To ensure that the VaR model adopted is appropriate to the evaluation of the risks involved in the positions that have been assumed, a back testing process has been instituted. This is carried out on a daily basis and it confronts the VaR indicators with the actual results.

The following table shows the main indicators for these measures to the trading portfolio, during 2012:

(Thousands of Euros)

	2012.12.31	Average	Maximum	Minimum	2011.12.31
Generic Risk (VaR)	3,576	3,916	12,197	1,380	5,023
Interest rate risk	2,371	3,425	12,098	1,189	5,051
FX risk	1,346	1,199	1,244	573	1,761
Equity risk	713	483	480	435	664
Diversification effects	*854*	*1,192*	*1,624*	*817*	*2,453*
Specific risk	728	798	3,445	567	1,298
Non linear risk	13	112	723	4	380
Commodities risk	47	18	47	2	4
Global Risk	**4,364**	**4,843**	**13,228**	**2,022**	**6,705**

Evaluation of the interest rate risk originated by the banking portfolio is performed by a risk sensitivity analysis process carried out every month for all operations included in the Group's consolidated balance sheet.

For this analysis are considered the financial characteristics of the contracts available in information systems. Based on these data, a projection for expected cash flows is made, according to the repricing dates and any prepayment assumptions considered.

Aggregation of the expected cash flows for each time interval for each of the currencies under analysis allows determination of the interest rate gaps per repricing period.

The interest rate sensitivity of the balance sheet in each currency is calculated through the difference between the present value of the interest rate mismatch after discounting the market interest rates and the discounted value of the same cash flows by simulating parallel shifts of the market interest rates.

The following tables shows the expected impact on the banking books economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, on each of the main currencies:

(Thousands of Euros)

	'12			
Currency	- 200 bp	- 100 bp	+ 100 bp	+ 200 bp
CHF	433	272	1,448	2,943
EUR	133,024	57,825	(16,344)	(25,466)
PLN	20,644	10,074	(9,618)	(18,816)
USD	3,824	2,265	(1,490)	(2,688)
Total	**157,925**	**70,436**	**(26,004)**	**(44,027)**

(Thousands of Euros)

	'11			
Currency	- 200 bp	- 100 bp	+ 100 bp	+ 200 bp
CHF	(2,281)	(3,002)	4,555	9,120
EUR	197,200	85,867	(71,811)	(134,034)
PLN	26,883	13,143	(12,584)	(24,645)
USD	(1,438)	184	4,293	6,792
Total	**220,364**	**96,192**	**(75,547)**	**(142,767)**

The Group limits the foreign currency exposure of investments made in subsidiaries abroad through the financing of net investments in money market operations and deposits from customer in the same currencies that makes the referred investments. The information of net investments, considered by the Group in hedging strategies on subsidiaries and on hedging instruments used, is as follows:

Company	Currency	Net Investment Currency '000	Hedging instruments Currency '000	Net Investment Euros '000	Hedging instruments Euros '000
Banque Privée BCP (Suisse) S.A.	CHF	117,494	117,494	97,328	97,328
Millennium bcp Bank & Trust Company Ltd.	USD	340,000	340,000	257,693	257,693
BCP Finance Bank Ltd	USD	561,000	561,000	425,193	425,193
BCP Finance Company, Ltd	USD	1	1	1	1
bcp holdings (usa), Inc.	USD	64,445	64,445	48,844	48,844
Bank Millennium, S.A.	PLN	1,700,125	1,700,125	417,311	417,311

The information on the gains and losses in exchange rates on the loans to cover the investments in foreign institutions, accounted for as exchange differences, is presented in the statement of changes in equity.

The ineffectiveness generated in the hedging operations is recognised in the statement of income, as referred in the accounting policy 1 e).

Liquidity risk

Evaluation of the Group's liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The evolution of the Group's liquidity situation for short-term time horizons (up to 3 months) is reviewed daily on the basis of two indicators defined in-house, immediate liquidity and quarterly liquidity. These measure the maximum fund-taking requirements that could arise on a single day, considering the cash flow projections for periods of 3 days and of 3 months, respectively.

Calculation of these indicators involves adding to the liquidity position of the day under analysis the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the transactions as a whole brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, for their dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered highly liquid is added to the calculated value, leading to determination of the liquidity gap accumulated for each day of the period under review.

In parallel, the evolution of the Group's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risks Commission is responsible for controlling the liquidity risk.

This control is reinforced with the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries, fulfil its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

In the current conjuncture, and given the continued prudent management of liquidity by the Group during the course of this whole situation, has been reinforced the buffer role provided by the liquidity asset portfolio discountable with the ECB (or other Central Banks). In this line, the portfolio of discountable assets to the ECB increased Euros 2,015,817,000 during the year of 2012 finishing with a value of Euros 17,690,385,000.

The eligible pool of assets for funding operations in the European Central Bank and other Central Banks in Europe, net of haircuts, is detailed as follows:

(Thousands of Euros)

	'12	'11
European Central Bank	**17,690,385**	15,674,568
Other Central Banks	**986,636**	784,665
	18,677,021	16,459,233

As at 31 December 2012, the amount discounted in the European Central Bank and Oher Central Banks amounted to Euros 12,255,000,000 and Euros 0 respectively (31 December 2011: Euros 12,706,000,000 and Euros 0).

The amount of eligible assets for funding operations in the European Central Banks includes securities issued by SPE concerning securitization operations in which the assets were not derecognised at a consolidated level, therefore the respective securities are not recognised in the securities portfolio.

The evolution of the Pool Monetary Policy of the ECB and the corresponding collaterals used is analysed as follows:

(Thousands of Euros)

	Dec '12	Sep '12	Jun '12	Mar '12	Dec '11
Collateral total after haircuts	**17,690,385**	**19,486,988**	**18,009,404**	**18,552,934**	15,674,568
Collateral used	**12,255,000**	**13,119,969**	**11,294,000**	**14,685,000**	12,706,000
Collateral available after haircuts	**5,435,385**	**6,367,019**	**6,715,404**	**3,867,934**	2,968,568

The main liquidity ratios of the Group, according to the definitions of the Instruction no. 13/2009 of the Bank of Portugal, had the following evolution:

	Reference value	'12	'11
Accumulated net cash flows up to 1 year as % of total accounting liabilities	Not less than (- 6 %)	**9.6%**	-1.6%
Liquidity gap as a % of iliquid assets	Not less than (- 20 %)	**2.9%**	-8.2%
Transformation ratio (Credit/Deposits)		**128.7%**	144.8%
Coverage ratio of Wholesale funding by HLA (1)			
(up to 1 month)		**878.6%**	132.2%
(up to 3 months)		**357.4%**	96.4%
(up to 1 year)		**298.8%**	87.6%

(1) HLA- Highly Liquid Assets.

Operational Risk

The approach to operational risk management is based on the business and support end-to-end processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for evaluation of the risks and for strengthening the performance within the scope of their processes. The Process Owners are responsible for keeping up to date all the relevant documentation concerning the processes, for ensuring the real adequacy of all the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the risk self-assessment exercises and for detecting and implementing improvement opportunities, including mitigating measures for the more significant exposures.

In the operational risk model implemented in the Group, there is a systematic process of gathering information on operational losses, that defines on a systematic form, the causes and the effects associated to an eventual detected loss. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by entities belonging to the Group as debtors or issuers, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of special guarantees constituted for the benefit of other creditors (negative pledge). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Group's participation in securitization operations involving its own assets are subject to mandatory changes in case the Group stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of loans.

Considering that relevant impacts occurred with previous downgrades, reductions in the Bank's rating notations during 2012 had no significant additional implications with respect to the covenants included in the existing securitization transactions.

Regarding the Covered Bond Programs of Banco Comercial Português and Banco de Investimento Imobiliário that are currently underway, there are no relevant covenants related to a possible downgrade of the Bank.

54. Solvency

Following the request submitted by Millennium bcp, the Bank of Portugal authorised the adoption of methodologies based on Internal Rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risk 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, the Bank of Portugal 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. Afterwards, with effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for exposures of the class of risk "Corporates" in Portugal and the adoption of IRB methodologies for "Loans secured by residential real estate" and "Renewable positions" of the Retail portfolio in Poland. In the 1st half of 2009, the Bank received authorization from the Bank of Portugal to adopt the advanced approaches (internal models) to the generic market risk and the standard method for the operational risk.

Consolidated own funds of Banco Comercial Português are determined according to the applicable regulatory rules, namely the Regulation no. 6/2010 from the Bank of Portugal. The own funds result from adding tier 1 with tier 2 and subtracting the component of Deductions. For the calculation of tier 1 are considered the core tier 1 elements, established in the Regulation no. 3/2011, and other relevant elements to the discharge of tier 1. The tier 1 and, in particular, core tier 1, comprises the steadiest components of the own funds.

As core tier 1 positive elements, the paid-up capital and the share premium, hybrid instruments eligible for this line item, fully subscribed by the Portuguese State in the scope of the Bank's capitalisation process, the reserves and the retained earnings, non-controlling interests in fully consolidated subsidiaries and the deferred impacts related to the transition adjustments to the International Financial Reporting Standards, are considered. Net losses, own shares, the shortfall of impairment to the regulatory provisions of the Regulation no. 3/95 from the Bank of Portugal, calculated on an individual basis for exposures treated by the standardised approach, goodwill and other intangible assets correspond to negative elements.

At the end of the 2011 the Bank decided for a change in the accounting policy related to the recognition of actuarial gains and losses of the Pension Fund. Accordingly, and following an analysis of the options permitted by the International Accounting Standard (IAS) 19 – Employee benefits, the Group decided to recognize the actuarial gains and losses against reserves. Previously, the Group used to defer actuarial gains and losses according to the corridor method, in which the unrecognised actuarial gains and losses that exceed 10% of the largest among between the current value of the liabilities and the fair value of the assets were recognised against the income statement according to the estimated remaining useful life of active employees.

Despite this change in accounting policy, the Bank of Portugal, for prudential purposes, allowed to continue to be used a corridor, corresponding to the higher value between i) 10% of liabilities from retirement and other pensions benefits, and ii) 10% of the value of the Pension Fund, as defined in the Regulation no. 2/2012 from the Bank of Portugal. This corridor was enlarged by the Bank of Portugal to include the impacts that resulted from the change of mortality tables in 2005 and the actuarial losses of 2008, excluding the expected return of the fund's assets in the same year. This enlarged corridor is subject to a monthly amortization, which ended in December 2012.

Core tier 1 can also be influenced by the replacement of unrealised gains and losses which do not represent impairment on debt securities, loans and other receivables recorded in the available-for-sale portfolio, on cash flow hedge transactions and on financial liabilities at fair value through profits and losses, net of taxes, to the extent related to own credit risk, as well as by the reversal of unrealised gains on equity securities classified as available-for-sale and loans and other receivables from the trading portfolio or measured at fair value through profits and losses.

Since the second half of 2011, the Bank of Portugal established new rules which have influenced the core tier 1 of the Group:

– In November 2011, the Bank of Portugal issued a clarification regarding the Regulation no. 6/2010, determining a deduction to core tier 1 related to customers deposits with yields above a certain threshold (Instruction no. 15/2012 from the Bank of Portugal);
– The Bank of Portugal has allowed the prudential neutralization, as from December 2011 and until June 2012, of the impacts related to the transfer of part of pension liabilities to the General Social Security Scheme and the Special Inspection Programme, carried out under the program of financial assistance to Portugal (Regulation no. 1/2012 from the Bank of Portugal);
– In June 2012, the Bank issue Euros 3,000 millions of core tier 1 capital instruments subscribed by the Portuguese State within the scope of the recapitalization process of the Goup and in accordance with Regulation no. 3/2011 from the Bank of Portugal. These instruments eligible until the maximum of 50% of core tier 1. The additional elements that integrate the tier I are preference shares, other hybrid instruments, and even some deductions taken by 50%: (i) of interests held in financial institutions and insurers and (ii) the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts cleared under the IRB approach.

The tier 2 includes the subordinated debt and 45% of the unrealized gains on avalable for sale assets that have been deducted to core tier 1. These components are part of the upper tier 2, except the subordinated debt, that is split between upper tier 2 (perpetual debt) and lower tier 2 (the remaining). Subordinated debt can only be included in the own funds with the agreement of the Bank of Portugal and as long as their total amount complies with the following limits: a) the tier 2 cannot surpass the amount of the tier 1 and b) the lower tier 2 cannot surpass 50% of the tier 1. Additionally, non-perpetual subordinated loans should be amortised at a 20% annual rate, during the last five years to maturity. The tier 2 is also subject to the deduction of the remaining 50% not deducted to the tier 1: (i) of interests held in financial institutions (more than 10%) and insurers (at least 20%); and (ii) the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts cleared under the IRB approach. If the amount of tier 2 is not enough to accommodate this deduction, the excess should be subtracted to the tier 1.

In order to conclude the calculation of the regulatory capital, there are still some deductions to the own funds that need to be performed, namely the amount of real-estate assets resulting from recovered loans that have exceeded the regulatory period of permanence in the Bank's accounts, the impairment concerning securitization transactions that have not reached the regulatory definition of effective risk transfer, to the extent of the amounts not recognised in the Bank's accounts, and the potential excess of exposure to risk limits in the scope of Bank of Portugal published Regulation no. 7/2010.

Capital requirements have been determined in accordance with the Basel II framework since the beginning of 2008. Capital requirements for credit risk have been determined in accordance with the Regulation no. 5/2007 from the Bank of Portugal, using IRB approaches to calculate minimum capital requirements for exposures managed from Portugal, covering a substantial part of the retail and corporate portfolios, and for a significant part of the retail portfolio of Poland as from 31 December 2012, and the standardised approach for the remaining portfolios and geographies.

Capital requirements for operational risk have been calculated following the standard approach described in the Regulation no. 9/2007 from the Bank of Portugal, and capital requirements for the trading portfolio have been calculated according to the Regulation no. 8/2007 from the Bank of Portugal, using the internal models approach to calculate capital requirements for the generic market risk of the trading portfolio, comprising the sub-portfolios managed from Portugal, related to debt instruments, capital instruments and foreign exchange risks, and the standardised approach to calculate capital requirements for the specific risk.

Additionally, in the scope of the program of financial assistance to Portugal, the Bank of Portugal established, through the Regulation no. 3/2011, that financial groups should reinforce their core tier 1 ratios, on a consolidated basis, to at least 9% until 31 December 2011 and 10% until 31 December 2012. In accordance to the criteria defined by EBA, which include the capital buffer of Euros 848 million related to sovereign risks, the Group reached a core tier 1 ratio of 9.8% in December 2012, above the minimum established limit (9%).

The own funds and the capital requirements determined according to the methodologies previously referred, for 31 December 2012 and 2011, are the following:

(Thousands of Euros)

	'12	'11
Core Own Funds		
Paid-up capital and share premium	**3,571,722**	6,136,722
Other capital instruments	**3,000,000**	-
Reserves and retained earnings	**(294,170)**	(2,183,494)
Non-controlling interests	**624,420**	542,647
Intangible assets	**(258,635)**	(250,728)
Net impact of accruals and deferrals	**33,985**	904,675
Other regulatory adjustments	**(98,250)**	(14,326)
Core tier I	**6,579,072**	5,135,496
Preference shares and other securities	**173,193**	173,409
Other regulatory adjustments	**(529,616)**	(521,331)
Total	**6,222,649**	4,787,574
Complementary Own Funds		
Upper tier 2	**30,786**	65,128
Lower tier 2	**665,801**	547,842
	696,587	612,970
Deductions to total own funds	**(146,040)**	(137,366)
Total Own Funds	**6,773,196**	5,263,178
Own Funds Requirements		
Requirements from Regulation no. 5/2007	**3,920,546**	4,072,649
Trading portfolio	**45,051**	45,309
Operacional risk	**296,058**	318,519
	4,261,655	4,436,477
Capital Ratios		
Core tier I	**12.4%**	9.3%
Tier I	**11.7%**	8.6%
Tier 2 (*)	**1.0%**	0.9%
Solvency ratio	**12.7%**	9.5%
By memory:		
Core tier I EBA	**9.8%**	

(*) Includes deductions to total own funds.

55. Accounting standards recently issued

Accounting standards and interpretations recently issued

Recently issued pronouncements already adopted by the Group in the preparation of the financial statements are the following:

IFRS 7 (Amended) – Financial Instruments: Disclosures – Transfers of financial assets

The International Accounting Standards Board (IASB), issued on 7th October 2010, amendments to "IFRS 7 – Disclosures – Transfers of financial assets", effective for annual periods beginning on or after 1st July 2011. Those amendments were endorsed by EU Commission Regulation 1205/2011, 22nd November.

The amendment requires enhanced disclosures about transfers of financial assets that enable users of the financial statements:

– To understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liability; and
– To evaluate the nature of, and risks associated with, the entity´s continuing involvement in derecognised financial asset.

The amendments also required additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

The adoption of this amendment by the Group had no impact on its financial statements.

IAS 12 (Amended) – Deferred tax recovery of underlying assets

The IASB, issued on 20 December 2010, amendments to "IAS 12 – Income Tax – Recovery of underlying assets" (and withdraw SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets), effective for annual periods beginning on or after 1st January 2012. Those amendments were endorsed by EU Commission Regulation 1255/2012, 11th December.

The amendments to IAS 12 provide that the deferred taxes related to investment properties are measured with the presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. Before the amendment, entities were allowed to consider that the carrying amount of investment proprieties would be recovered either through use or sale, depending on management intention.

The adoption of this amendment by the Group had no impact on its financial statements.

<u>The Group decided to opt for not having an early application of the following standards endorsed by EU but not yet mandatory effective</u>

Presentation of items of other comprehensive income – Amendments to IAS 1 – Presentation of Financial Statements

The IASB, issued on 16th June 2011, amendments to "IAS 1 – Presentation of Financial Statements", effective (with retrospective application) for annual periods beginning on or after 1st January 2012. Those amendments were endorsed by EU Commission Regulation 475/2012, 5th June.

The changes retain the entity's option to present profit or loss and other comprehensive income in two statements, however requires:

– To present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss;
– An entity that presents items of other comprehensive income before related tax effects will also have to allocate the aggregated tax amount between the two subcategories; and
– Change the title to "statement of profit or loss and other comprehensive income" – although other titles could be used.

The amendments affect presentation only and have no impact on the Group's financial position or performance.

IAS 19 Revised – Employee benefits

The IASB, issued on 16th June 2011, amendments to "IAS 19 – Employee benefits", effective (with retrospective application) for annual periods beginning on or after 1st January 2012. Those amendments were endorsed by EU Commission Regulation 475/2012, 5th June.

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor method and the concept of expected returns on plan assets to simple clarifications and re-wording. The Group made, in 2011, a voluntary change in the accounting police related to actuarial gains and losses arising from its post employment benefits which from 2011 are charged to equity, under other comprehensive income.

However, the amended standard will impact the net benefit expenses as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. This change will also have no impact on the Group financial statements.

IFRS 7 (Amended) – Financial Instruments: Disclosure – Offsetting financial assets and financial liabilities

The IASB, issued on 16th December 2011, amendments to "IFRS 7 – Financial Instruments: Disclosure – Offsetting financial assets and financial liabilities", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

These amendments required an entity to disclose information about what amounts have been offset in the statement of financial position and the nature and extend of rights to set-off and related arrangements (*e.g.* collateral arrangements).

The new disclosures are required for all recognized financial instruments that are set off in accordance with "IAS 32 – Financial Instruments: Presentation". The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

The Group expects that adoption of the amendments to IFRS 7 will require more extensive disclosures about rights of set-off.

IAS 32 (Amended) – Financial Instruments: Presentation – Offsetting financial assets and financial liabilities

The IASB, issued on 16th December 2011, amendments to "IAS 32 – Financial Instruments: Presentation – Offsetting financial assets and financial liabilities", effective (with retrospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

The IASB amended IAS 32 to add application guidance to address the inconsistent application of the standard in practice. The application guidance clarifies that the sentence 'currently has a legal enforceable right of set-off' means that the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy, of the entity and all of the counterparties.

The application guidance also specifies the characteristics of gross settlement systems in order to be considered equivalent to net settlement.

The Group is not expecting a significant impact form the adoption of the amendment to IAS 32, taking into consideration the accounting police already adopted.

IAS 27 (Revised) – Separate Financial Statements

The IASB, issued on 12th May 2011, amendments to "IAS 27 – Separate Financial Statements", effective (with prospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1254/2012, 11th December.

Taking in consideration that IFRS 10 addresses the principles of controls and the requirements relating to the preparation of consolidated financial statements, IAS 27 was amended to cover exclusively separate financial statements.

The amendments aimed, on one hand, to clarify the disclosures required by an entity preparing separate financial statements so that the entity would be required to disclose the principal place of business (and country of incorporation, if different) of significant investments in subsidiaries, joint ventures and associates and, if applicable, of the parent. The previous version required the disclosure of the country of incorporation or residence of such entities.

On the other hand, it was aligned the effective dates for all consolidated standards (IFRS10, IFRS11, IFRS12, IFRS13 and amendments to IAS 28).

The Group expects no relevant impact from the adoption of this amendment on its financial statements.

IFRS 10 – Consolidated Financial Statements

The IASB, issued on 12th May 2011, "IFRS 10 – Consolidated Financial Statements", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

IFRS 10 withdraw part of IAS 27 and SIC 12 and introduces a single control model to determine whether an investee should be consolidated.

The new concept of control involves the assessment of power, exposure to variability in returns and a linkage between the two. An investment controls an investee when it is exposed, or has rights, to variability returns from its involvement with the investee and is able to affect those returns through its power over the investee (facto control).

The investor considers whether it controls the relevant activities of the investee, taking into consideration the new concept. The assessment should be done at each reporting period because the relation between power and exposure variability in returns may change over the time.

Control is usually assessed over a legal entity, but also can be assessed over only specified assets and liabilities of an investee (referred to as "silo").

The new standard also introduce other changes such as: i) accounting requirements for subsidiaries in consolidation financial statements are carried forward from IAS 27 to this new standards and ii) enhanced disclosures are requires, including specific disclosures for consolidated and unconsolidated structured entities.

Nevertheless, the Group does not expect any significant impact on the application of this standard on its financial statements.

IFRS 11 – Joint Arrangements

The IASB, issued on 12th May 2011, "IFRS 11 – Joint Arrangemnts", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December that allows a delayed on mandatory application for 1st January 2014.

IFRS 11 withdraw IAS 31 and SIC 13 defines "joint control" by incorporating the same control model as defined in IFRS 10 and requires an entity that is part of a "join arrangement" to determine the nature of the joint arrangement ("joint operations" or "joint ventures") by assessing its rights and obligations.

IFRS 11 removes the option to account for joint ventures using the proportionate consolidation. Instead, joint arrangements that meet the definition of "joint venture" must be account for using the equity method (IAS 28).

The group has not carried out a thorough analysis of the impacts of the application of this standard. Nevertheless, the Group does not expect any significant impact on the application of this standard on its financial statements.

IAS 28 (Revised) – Investments in Associates and Joint Ventures

The IASB, issued on 12th May 2011, "IAS 28 – Investments in Associates and Joint Ventures", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed as "IAS 28 – Investments in Associates and Joint Ventures", and describes the application of the entity method to investments in joint ventures and associates.

The Group expects no impact from the adoption of this amendment on its financial statements.

IFRS 12 – Disclosures of interest in other entities

The IASB, issued on 12th May 2011, "IFRS 12 – Disclosures of interests in other entities", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

The objective of this new standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special vehicles and other off balance sheet vehicles.

The Group is still assessing the full impact of the new IFRS 12 in ligne with IFRS 10 and IFRS 11.

IFRS 13 – Fair Value Measurement

The IASB, issued on 12th May 2011, "IFRS 13 – fair Value Measurement", effective (with prospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1255/2012, 11th December.

IFRS 13 provides a single source of guidance on how fair value is measured and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs.

The Group is currently reviewing its methodologies for determining fair values, to evaluate if this rule has any impact on its financial statements.

Although many of IFRS 13 disclosures requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Group to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorized in level 3.

Recently issued pronouncements that are not yet effective for the Group

Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (issued by IASB on 31st October 2012)

The amendments apply to a particular class of business that qualifies as investment entities. The IASB uses the term "investment entity" to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organizations, venture capital organizations, pension funds, sovereign wealth funds and other investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted. This option allows investment entities to apply the investment entities amendments on the same date as the first application of the remaining IFRS 10.

The Group expects no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2009-2011)

The annual improvements cycle 2009-2011, issued by IASB on 17th May 2012, introduce amendments, with effective date on, or after, 1st January 2013, to the standards IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34 and IFRIC 2.

IAS 1 – Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is related with the previous period.

IAS 16 – Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 – Financial Instruments, Presentation and IFRIC 2

The improvements clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with "IAS 12 – Income Taxes", avoiding any interpretation that may mean any either application.

IAS 34 – Interim Financial Reporting

The amendments align the disclosure requirement for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures in relation to the changes of profit and loss account and other comprehensive income.

The Group is not expecting any significant impacts from the adoption of these improvements, taking into consideration the accounting police already adopted.

IFRS 9 – Financial Instruments (issued in 2009 and revised in 2010)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additional requirements related to financial liabilities. The IASB currently has an active project to perform limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 "categories of held to maturity", "available-for-sale" and "loans and receivables".

For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognized in profits or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment.

Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognized in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instruments is assessed in its entirety as to whether it should be amortized cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues.

The Group has started the process of evaluating the potential effect of this standard but is waiting for finalization of the limited amendments before the evaluation can be completed. Given the nature of the Group's operation, this standard is expected to have a pervasive impact on the Group's financial statements.

56. Administrative proceedings in course

1. At the end of the year of 2007, the Bank received a formal notice dated of 27 December 2007 informing that administrative proceedings no. 24/07/CO were brought by the Bank of Portugal against the Bank and against seven former Directors and two Managers, "based in preliminary evidence of administrative offences foreseen in the General Framework of credit Institutions and Financial Companies (approved by Decree-Law no. 298/92, of December 31), in particular with respect to breach of accounting rules, provision of false or incomplete information to Bank of Portugal, in particular in what respects to the amount of own funds and breach of prudential obligations".

A press release issued by the Bank of Portugal on 28 December 2007 mentioned that such administrative proceedings were initiated "based in facts related with 17 off-shore entities, whose nature and activities were always hidden from Bank of Portugal, in particular in previous inspections carried out".

On 12 December 2008, the Bank was notified of an accusation under the administrative proceedings no. 24/07/CO instructed by the Bank of Portugal, in which this Authority charges the Bank and the other defendants, with the practice of six administrative offences regulated by paragraph g) and three administrative offences regulated by paragraph r) of article 211 of the Legal Framework for Credit Institutions and Financial Companies (LFCIFC).

The offences should the charges be proven true, would be the following:

a) Failure to comply with the applicable accounting rules, determined by law or by the Bank of Portugal, that do not cause serious damages to the knowledge of the company's assets and financial standing is an administrative offence regulated in article 210 (f) of the LFCIFC, whereby companies are punished by a fine between Euros 750 and Euros 750,000. However, if such conduct causes serious damages, it may become the offence regulated in article 211 (g) of the LFCIFC, whereby companies are punished by a fine between Euros 2,500 and Euros 2,494,000; and
b) the (i) omission of information and communications to the Bank of Portugal, within the due deadlines or (ii) the provision of incomplete information are offences regulated in article 210 (h – presently amended to i) of the LFCIFC, whereby companies are punished by a fine between

Euros 750 and Euros 750,000. However, the (i) provision of false information or (ii) of incomplete information to the Bank of Portugal that may lead to wrongful conclusions with the same or similar effect as false information regarding that subject are offences regulated in article 211 (r) of the LFCIFC, whereby companies are punished by a fine between Euros 2,500 and Euros 2,494,000.

According to the charges, each offence is punishable by a fine between Euros 2,493.99 and Euros 2,493,989.49, and pursuant to the rules on accrued offences, defined in article 19 (1 and 2), of the Portuguese regime on administrative offences (Regime Geral das Contra-ordenações), in case of conviction for several offences, there shall be a single fine, the maximum amount of which cannot surpass twice the highest limit of the accrued offences.

On March 2009, the Bank did not accept the charges or accusations made and provided defence under these administrative proceedings within due term.

On 12 May 2010, the Bank was notified of the contents of the decision that, within the scope of the proceedings, was issued by the Board of Directors of the Bank of Portugal, applying to it, as primary sanction, a single fine of Euros 5,000,000.

Different fines were applied to the remaining defendants as primary sanctions, globally amounting to Euros 4,470,000. The Board of Directors of the Bank of Portugal decided to file the proceedings relating to a former Director and a Manager.

The Bank objected to this decision and has already been informed of the decision to accept the legal objections presented by all the defendants.

The trial hearing began in April 2011 and in September the Court heard the witnesses so as to better appraise the validity of the documentation provided with the claims and their eventual nullity as evidence due to violation of banking secrecy.

After the hearing, the Court issued a decision dated of 7 October 2011 declaring that the evidence was null and therefore the entire process was annulled.

The Public Prosecutor and Banco of Portugal appealed this decision. The Bank and other defendants have already presented their counter-claim.

On 5 July 2012, the Bank was notified of the decision of the Tribunal da Relação de Lisboa (Lisbon court of appeals) which approved the appeals presented by Banco de Portugal and by the public prosecution, and revoked the decision appealed, determining that, "there being no other reason not to, the trial hearing shall be continued and at the appropriate moment, a decision will be made based on the evidence".

Several defendants (natural persons) presented an appeal to the Constitutional Court and the proceeding is waiting to be appraised.

2. On July 2009, the Bank was notified of the accusation deducted by Public Ministry in a criminal process against five former members of the Board of Directors of the Bank, related mainly to the above mentioned facts, and to present in this process a request for an indemnity.

Considering this notification, and although considering as reproduced the contents of the defence presented in the above mentioned administrative proceedings, the Bank decided, in order to avoid any risk of a future allegation of loss of the right to an indemnity that may occur if no recourse is presented in this process, to present legal documentation regarding: (i) the recognition of its right, in a later period namely following the final identification of the facts, present a separate process in civil courts requesting an indemnity and (ii) additionally and cautiously, if the right to the request of a separate indemnity process in civil courts is not recognised, a civil indemnity according to the facts and terms mentioned in the accusation, if they are proven.

On 19 July 2011 the Bank was notified of the decision of the 8.ª Vara Criminal de Lisboa (Lisbon criminal court section) to recognise that the Bank could present an eventual request for civil indemnity separately. One of the Defendants appealed this decision to the Court of Appeals, which was admitted by the first instance court but has a merely devolutive effect, being passed to the higher court only with the eventual appeal that ends the proceedings.

The debate and trial hearing is currently underway.

3. On 22 June 2012, three companies controlled by the same physical person, the "Ring Development Corp.", the "Willow Securities Inc.", and the "Lisop Sociedade de Serviços Investimentos e Comercio de Imobiliários Lda." (the "Plaintiffs") brought forward a lawsuit in the courts of Lisbon against Banque Privée BCP (Suíça) S.A. and the Bank requesting: (i) compensation for an unspecified amount, but always above Euros 40 millions, for alleged damages and (ii) that certain loan agreements established between the Plaintiffs and Banque Privée BCP (Suisse) S.A. in 2008, amounting to a total of around Euros 80 million be declared null but without the subsequent legal duty to return the funds

borrowed. Notwithstanding the fact that the agreements are ruled by the Swiss law, the Plaintiffs based their request for the agreements to be declared null on an alleged violation of the provisos of the Portuguese Companies Code, stating that the loan agreements were made to enable the Plaintiffs to purchase shares of the Bank and on the fact that they had been forced to enter into the same. The Plaintiffs based their compensation request on alleged losses incurred due to the fact that Banque Privée BCP (Suisse) S.A. triggered the agreements' clause, selling the listed shares given as pledge at base prices, as foreseen in the loan agreements, and that the Plaintiffs were not given the possibility to continue to trade the pledged assets after the execution.

The loan agreements are ruled by the Swiss Law and subject to the jurisdiction of the Swiss courts and the Bank was informed that, according to the Swiss law, the Plaintiffs' request is not likely to be granted. Since the lawsuit was brought forward in the Portuguese courts, if the Portuguese courts decide to try the same, its outcome may be uncertain. Since the Bank believes that the Plaintiffs' request has no grounds, the Bank did not make any provisions regarding this litigation.

On 29 October 2012, the Bank presented its arguments. Banque Privée BCP (Suisse) S.A. requested that the citation be considered null; the request was accepted and an order was issued for the repetition of the citation, and the same was repeated on 08 January 2013, and Banque Privée now has 60 days to present its arguments.

57. Sovereign debt of European Union countries subject to bailout

As at 31 December 2012, the exposure of the Group to sovereign debt of European Union countries subject to bailout is as follows:

	'12					
Issuer/Portfolio	Fair value Euros '000	Fair value Euros '000	Fair value reserves Euros '000	Average interest rate %	Average maturity	Fair value measurement
Portugal						
Financial assets held for trading	179,840	179,840	-	4.31%	5.3	1
Financial assets available for sale	3,430,813	3,430,813	129,519	3.46%	2.8	1
Held to maturity financial assets	1,828,175	1,813,761	-	3.64%	3.6	
	5,438,828	**5,424,414**	**129,519**			
Greece						
Financial assets held for trading	8,255	8,255	-	4.07%	1.4	1
Financial assets available for sale (*)	36,580	36,580	6,018	2.62%	13.0	1
	44,835	**44,835**	**6,018**			
Ireland						
Held to maturity financial assets	209,355	210,102	-	4.00%	1.0	n.a.
	209,355	**210,102**	**-**			
	5,693,018	**5,679,351**	**135,537**			

The value of the securities includes the respective accrued interest.

(*) The caption includes Euros 19,950,000 related to greek sovereign debt bonds, resulted from the the exchange operation and accounted on the Millennium Bank (Greece) portfolio.

As at 31 December 2011, the exposure of the Group to sovereign debt of European Union countries subject to bailout is as follows:

	'11					
Issues/Portfolio	Book value Euros'000	Fair value Euros'000	Fair value reserves Euros'000	Average interest rate %	Average maturity Years	Fair value measurement levels
Portugal						
Financial assets held for trading	573,993	573,993	-	4.29%	1.6	1
Financial assets available for sale	2,105,318	2,105,318	(174,728)	3.35%	3.4	1
Held to maturity financial assets	2,026,266	1,514,824	-	4.80%	3.3	n.a.
	4,705,577	4,194,135	(174,728)			
Greece						
Financial assets held for trading	3,313	3,313	-	4.83%	0.5	1
Financial assets available for sale	73,634	73,634	15	4.82%	0.1	1
Held to maturity financial assets	182,188	182,188	-	3.96%	3.2	n.a.
	259,135	259,135	15			
Ireland						
Held to maturity financial assets	210,972	192,973	-	4.00%	2.0	n.a.
	210,972	192,973	-			
	5,175,684	4,646,243	(174,713)			

The value of the securities includes the respective accrued interest.

The exposure registered in the balance Loans and advances to customers and Guarantees and future commitments, related to sovereign risk of the European Union countries subject to bailout is presented as follows:

	'12		'11	
	Loans and advances to customers Euros'000	**Guarantees and future commitments Euros'000**	Loans and advances to customers Euros'000	Guarantees and future commitments Euros'000
Portugal	**460,551**	**13,117**	427,399	17,749
Greece	**5,667**	**361**	6,364	375
	466,218	**13,478**	433,763	18,124

Other exposures to sovereign risk of European Union countries subject to bailout are presented as follows:

	'12		'11	
	Notional amount Euros'000	**Fair value Euros'000**	Notional amount Euros'000	Fair value Euros'000
Credit Default Swaps				
Greece	**-**	**-**	148,250	(79,220)
Irland	**57,000**	**1,068**	57,000	(6,386)
	57,000	**1,068**	205,250	(85,606)

The value of derivatives includes the respective accrued interest.

The values for Credit Default Swaps identified in the tables above are economically offset by other symmetrical Credit Default Swaps or Credit Linked Notes issued by the Group and for which is applied the Fair Value Option or are being detached embedded derivatives associated, so that, in net terms, the Group is not exposed to the risks underlying sovereign risks.

The evolution of the European Union sovereign debt crisis and specifically the economic and political environment in Greece, which contributed to the continuous deterioration of economic and financial situation of Greece and the incapacity to obtain funds from the international markets, which implied that the short term solvency of the country is dependent on the continuous support by EU and IMF.

Considering this, as at 31 December 2011, the balance of Impairment for securities corresponded to the impairment recognised on Greek sovereign debt.
Impairment was determined considering the terms of the agreement established between the Greek state and the private sector ('PSI'), related to the restructuring of the Greek sovereign debt ('GGBs'). For the purposes of determining impairment, the Group considered the terms and conditions of the PSI and also paragraph AG 84 of IAS 39 that considers reasonable that, for the portfolio of assets held to maturity when, for practical reasons, there are relevant uncertainties regarding the estimate of future cash-flows, impairment can be determined based on observable market prices.

Considering the available information regarding the bonds' characteristics, the fair value corresponded to approximately 23% of the book value of the portfolio. Following of the reestructuring of the Greek sovereign debt in the second quarter of 2012, the impairment was charged off. The exchange offer occurred in 12 March 2012.

The PSI is part of an European Union Euros 130,000,000,000 bailout package for Greece.

After the exchange, the Group sold almost all portfolio of Greek sovereign debt arising from the PSI. As at 31 Decembert 2012, as result of this exchange, there are Greek sovereign debt securities in the portfolio of Millennium Bank (Greece) in the amount of Euros 19,950,000 that are registered in the financial assets available for sale and held for trading portfolios.

As at 31 December 2012 and 2011, the financial position of Millennium Bank (Greece) is as follows:

(Thousands of Euros)

	'12	'11
Cash and deposits at credit institutions	**162,853**	166,298
Loans and advances to credit institutions	**45,403**	957,037
Loans and advances to customers	**4 235,542**	4,653,552
Securities and trading derivatives	**149,117**	439,953
Other assets	**238,474**	146,752
Total assets	**4,831,389**	6,363,592
Deposits from Central Banks	**255,564**	607,092
Deposits from other credit institutions	**1,046,749**	2,018,672
Deposits from customers	**2,912,143**	2,939,172
Debt securities issued	**112,160**	150,397
Financial liabilities held for trading	**75,524**	110,240
Other liabilities	**231,643**	63,994
Total liabilities	**4,633,783**	5,889,567
Share capital	**219,479**	199,580
Share premium	**481,637**	362,766
Reserves and retained earnings	**(503,608)**	(88,387)
Non-controlling interests	**98**	66
Total equity	**197,606**	474,025
Total equity and liabilities	**4,831,389**	6,363,592

58. Transfers of assets

The Group performed a set of transactions of sale of financial assets (namely loans and advances to customers) for funds specialized in the recovery of loans. These funds take the responsibility for management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets. The financial assets sold under these transactions are derecognized from the balance sheet of the Group, since the transactions result in the transfer to the funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialized funds that acquire the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its investment throughout the useful life of the fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the funds, ensuring however that, separately, none of the banks holds more than 50% of the capital of the fund.

The funds have a specific management structure (General Partner), fully independent from the banks and that is selected on the date of establishment of the fund.

The management structure of the fund has as main responsibilities:

– determine the objective of the fund;
– manage exclusively the fund, determining the objectives and investment policy and the conduct in management and business of the fund.

The management structure is remunerated through management commissions charged to the funds.

These funds, in the majority of the transactions (in which the Group holds minority positions) establish companies under the Portuguese law in order to acquire the loans to the banks, which are financed through the issuance of senior and junior bonds. The value of the senior bonds fully subscribed by the funds that hold the share capital of the companies match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company that holds the assets.

The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the sale value.

These junior bonds, when subscribed by the Group, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior bonds plus it related interest.

However, considering that these junior bonds reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the junior bonds are fully provided.

Therefore, following the transactions, the Group subscribed:

– Participation units of the funds, for which the cash-flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where the Group has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the funds and audited at year end;
– Junior bonds (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Group, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it doesn't hold substantially all the risks and rewards.

Considering that it doesn't hold control and doesn't exercise significant influence on the funds or companies management, the Bank performed the derecognition of the assets transferred under the scope of IAS 39.20 c (i) and the recognition of the assets received as follows:

(Thousands of Euros)

	Values associated to credit tranfers		
	Net assets transferred	Received value	Income/(loss) resulting from the transfer
Fundo Recuperação Turismo FCR	264,518	290,984	26,466
FLIT	299,456	277,518	(21,939)
Vallis Construction Sector Fund	187,429	220,764	33,335
Fundo Recuperação FCR	218,320	202,173	(16,147)
Discovery Real Estate Fund	71,684	62,538	(9,146)
	1,041,407	**1,053,977**	**12,569**

(Thousands of Euros)

	Senior securities	Junior securities	Total	Impairment for juniors	Impairment for seniors	Net value
Fundo Recuperação Turismo FCR	273,315	-	273,315	-	-	273,315
FLIT	173,813	59,508	233,321	(59,508)	-	173,813
Vallis Construction Sector Fund	165,531	32,161	197,692	(32,161)	-	165,531
Fundo Recuperação FCR	164,038	68,553	232,591	(68,553)	(8,522)	155,516
Discovery Real Estate Fund	45,683	-	45,683	-	-	45,683
	822,380	**160,222**	**982,602**	**(160,222)**	**(8,522)**	**813,858**

The junior securities correspond to supplementary capital in the amount of Euros 128,061,000, as referred in note 32 and Participation units in the amount fo Euros 32,161,000 as referred in note 23.

Additionally, there is an amount of Euros 27,455,000, booked in the loans and advances to customer's portfolio that is fully provided.

Within the scope of the transfer of assets, the junior securities subscribed which carry a subordinated nature and are directly linked to the transferred assets are fully provided for.

Although the junior bonds are fully provided, the Group still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of assets transferred by all financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior bonds).

59. List of subsidiary and associated companies of Banco Comercial Português Group

As at 31 December 2012 the Banco Comercial Português Group's subsidiary companies included in the consolidated accounts using the full consolidation method were as follows:

					Group		Bank
Subsidiary companies	Head office	Share capital	Currency	Activity	% control	% held	% held
Banco de Investimento Imobiliário, S.A.	Lisbon	217,000,000	EUR	Banking	100.0	100.0	100.0
Banco ActivoBank, S.A.	Lisbon	41,000,000	EUR	Banking	100.0	100.0	–
Banca Millennium S.A.	Bucharest	303,195,000	RON	Banking	100.0	100.0	–
Banco Millennium Angola, S.A.	Luanda	4,009,893,495	AOA	Banking	50.1	50.1	50.1
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	65.5	65.5	65.5
Banque Privée BCP (Suisse) S.A.	Geneve	70,000,000	CHF	Banking	100.0	100.0	–
BIM – Banco Internacional de Moçambique, S.A.	Maputo	4,500,000,000	MZN	Banking	66.7	66.7	–
Millennium Bank, Societe Anonyme	Athens	219,479,300	EUR	Banking	100.0	100.0	–
Millennium bcp Bank & Trust	George Town	340,000,000	USD	Banking	100.0	100.0	–
BCP Finance Bank, Ltd.	George Town	246,000,000	USD	Banking	100.0	100.0	–
BCP Finance Company	George Town	202,176,158	EUR	Investment	100.0	15.3	–
Caracas Financial Services, Limited	George Town	25,000	USD	Financial services	100.0	100.0	100.0
Millennium Fin Commerce of Vehicles, Vessels, Devices and Equipment, Societe Anonyme	Athens	959,980	EUR	Investment	100.0	100.0	–
MB Finance AB	Stockholm	500,000	SEK	Investment	100.0	65.5	–
Millennium BCP – Escritório de Representações e Serviços, Ltda.	Sao Paulo	40,596,536	BRL	Financial services	100.0	100.0	100.0
ALO Investments B.V.	Amsterdam	18,000	EUR	Holding company	100.0	100.0	–
BCP Investment B.V.	Amsterdam	620,774,050	EUR	Holding company	100.0	100.0	100.0
bcp holdings (usa), Inc.	Newark	250	USD	Holding company	100.0	100.0	–
BII Internacional, S.G.P.S., Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	–
Bitalpart, B.V.	Rotterdam	19,370	EUR	Holding company	100.0	100.0	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0	100.0	100.0
BCP Capital – Sociedade de Capital de Risco, S.A.	Lisbon	28,500,000	EUR	Venture capital	100.0	100.0	100.0
BG Leasing, S.A.	Gdansk	1,000,000	PLN	Leasing	74.0	48.5	–
BII Investimentos International, S.A.	Luxembourg	150,000	EUR	Investment fund management	100.0	100.0	–
Imábida – Imobiliária da Arrábida, S.A.(*)	Oeiras	1,750,000	EUR	Real-estate management	100.0	100.0	100.0
Interfundos – Gestão de Fundos de Investimento Imobiliários, S.A.	Lisbon	1,500,000	EUR	Investment fund management	100.0	100.0	100.0
Millennium bcp – Prestação de Serviços, A. C. E.	Lisbon	331,000	EUR	Services	93.8	94.3	75.8
Millennium Dom Maklerski, S.A.	Warsaw	16 500,000	PLN	Brokerage services	100.0	65.5	–

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Millennium Leasing, Sp.z o.o.	Warsaw	48,195,000	PLN	Leasing	100.0	65.5	–
Millennium Service, Sp.z o.o.	Warsaw	1,000,000	PLN	Services	100.0	65.5	–
Millennium Telecomunication, Sp.z o.o.	Warsaw	100,000	PLN	Brokerage services	100.0	65.5	–
Millennium TFI – Towarzystwo Funduszy Inwestycyjnych, S.A.	Warsaw	10,300,000	PLN	Investment fund management	100.0	65.5	–
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	Oeiras	6,720,691	EUR	Investment fund management	100.0	100.0	100.0
Millennium bcp Teleserviços - Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	Videotext services	100.0	100.0	100.0
Millennium Mutual Funds Management Company, Societe Anonyme	Athens	1,176,000	EUR	Investment fund management	100.0	100.0	–
MBCP REO I, LLC	Delaware	370,174	USD	Real estate management	100.0	100.0	–
MBCP REO II, LLC	Delaware	5,971,574	USD	Real estate management	100.0	100.0	–
Millennium bcp Imobiliária, S.A.	Lisbon	50,000	EUR	Real estate management	99.9	99.9	99.9
Propaço – Sociedade Imobiliária de Paço D'Arcos, Lda	Oeiras	5,000	EUR	Real estate company	52.7	52.7	52.7
QPR Investmentos, S.A. (*)	Lisbon	50,000	EUR	Advisory and services	100.0	100.0	100.0
Servitrust – Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0	100.0	100.0
TBM Sp.z o.o.	Warsaw	500,000	PLN	Advisory and services	100.0	65.5	–

(*) Companies classified as non-current assets held for sale.

The Group also consolidates under the full consolidation method the following Investment Funds: "Fundo de Investimento Imobiliário Imosotto Acumulação", "Fundo de Investimento Imobiliário Gestão Imobiliária", "Fundo de Investimento Imobiliário Imorenda", "Fundo Especial de Investimento Imobiliário Oceânico II", "Fundo Especial de Investimento Imobiliário Fechado Stone Capital", "Fundo Especial de Investimento Imobiliário Fechado Sand Capital", "Fundo de Investimento Imobiliário Fechado Gestimo", "M Inovação – Fundo de Capital de Risco BCP Capital" and "Fundo Especial de Investimento Imobiliário Fechado Intercapital", as referred in the accounting policy presented in note 1 b).

As at 31 December 2012 the associated companies, were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Banque BCP, S.A.S.	Paris	84,164,803	EUR	Banking	19.9	19.9	19.9
Banque BCP (Luxembourg), S.A.	Luxembourg	16,000,000	EUR	Banking	19.9	19.9	–
Academia Millennium Atlântico	Luanda	47,500,000	AOA	Education	33.0	16.5	–
ACT-C – Indústria de Cortiças, S.A.	Sta.Maria Feira	17,923,625	EUR	Extractive industry	20.0	20.0	20.0
Baía de Luanda – Promoção, Montagem e Gestão de Negócios, S.A.	Luanda	19,200,000	USD	Services	10.0	10.0	–
Beira Nave	Maputo	2,849,640	MZN	Naval shipyards	22.8	13.7	–
Constellation, S.A.	Maputo	1,053,500,000	MZN	Property management	20.0	12.0	–
Luanda Waterfront Corporation	George Town	10,810,000	USD	Services	10.0	10.0	–

Associated companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Lubuskie Fabryki Mebli, S.A.	Swiebodzin	13,400,050	PLN	Furniture manufacturer	50.0	32.8	–
Nanium, S.A.	Vila do Conde	15,000,000	EUR	Electronic equipments	41.1	41.1	41.1
Pomorskie Hurtowe Centrum Rolno – Spozywcze S.A.	Gdansk	21,357,000	PLN	Wholesale business	38.4	25.2	–
Quinta do Furão – Sociedade de Animação Turística e Agrícola de Santana, Lda	Funchal	1,870,492	EUR	Tourism	31.3	31.3	31.3
SIBS, S.G.P.S., S.A.	Lisbon	24,642,300	EUR	Banking services	21.9	21.9	21.5
Sicit - Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	Oeiras	50,000	EUR	Advisory and services	25.0	25.0	25.0
UNICRE – Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	32.0	32.0	31.7
VSC – Aluguer de Veículos Sem Condutor, Lda.	Lisbon	12,500,000	EUR	Long term rental	50.0	50.0	–

As at 31 December 2012 the Banco Comercial Português Group's subsidiary and associated insurance companies included in the consolidated accounts under the full consolidation method and equity method were as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
S&P Reinsurance Limited	Dublin	1,500,000	EUR	Life reinsurance	100.0	100.0	100.0
SIM – Seguradora Internacional de Moçambique, S.A.R.L.	Maputo	147,500,000	MZN	Insurance	89.9	60.0	–

Subsidiary companies	Head office	Share capital	Currency	Activity	Group % control	Group % held	Bank % held
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	Oeiras	1,000,002,375	EUR	Holding company	49.0	49.0	–
Médis - Companhia Portuguesa Seguros de Saúde, S.A.	Oeiras	12,000,000	EUR	Health insurance	49.0	49.0	–
Ocidental – Companhia Portuguesa de Seguros de Vida, S.A.	Oeiras	22,375,000	EUR	Life insurance	49.0	49.0	–
Ocidental – Companhia Portuguesa de Seguros, S.A.	Oeiras	12,500,000	EUR	Non-life insurance	49.0	49.0	–
Pensõesgere, Sociedade Gestora Fundos de Pensões, S.A.	Oeiras	1,200,000	EUR	Pension fund management	49.0	49.0	–

During 2012, there was included, in the consolidated perimeter, the entity Quinta do Furão – Sociedade de Animação and were excluded the vehicles Magellan Mortgages No. 5, Magellan Mortgages No. 6, Caravela SME No. 1 and Kion Mortgage Finance No. 2, following the reimbursement of the bonds and extinction of the vehicles.

The Group held a set of securitization transactions regarding mortgage loans, consumer loans, leases, commercial paper and corporate loans which were set through specifically created SPE. As referred in accounting policy 1 b), when the substance of the relationships with the SPEs indicates that the Group holds control of its activities, the SPE are fully consolidated, following the application of SIC 12. These operations are detailed in note 22.

60. Subsequent events

Banco Comercial Português informs about Millennium Bank in Greece

Banco Comercial Português, S.A. ("BCP") signed on 22 April definitive agreements with Piraeus Bank regarding: (i) the sale of the entire share capital of Millennium Bank (Greece) ("MBG") and, (ii) the investment by BCP in the forthcoming capital increase of Piraeus Bank.

The signing of these agreements marks the successful conclusion of the negotiations between BCP and Piraeus Bank following the announcement on 6 February 2013 that the parties had entered into exclusive discussions.

This agreement falls within the framework that has been defined by the Bank of Greece and the Hellenic Financial Stability Fund ("HFSF") aiming at the restructuring of the Greek banking system and strengthening its financial stability. The terms and conditions of the transactions have been approved by the HFSF.

The transactions are expected to be consummated in the second quarter of 2013, subject in particular to the obtaining of final regulatory approvals.

The key elements of the sale transaction are the following:
– The aggregate consideration for the sale of the share capital of MBG was agreed at Euros 1,000,000;
– Pre closing recapitalization of MBG by BCP for Euros 400,000,000, in line with the requirement of Bank of Greece, through the conversion of approximately Euros 261,000,000 of the existing intercompany funding, in addition to the Euros 139,000,000 already contributed by BCP into MBG in December 2012. Under this scope, BCP has already booked in 2012 Financial Statements, an impairment in the amount of Euros 427,000,000;
– Piraeus Bank to ensure reimbursement by MBG of all the remaining intragroup funding currently provided by BCP to MBG in two tranches. The first tranche, in the amount of approximately Euros 650,000,000, will be paid on the date of closing of the sale transaction, and the second one, of approximately Euros 250,000,000 within 6months from that date;
– No asset transfer from MBG to BCP as part of the transaction.

The key elements of the investment transaction are the following:
– BCP to invest Euros 400,000,000 in the forthcoming rights issue of Piraeus Bank within the framework of recapitalisation of Greek banks with the participation of the HFSF, *i.e.*, at the same price as HFSF, leading to a minority stake in Piraeus Bank's share capital;
– BCP and Piraeus Bank will celebrate a contract which the last one compromise to support BCP on the sale of the investment in its share capital, under BCP assumption of certain limits, including a minimum 6 months period during which the shares are not transacted (lock-up) and several temporary conditions related to the vote issue and to the sale during the period established by HFSF.

If this disposal is achieved, the Group ceases to consolidate the Greek's subsidiaries, whose balance sheet and income statement as at 31 December, 2012, that are incorporated in the Group's consolidated accounts, are analysed as follows:

(Thousands of Euros)

	Balance sheet 2012
Cash and deposits at Central Banks	162,853
Loans and advances to credit institutions	45,403
Loans and advances to customers	4,235,542
Securities and trading derivatives	149,117
Other assets	238,474
Total assets	4,831,389
Deposits from Central Banks	255,564
Deposits from other credit institutions	1,046,749
Deposits from customers	2,912,143
Debt securities issued	112,160
Financial liabilities held for trading	75,524
Other liabilities	231,643
Total liabilities	4,633,783
Share capital	219,479
Share premium	481,637
Reserves and retained earnings	(503,608)
Non-controlling interests	98
Total equity	197,606
Total equity and liabilities	4,831,389

(Thousands of Euros)

	Income statement
Interest and similar income	199,338
Interest expense and similar charges	(187,723)
Net interest income	**11,615**
Dividends from equity instruments	33
Net fees and commissions income	24,649
Net gains/(losses) arising from trading and hedging activities	4,467
Net gains/(losses) arising from financial assets available for sale	443
Net gains/(losses) arising from financial assets held to maturity	20,071
Other operating income/costs	(4,939)
Total operating income	**56,339**
Staff costs	48,656
Other administrative costs	45,995
Depreciation	7,258
Total operating expenses	**101,909**
Loans impairment	(275,164)
Other assets impairment	(1,450)
Other provisions	(1,886)
Net loss before income tax	**(324,070)**
Deferred tax	57,641
Net loss after income tax	**(266,429)**
Non-controlling interests	(1)
Net loss for the year	**(266,430)**

CONSOLIDATED FINANCIAL STATEMENTS – BANCO COMERCIAL PORTUGUÊS, S.A.

INCOME STATEMENT
FOR THE YEARS ENDED 31 DECEMBER 2012, 2011

(Thousands of Euros)

	Notes	'12	'11
Interest and similar income	3	**3,295,543**	3,209,123
Interest expense and similar charges	3	**(2,902,582)**	(2,308,230)
Net interest income		**392,961**	**900,893**
Dividends from equity instruments	4	**270,887**	297,280
Net fees and commissions income	5	**514,899**	560,818
Net gains/(losses) arising from trading and hedging activities	6	**296,047**	(179,370)
Net gains/(losses) arising from available for sale financial assets	7	**114,474**	(179,101)
Other operating income	8	**7,538**	21,941
Total operating income		**1,596,806**	**1,422,461**
Staff costs	9	**519,445**	661,628
Other administrative costs	10	**324,363**	346,024
Depreciation	11	**32,879**	39,353
Operating expenses		**876,687**	**1,047,005**
Operating net income before provisions and impairments		**720,119**	**375,456**
Loans impairment	12	**(1,519,973)**	(802,412)
Other financial assets impairment	13	**(116,858)**	(429,855)
Other assets impairment	24, 25 and 29	**(904,048)**	(134,736)
Other provisions	14	**31,041**	131,321
Operating net income		**(1,789,719)**	**(860,226)**
Gains/(losses) from the sale of subsidiaries and other assets	15	**(10,074)**	(913)
Net loss before income tax		**(1,799,793)**	**(861,139)**
Income tax			
Current	28	**(12,822)**	(1,172)
Deferred	28	**329,253**	393,784
Net loss for the year		**(1,483,362)**	**(468,527)**
Earnings per share (in Euros)	16		
Basic		**(0.12)**	(0.06)
Diluted		**(0.12)**	(0.06)

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the individual financial statements

BALANCE SHEET AS AT 31 DECEMBER 2012, 2011

(Thousands of Euros)

	Notes	'12	'11
Assets			
Cash and deposits at Central Banks	17	**2,397,317**	1,035,629
Loans and advances to credit institutions			
Repayable on demand	18	**716,221**	1,207,141
Other loans and advances	19	**12,764,492**	12,313,451
Loans and advances to customers	20	**43,086,358**	48,466,502
Financial assets held for trading	21	**1,527,707**	2,492,421
Financial assets available for sale	21	**11,879,830**	15,987,443
Hedging derivatives	22	**117,535**	463,734
Financial assets held to maturity	23	**3,561,365**	5,086,001
Investments in subsidiaries and associated companies	24	**3,503,417**	3,986,207
Non current assets held for sale	25	**1,066,312**	945,115
Property and equipment	26	**304,052**	331,324
Goodwill and intangible assets	27	**14,246**	10,875
Current income tax assets		**9,927**	9,599
Deferred income tax assets	28	**1,820,930**	1,611,237
Other assets	29	**2,818,145**	3,805,995
		85,587,854	**97,752,674**
Liabilities			
Deposits from credit institutions	30	**18,124,246**	23,265,368
Deposits from customers	31	**32,697,873**	32,717,867
Debt securities issued	32	**18,859,705**	16,984,232
Financial liabilities held for trading	33	**1,255,155**	1,775,312
Other financial liabilities held for trading at fair value through profit or loss	34	**326,133**	2,537,717
Hedging derivatives	22	**55,000**	64,041
Provisions for liabilities and charges	35	**415,523**	501,797
Subordinated debt	36	**5,925,187**	2,796,939
Current income tax liabilities		**2,349**	897
Other liabilities	37	**4,161,516**	12,591,377
Total Liabilities		**81,822,687**	**93,235,547**
Equity			
Share capital	38	**3,500,000**	6,065,000
Treasury stock	41	**(1,179)**	(989)
Share premium		**71,722**	71,722
Other capital instruments	38	**9,853**	9,853
Fair value reserves	40	**63,223**	(342,304)
Reserves and retained earnings	40	**1,604,910**	(817,628)
Net loss for the year		**(1,483,362)**	(468,527)
Total Equity		**3,765,167**	**4,517,127**
		85,587,854	**97,752,674**

CHIEF ACCOUNTANT

THE EXECUTIVE COMMITTEE

See accompanying notes to the individual financial statements

CASH FLOWS STATEMENT
FOR THE YEARS ENDED 31 DECEMBER, 2012, 2011

(Thousands of Euros)

	'12	'11
Cash flows arising from operating activities		
Interest income received	**2,647,481**	2,420,716
Commissions income received	**679,013**	694,875
Fees received from services rendered	**97,940**	85,584
Interest expense paid	**(2,669,643)**	(2,123,881)
Commissions expense paid	**(337,327)**	(122,416)
Recoveries on loans previously written off	**20,844**	16,064
Payments to suppliers and employees	**(872,923)**	(1,065,051)
	(434,615)	**(94,109)**
Decrease/(increase) in operating assets:		
Loans and advances to credit institutions	**(1,087,171)**	(3,766,981)
Deposits with Central Banks under monetary regulations	**(729,939)**	(121,624)
Loans and advances to customers	**5,237,229**	4,140,564
Short term trading account securities	**536,133**	2,711,434
Increase/(decrease) in operating liabilities:		
Deposits from credit institutions repayable on demand	**279,081**	(1,486,620)
Deposits from credit institutions with agreed maturity date	**(5,512,838)**	(2,923,150)
Deposits from clients repayable on demand	**(800,078)**	(1,200,163)
Deposits from clients with agreed maturity date	**663,349**	2,551,175
	(1,848,849)	**(189,474)**
Income taxes (paid)/received	**(9,338)**	3,082
	(1,858,187)	**(186,392)**
Cash flows arising from investing activities		
Acquisition of shares in subsidiaries and associated companies	**(125,242)**	(911)
Dividends received	**270,887**	297,280
Interest income from available for sale financial assets and held to maturity financial assets	**651,081**	621,083
Proceeds from sale of available for sale financial assets	**17,879,817**	20,308,281
Available for sale financial assets purchased	**(24,848,098)**	(25,937,112)
Proceeds from available for sale financial assets on maturity	**11,728,063**	4,559,276
Acquisition of fixed assets	**(17,134)**	(19,209)
Proceeds from sale of fixed assets	**6,651**	4,251
Decrease/(increase) in other sundry assets	**1,191,495**	(425,831)
	6,737,520	**(592,892)**
Cash flows arising from financing activities		
Issuance of subordinated debt	**3,140,566**	337,200
Reimbursement of subordinated debt	**(47,915)**	(869,300)
Issuance of debt securities	**12,773,341**	6,046,935
Reimbursement of debt securities	**(11,690,257)**	(4,459,829)
Proceeds from issuance of commercial paper	**20,687**	3,347,962
Repayment of commercial paper	**(1,444,664)**	(2,228,246)
Share capital increase	**487,405**	249,991
Increase/(decrease) in other sundry liabilities	**(8,577,675)**	(1,747,191)
	(5,338,512)	**677,522**
Net changes in cash and equivalents	**(459,179)**	(101,762)
Cash and equivalents balance at the beginning of the year	**1,553,012**	1,654,774
Cash (note 17)	**377,612**	345,871
Other short term investments (note 18)	**716,221**	1,207,141
Cash and equivalents balance at the end of the year	**1,093,833**	**1,553,012**

See accompanying notes to the individual financial statements

STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER, 2012, 2011

(Thousands of Euros)

	Total equity	Share capital	Other capital instruments	Share premium	Legal and statutory reserves	Fair value reserves	Other reserves and reatined earnings	Treasury stock
Balance on 1 January, 2011	**4,982,183**	**4,694,600**	**1,000,000**	**192,122**	**466,042**	**(174,419)**	**(1,192,435)**	**(3,727)**
Transfers to reserves (note 40):								
Legal reserve	-	-	-	-	30,065	-	(30,065)	-
Statutory reserve	-	-	-	-	10,000	-	(10,000)	-
Share capital increase through the issue of 2,512,567,060 shares, conversion of perpetual subordinated securities and incorporation of reserves (note 38)	259,853	1,370,400	(990,147)	(120,400)	-	-	-	-
Costs related to the share capital increase	(13,149)	-	-	-	-	-	(13,149)	-
Tax related to costs arising from the share capital increase	3,287	-	-	-	-	-	3,287	-
Net loss for the year	(468,527)	-	-	-	-	-	(468,527)	-
Actuarial losses for the year	(32,174)	-	-	-	-	-	(32,174)	-
Costs related to the issue of perpetual subordinated Instruments	(21,595)	-	-	-	-	-	(21,595)	-
Tax related to the interest charge on the issue of perpetual subordinated instruments	5,421	-	-	-	-	-	5,421	-
Treasury stock	2,738	-	-	-	-	-	-	2,738
Gains and losses on sale of treasury stock	(5,065)	-	-	-	-	-	(5,065)	-
Tax related on gains and losses on sale of treasury stock	1,266	-	-	-	-	-	1,266	-
Fair value reserves (note 40)	(167,885)	-	-	-	-	(167,885)	-	-
Amortization of the transition adjustment to pensions (Regulation no.12/01)	(29,124)	-	-	-	-	-	(29,124)	-
Other reserves (note 40)	(102)	-	-	-	-	-	(102)	-
Balance on 31 December, 2011	**4,517,127**	**6,065,000**	**9,853**	**71,722**	**506,107**	**(342,304)**	**(1,792,262)**	**(989)**
Share capital increase through the issue of 12,500,000 shares (note 38)	500,000	500,000	-	-	-	-	-	-
Costs related to the share capital increase	(16,794)	-	-	-	-	-	(16,794)	-
Tax related to costs arising from the share capital increase	4,199	-	-	-	-	-	4,199	-
Redution of the share capital (note 38)	-	(3,065,000)	-	-	123,893	-	2,941,107	-
Net loss for the year	(1,483,362)	-	-	-	-	-	(1,483,362)	-
Actuarial losses for the year (note 46)	(131,271)	-	-	-	-	-	(131,271)	-
Treasury stock	(190)	-	-	-	-	-	-	(190)
Gains and losses on sale of treasury stock	(489)	-	-	-	-	-	(489)	-
Tax related on gains and losses on sale of treasury stock	122	-	-	-	-	-	122	-
Fair value reserves (note 40)	405,527	-	-	-	-	405,527	-	-
Amortization of the transition adjustment to pensions (Regulation no.12/01)	(29,702)	-	-	-	-	-	(29,702)	-
Balance on 31 December, 2012	**3,765,167**	**3,500,000**	**9,853**	**71,722**	**630,000**	**63,223**	**(508,452)**	**(1,179)**

See accompanying notes to the individual financial statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER, 2012, 2011

(Thousands of Euros)

	Notes	'12	'11
Fair value reserves	40	**570,617**	(236,073)
Taxes	40	**(165,090)**	68,188
		405,527	**(167,885)**
Actuarial losses for the year			
Gross value		**(161,560)**	(38,085)
Taxes		**30,289**	5,911
		(131,271)	**(32,174)**
Amortization of the transition adjustment to pensions (Regulation no.12/01)			
Gross value		**(40,622)**	(40,621)
Taxes		**10,920**	11,497
		(29,702)	**(29,124)**
Comprehensive income recognised directly in equity after taxes		244,554	(229,183)
Net loss for the year		(1,483,362)	(468,527)
Total comprehensive income for the year		**(1,238,808)**	**(697,710)**

See accompanying notes to the individual financial statements

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS 31 DECEMBER, 2012

1. Accounting policies

a) Basis of presentation

Banco Comercial Português, S.A. Sociedade Aberta (the "Bank') is a public bank, established in Portugal in 1985. It started operations on 5 May, 1986, and these financial statements reflect the results of the operations of the Bank, for the years ended 31 December, 2012 and 2011.

In accordance with Regulation (EC) no. 1606/2002 from the European Parliament and the Council, of 19 July 2002, Decree-Law no. 35/2005, of 17 February and Regulation no. 1/2005 from the Bank of Portugal, the Bank's financial statements are required to be prepared in accordance with "Normas de Contabilidade Ajustadas" (NCA's), issued by the Bank of Portugal, which are based in International Financial Reporting Standards ("IFRS") as endorsed by the European Union (EU) since the year 2005, except regarding the issues defined at no.2 and no.3 of Regulation no.1/2005 and no.2 of Regulation 4/2005 from the Bank of Portugal. NCA's comprise accounting standards issued by the International Accounting Standards Board ("IASB") as well as interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and their predecessor bodies, with the exception of the issues referred in no. 2 and 3 of Regulation no. 1/2005 and no. 2 of Regulation no. 4/2005 of Bank of Portugal: (i) maintenance of the actual requirements related with measurement and provision of loans and advances to customers; (ii) employee benefits through the definition of a deferral period for the transition impact to IAS 19 and (iii) restriction to the application of some issues established in IAS/IFRS. The Bank's Executive Committee approved these financial statements on 6 May 2013. The financial statements are presented in thousands of Euros, rounded to the nearest thousand.

All the references in this document relate to any normative always report to current version.

The Bank's financial statements for the year ended 31 December, 2012 have been prepared in terms of recognition and measurement in accordance with the NCA's, established by the Bank of Portugal and in use in the period.

The Bank has adopted IFRS and interpretations mandatory for accounting periods beginning on or after 1 January, 2012, as mentioned in note 50.

The financial statements are prepared under the historical cost convention, as modified by the application of fair value for derivative financial instruments, financial assets and liabilities at fair value through profit or loss (trading and fair value option) and available for sale assets, except those for which a reliable measure of fair value is not available. Financial assets and liabilities that are hedged under hedge accounting are stated at fair value in respect of the risk that is being hedged, if applicable. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost. Non-current assets and disposal groups held for sale are stated at the lower of carrying amount or fair value less costs to sell. The liability for defined benefit obligations is recognised as the present value of the defined benefit obligation net of the value of the fund.

The accounting policies set out below have been applied consistently for all periods presented in these financial statements.

The preparation of the financial statements in accordance with NCA's requires the Executive Committee to make judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The issues involving a higher degree of judgment or complexity or where assumptions and estimates are considered to be significant are presented in note 1 ab).

b) Loans and advances to customers

Loans and advances to customers includes loans and advances originated by the Bank which are not intended to be sold in the short term and are recognised when cash is advanced to borrowers.

The derecognition of these assets occurs in the following situations: (i) the contractual rights of the Bank have expired or (ii) the Bank transferred substantially all the associated risks and rewards.

Loans and advances to customers are initially recognised at fair value plus any directly attributable transaction costs and fees and are subsequently measured at amortised cost using the effective interest method, less impairment losses.

Impairment

As referred in the accounting policy described in note 1 a), the Bank has prepared its financial statements in accordance with NCA's therefore, in accordance with no. 2 and 3 of Regulation no. 1/2005 from the Bank of Portugal, the Bank adopted the same requirements for measurement and provision of loans and advances to customers used in the previous years, described as follows:

Specific provision for loan losses

The specific provision for loan losses is based on the appraisal of overdue loans including the related non overdue amounts and loans subject to restructuring, to cover specific credit risks. This provision is shown as a deduction against loans and advances to customers. The adequacy of this provision is reviewed regularly by the Bank, taking into consideration the existence of asset-backed guarantees, the overdue period and the current financial situation of the client.

The provision calculated under these terms, complies with the requirements established by the Bank of Portugal, in accordance with Regulations no. 3/95, of 30 June, no. 7/00, of 27 October and no. 8/03, of 30 January.

General provision for loan losses

This provision is established to cover latent bad and doubtful debts which are present in any loan portfolio, including guarantees or signature credits, but which have not been specifically identified as such. This provision is recorded under provision for liabilities and charges.

The general provision for loan losses is in accordance with Regulation no. 3/95, of 30 June, Regulation no. 2/99, of 15 January and Regulation no. 8/03, of 30 January of the Bank of Portugal.

Provision for country risk

The provision for country risk is in accordance with Regulation no. 3/95, of 30 June from the Bank of Portugal, and is based on the Instruction no. 94/96, of 17 June, of the Bank of Portugal, including the adoption of changes made to paragraph 2.4 of the referred Instruction published in October 1998.

Write-off of loans

In accordance with *Carta Circular* no. 15/2009 of the Bank of Portugal, loans and advances to customers are charged-off when there is no realistic expectation, from an economic perspective, of recovering the loan amount. For collateralised loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals for the part of the loans which is collateralised is effectively received and, according to Regulation no. 3/95 of the Bank of Portugal, the class of delay associated with the failure determines an allowance of 100%, by using impairment losses.

c) Financial instruments

(i) Classification, initial recognition and subsequent measurement

1) Financial assets and liabilities at fair value through profit and loss

1a) Financial assets held for trading

The financial assets and liabilities acquired or issued with the purpose of sale or re-acquisition on the short term, namely bonds, treasury bills or shares or that are part of a financial instruments portfolio and for which there is evidence of a recent pattern of short-term profit taking or that can be included in the definition of derivative (except in the case of a derivative classified as hedging) are classified as trading. The dividends associated to these portfolios are accounted in gains arising on trading and hedging activities.

The interest from debt instruments is recognised as interest margin.

Trading derivatives with a positive fair value are included in the financial assets held for trading and the trading derivatives with negative fair value are included in the financial liabilities held for trading.

1b) Other financial assets and liabilities at fair value through profit and loss (Fair Value Option)

The Bank has adopted the Fair Value Option for certain own bond issues, loans and time deposits that contain embedded derivatives or with related hedging derivatives. The variations of the Bank's credit risk related with financial liabilities accounted under the Fair Value Option are disclosed in Net gains/(losses) arising from trading and hedging activities.

The designation of the financial assets and liabilities at fair value through profit and loss (Fair Value Option) by decision of the entity is performed whenever at least one of the requirements is fulfilled:

– the assets and liabilities are managed, evaluated and reported internally at its fair value;
– the designation eliminates or significantly reduces the accounting mismatch of the transactions;
– the assets and liabilities include derivatives that significantly change the cash flows of the original contracts (host contracts).

The financial assets and liabilities at Fair Value Option are initially accounted at their fair value, with the expenses or income related to the transactions being recognised in profit and loss and subsequently measured at fair value through profit and loss. The accrual of interest and premium/discount (when applicable) is recognised in net interest income according with the effective interest rate of each transaction, as well as for the derivatives associated to financial instruments classified as Fair Value Option.

2) Financial assets available for sale

Financial assets available for sale held with the purpose of being maintained by the Bank, namely bonds, treasury bills or shares, are classified as available for sale, except if they are classified in another category of financial assets. The financial assets available for sale are initially accounted at fair value, including all expenses or income associated with the transactions. The financial assets available for sale are subsequently measured at fair value. The changes in fair value are accounted for against fair value reserves until they are sold or an impairment loss exists. In the sale of the financial assets available for sale, the accumulated gains or losses recognised as fair value reserves are recognised under net gains/(losses) arising from available for sale financial assets. Interest income from debt instruments is recognised in net interest income based on the effective interest rate, including a premium or discount when applicable. Dividends are recognised in the income statement when the right to receive the dividends is attributed.

3) Financial assets held-to-maturity

The financial assets held-to-maturity include non-derivative financial assets with fixed or determinable payments and fixed maturity, that the Bank has the intention and capacity to maintain until the maturity of the assets and that were not included in the category of financial assets at fair value through profit and loss or financial assets available for sale. These financial assets are initially recognised at fair value and subsequently measured at amortised cost. The interest is calculated using the effective interest rate method and recognised in net interest income. The impairment losses are recognised in profit and loss when identified.

Any reclassification or sale of financial assets included in this category that does not occur close to the maturity of the assets will require the Bank to reclassify the entire portfolio as Financial assets available for sale and the Bank will not be allowed to classify any assets under this category for the following two years.

4) Loans and receivables - Loans represented by securities

Non-derivative financial assets with fixed or determined payments, that are not quoted in a market and which the Bank does not intend to sell immediately or in a near future, may be classified in this category.

In addition to loans granted, the Bank recognises in this category unquoted bonds and commercial paper. The financial assets recognised in this category are initially accounted at fair value and subsequently at amortised cost net of impairment. The incremental direct transaction costs are included in the effective interest rate for these financial instruments. The interest accounted based on the effective interest rate method are recognised in net interest income.

The impairment losses are recognised in profit and loss when identified.

5) Other financial liabilities

The other financial liabilities are all financial liabilities that are not recognised as financial liabilities at fair value through profit and loss. This category includes money market transactions, deposits from customers and from other financial institutions, issued debt, and other transactions.

These financial liabilities are initially recognised at fair value and subsequently at amortised cost. The related transaction costs are included in the effective interest rate. The interest calculated at the effective interest rate is recognised in net interest income.

The financial gains or losses calculated at the time of the repurchase of other financial liabilities are recognised as net gains/(losses) arising from trading and hedging activities when occurred.

(ii) Impairment

At each balance sheet date, an assessement of the existence of objective evidence of impairment, is made. A financial asset or group of financial assets are impaired when there is objective evidence of impairment resulting from one or more events that occurred after its initial recognition, such as: (i) for listed securities, a prolonged devaluation or a significant decrease in its quotation price and (ii) for unlisted securities, when that event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reasonably. According to the Bank's policies, a 30% depreciation in the fair value of an equity instrument is considered a significant devaluation and the one year period is assumed to be a prolonged decrease in the fair value below the acquisition cost.

If an available for sale asset is determined to be impaired, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss) is removed from fair value reserves and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurred after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the income statement. Recovery of impairment losses on equity instruments classified as financial assets available for sale, is recognised as a gain in fair value reserves when it occurs (if there are no reversal in the income statement).

(iii) Embedded derivatives

Embedded derivatives should be accounted for separately as derivatives if the economic risks and benefits of the embedded derivative are not closely related to the host contract, unless the hybrid (combined) instrument is not initially measured at fair value with changes through profit and loss. Embedded derivatives are classified as trading and recognised at fair value with changes through profit and loss.

d) Derivatives hedge accounting

(i) Hedge accounting

The Bank designates derivatives and non-financial instruments to hedge its exposure to interest rate and foreign exchange risk, resulting from financing and investment activities. Derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative hedging instruments are stated at fair value and gains and losses on re-measurement are recognised in accordance with the hedge accounting model adopted by the Bank. A hedge relationship exists when:

– at the inception of the hedge there is formal documentation of the hedge;
– the hedge is expected to be highly effective;
– the effectiveness of the hedge can be reliably measured;
– the hedge is valuable in a continuous basis and highly effective throughout the reporting period; and
– for hedges of a forecasted transaction, the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss.

When a derivative financial instrument is used to hedge foreign exchange arising from monetary assets or liabilities, no hedge accounting model is applied. Any gain or loss associated to the derivative and to changes in foreign exchange risk related with the monetary items is recognised through profit and loss.

(ii) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge instruments are recognised in profit and loss, together with changes in the fair value attributable to the hedged risk of the asset or liability or group of assets and liabilities. If the hedge relationship no longer meets the criteria for hedge accounting, the cumulative gains and losses recognised until the discontinuance of the hedge accounting are amortised through profit and loss over the residual period of the hedged item.

(iii) Cash flow hedge

In a hedge relationship, the effective portion of changes in fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity – cash flow hedge reserves. Any gain or loss relating to the ineffective portion of the hedge is immediately recognised in profit and loss when occurred.

Amounts accumulated in equity are reclassified to profit and loss in the periods in which the hedged item will affect profit or loss.

In case of hedging variability of cash-flows, when the hedge instrument expires or is disposed or when the hedging relationship no longer meets the criteria for hedge accounting, or when the hedge relation is revoked, the hedge relationship is discontinued on a prospective basis. Therefore, the fair value changes of the derivative accumulated in equity until the date of the discontinued hedge accounting can be:

– deferred over the residual period of the hedged instrument; or
– recognised immediately in results, if the hedged instrument is extinguished.

In the case of a discontinued hedge of a forecast transaction, the change in fair value of the derivative recognised in equity at that time remains in equity until the forecasted transaction is ultimately recognised in the income statement. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit and loss.

(iv) Hedge effectiveness

For a hedge relationship to be classified as such according to IAS 39, effectiveness has to be demonstrated. As such, the Bank performs prospective tests at the beginning date of the initial hedge, if applicable and retrospective tests in order to demonstrate at each reporting period the effectiveness of the hedging relationships, showing that the changes in the fair value of the hedging instrument are hedged by the changes in the hedged item for the risk being covered. Any ineffectiveness is recognised immediately in profit and loss when incurred.

(v) Hedge of a net investment in a foreign operation
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is immediately recognised in the income statement. Gains and losses accumulated in equity related to the investment in a foreign operation and to the associated hedge operation are included in the income statement on the disposal of the foreign operation as part of the gain or loss from the disposal.

e) Reclassifications between financial instruments categories
In October 2008, the IASB issued a change to IAS 39 – Reclassification of Financial Assets (Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7: Financial Instruments Disclosures). This change allowed an entity to transfer Financial assets from Financial assets at fair value through profit and loss – trading to Financial assets available for sale, to Loans and Receivables – Loans represented by securities or to financial assets held-to-maturity, as long as the requirements described in the standard are met, namely:

- if a financial asset, at the date of reclassification present the characteristics of a debt instrument for which there is no active market; or
- when there is some event that is uncommon and higly improbable that will occur again in the short term, that is, the event can be classified as a rare circumstance.

The Bank adopted this possibility for a group of financial assets, as disclosed in note 21.

Transfer of financial assets recognised in the category of Financial assets available-for-sale to Loans and receivables – Loans represented by securities and Financial assets held-to-maturity are permitted.

Transfers from and to Financial assets and financial liabilities at fair value through profit and loss by decision of the entity (Fair Value Option) are prohibited.

f) Derecognition
The Bank derecognises financial assets when all rights to future cash flows have expired. In a transfer of assets, derecognition can only occur either when risks and rewards have been substantially transferred or the Bank does not maintain control over the assets.

The Bank derecognises financial liabilities when these are discharged, cancelled or extinguished.

g) Equity instruments
An instrument is classified as an equity instrument when there is no contractual obligation at settlement to deliver cash or another financial asset to another entity, independently from its legal form, showing a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs directly attributable to an equity instruments' issuance are recognised in equity as a deduction to the amount issued. Amounts paid or received related to sales or acquisitions of equity instruments are recognised in equity, net of transaction costs.

Preference shares issued by the Bank are considered as an equity instrument when redemption of the shares is solely at the discretion of the issuer and dividends are paid at the discretion of the Bank.

Income from equity instruments (dividends) are recognised when the right to receive this income is established and are deducted to equity.

h) Compound financial instruments
Financial instruments that contain both a liability and an equity component (example: convertible bonds) are classified as compound financial instruments. For those instruments to be considered as compound financial instruments, the terms of its conversion to ordinary shares (number of shares) can not change with changes in its fair value. The financial liability component corresponds to the present value of the future interest and principal payments, discounted at the market interest rate applicable to similar financial liabilities that do not have a conversion option. The equity component corresponds to the difference between the proceeds of the issue and the amount attributed to the financial liability. Financial liabilities are measured at amortised cost through the effective interest rate method. The interests are recognised in Net interest income.

i) Securities borrowing and repurchase agreement transactions
(i) Securities borrowing
Securities lent under securities lending arrangements continue to be recognised in the balance sheet and are measured in accordance with the applicable accounting policy. Cash collateral received in respect of securities lent is recognised as a financial liability. Securities borrowed under securities borrowing agreements are not recognised. Cash collateral placements in respect of securities borrowed are recognised under loans and

advances to either banks or customers. Income and expenses arising from the securities borrowing and lending business are recognised on an accrual basis over the period of the transactions and are included in interest income or expense (net interest income).

(ii) Repurchase agreements

The Bank performs acquisition/sale of securities under reselling/repurchase agreements of securities substantially equivalent in a future date at a predetermined price ('repos'/'reverse repos'). The securities related to reselling agreements in a future date are not be recognised on the balance sheet. The amounts paid are recognised in loans and advances to customers or loans and advances to credit institutions. The receivables are collateralised by the related securities. Securities sold through repurchase agreements continue to be recognised in the balance sheet and are revaluated in accordance with the applicable accounting policy. The amounts received from the proceeds of these securities are considered as deposits from customers and deposits from credit institutions.

The difference between the acquisition/sale and reselling/repurchase conditions is recognised on an accrual basis over the period of the transaction and is included in interest income or expenses.

j) Investements in subidiaries and associates

Investments in subsidiaries and associated are accounted for in the Bank's individual financial statements at its historical cost less any impairment losses.

Impairment

The recoverable amount of the goodwill in subsidiaries is assessed annually, regardless the existence of any impairment triggers. Impairment losses are are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associated and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period. The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks.

k) Non-current assets held for sale and discontinued operations

Non current assets, groups of non-current assets held for sale (groups of assets together and related liabilities that include at least a non current asset) and discontinued operations are classified as held for sale when it is intention to sell the referred assets and liabilities, the referred assets are available for immediate sale and its sale is highly probable.

The Bank also classifies as non-current assets held for sale those non-current assets or groups of assets acquired exclusively with a view to its subsequent disposal, that are available for immediate sale and its sale is highly probable.

Immediately before classification as held for sale, the measurement of the non-current assets or all assets and liabilities in a disposal group, is performed in accordance with the applicable IFRS. After their reclassification, these assets or disposal groups are measured at the lower of their cost and fair value less costs to sell.

Discontinued operations and the subsidiaries acquired exclusively with the purpose to sell in the short term, are consolidated until the disposal.

The Bank also classifies as non-current assets held for sale the investments arising from recovered loans that are measured initially by the lower of its fair value net of expenses and the loan's carrying amount on the date that the recovery occurs or the judicial decision is formalised.

The fair value is determined based on the expected selling price estimated through periodic valuations performed by the Bank.

The subsequent accounting of these assets is determined based on the lower of the carrying amount and the corresponding fair value net of expenses. In case of unrealized losses, these should be recognised as impairment losses against results.

l) Finance lease transactions

At the lessee's perspective, finance lease transactions are recorded as an asset and liability at fair value of the leased asset, which is equivalent to the present value of the future lease payments. Lease rentals are a combination of the financial charge and the amortisation of the capital outstanding. The financial charge is allocated to the periods during the lease term to produce a constant periodic rate of interest on the remaining liability balance for each period.

At the lessor's perspective, assets held under finance leases are recorded in the balance sheet as a receivable at an amount equal to the net investment in the lease. Lease rentals are a combination of the financial income and amortization of the capital outstanding. Recognition of the financial result reflects a constant periodical return rate over the remaining net investment of the lessor.

m) Interest income and expense

Interest income and expense for financial instruments measured at amortised cost are recognised in the interest income or expenses (net interest income) through the effective interest rate method. The interest related to financial assets available for sale calculated at the effective interest rate method are also recognised on the net interest income as well as those from assets and liabilities at fair value through profit and loss.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument (or, when appropriate, for a shorter period), to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument (example: early payment options) but without considering future impairment losses. The calculation includes all fees paid or received considered as included in the effective interest rate, transaction costs and all other premiums or discounts directly related with the transaction except for assets and liabilities at fair value through profit and loss.

If a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Specifically regarding the accounting policy for interest on overdue loans' portfolio the following aspects are considered:

– interest income for overdue loans with collaterals are accounted for as income up to the limit of the valuation of the collateral valued on a prudent basis. This income is registered against results in accordance with IAS 18, assuming that there is a reasonable probability of recoverability; and
– the interests accrued and not paid for overdue loans for more than 90 days that are not covered by collaterals are writen-off and are recognised only when they are received, in accordance with IAS 18, on the basis that its recoverability is considered to be remote.

For derivative financial instruments, except those classified as hedging instruments of interest rate risk, the interest component is not separated from the changes in the fair value and is classified under Net gains/(losses) from trading and hedging activities. For hedging derivatives of interest rate risk and those related to financial assets or financial liabilities recognised in the Fair Value Option category, the interest component of the changes in their fair value is recognised under interest income or expense (net interest income).

n) Fee and commission income

Fees and commissions are recognised according to the following criteria:

– fees and commissions which are earned as services are provided are recognised in income over the period in which the service is being provided;
– fees and commissions that are earned on the execution of a significant act are recognised as income when the service is completed.

Fees and commissions that are an integral part of the effective interest rate of a financial instrument are recognised in net interest income.

o) Financial results (Results arising from trading and hedging activities and available for sale financial assets)

Financial results includes gains and losses arising from financial assets and financial liabilities at fair value through profit and loss, that is, fair value changes and interest on trading derivatives and embedded derivatives, as well as the corresponding dividends received. This caption also includes gains and losses arising from the sale of available for sale financial assets. The changes in fair value of hedging derivatives and hedged items, when fair value hedge is applicable, are also recognised in this caption.

p) Fiduciary activities

Assets held in the scope of fiduciary activities are not recognised in the Bank's financial statements. Fees and commissions arising from this activity are recognised in the income statement in the year to which they relate.

q) Property and equipment

Property and equipment are stated at acquisition cost less accumulated depreciation and impairment losses. Subsequent costs are recognised as a separate asset only when it is probable that future economic benefits will result for the Bank. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

The Bank performs impairment testing whenever events or circumstances indicate that the book value exceeds the highest between the value in use and the fair value less costs to sell, being the difference charged to the profit and loss.

Depreciation is calculated on a straight-line basis, over the following periods which correspond to their estimated useful life:

	Number of years
Premises	50
Expenditure on freehold and leasehold buildings	10
Equipment	4 to 12
Other fixed assets	3

Whenever there is an indication that a fixed tangible asset might be impaired, its recoverable amount is estimated and an impairment loss shall be recognised if the net value of the asset exceeds its recoverable amount.

The recoverable amount is determined as the highest between the fair value less costs to sell and its value in use calculated based on the present value of future cash flows estimated to be obtained from the continued use of the asset and its sale at the end of the useful life.

The impairment losses of the fixed tangible assets are recognised in profit and loss.

r) Intangible assets
Research and development expenditure
The Bank does not capitalize any research and development costs. All expenses are recognised as costs in the year in which they occur.

Software
The Bank accounts as intangible assets the costs associated to software acquired from external entities and depreciates them on a straight line basis by an estimated lifetime of three years. The Bank does not capitalize internal costs arising from software development.

s) Cash and cash equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months‘ maturity from the balance sheet date, including cash and deposits with banks.

Cash and cash equivalents exclude restricted balances with Central Banks.

t) Offsetting
Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Bank has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

u) Foreign currency transactions
Transactions in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the respective functional currency of the operation at the foreign exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in the profit and loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into the respective functional currency of the operation at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into the respective functional currency of the operation at the foreign exchange rate at the date that the fair value was determined against profit and loss, except for financial assets available-for-sale, for which the difference is recognised against equity.

v) Employee benefits
Defined benefit plans
The Bank has the responsibility to pay to their employees retirement pensions and widow and orphan benefits and permanent disability pensions, in accordance with the agreement entered with the collective labour arrangements. These benefits are estimated in the pensions plans "Plano ACT" and "Plano ACTQ" of the Pension Plan of BCP Group, which corresponds to the referred collective labour arrangements (the conditions are estimated in the private social security of the banking sector for the constitution of the right to receive a pension).

Until 2011, along with the benefits provided in two planes above, the Bank had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to the Group's employees hired before 21 September 2006 (Complementary Plan). The Bank at the end of 2012 decided to extinguish ("cut") the benefit of old age Complementary Plan. As at 14 December 2012, the ISP (Portuguese Insurance Institute) formally approved this change benefit plan of the Bank with effect from 1 January 2012. The cut of the plan was made, having been assigned to the employees, individual rights acquired. On that date, the Bank also proceed to the settlement of the related liability.

From 1 January 2011, banks' employees were integrated in the General Social Security Scheme which now covers their maternity, paternity, adoption and pension benefits. However, the Banks remain liable for those benefits as concern illness, disability and life insurance (Decree-Law no. 1-A/2011, of 3 January).

The contributory rate is 26.6% divided between 23.6% supported by the employer and 3% supported by the employees, replacing the Banking Social Healthcare System ("Caixa de Abono de Família dos Empregados Bancários") which was extinguished by the decree law referred above. As a consequence of this amendment the capability to receive pensions by the actual employees are covered by the General Social Security Scheme regime, considering the service period between 1 January 2011 and the retirement age. The Bank supports the remaining difference for the total pension assured in "Acordo Colectivo de Trabalho"

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, was established an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions in order to transfer, to the Social Security, the liabilities related with pensions currently being paid to pensioners and retirees, as at 31 December 2011.

This agreement established that the responsibilities to be transferred related to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the component established in the "Instrumento de Regulação Colectiva de Trabalho (IRCT)" of the retirees and pensioners. The responsibilities related with the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continued to be under the responsibility of the Financial Institutions and being financed through the corresponding Pensions funds. The Decree-Law also established the terms and conditions under which the transfer was made by setting a discount rate of 4% to determine the liabilities to be transferred.

The calculation is made using the projected unit credit method and following actuarial and financial assumptions in line with the parameters required by IAS 19. In accordance with no. 2 of Regulation no. 4/2005 from the Bank of Portugal was established a deferral period for the transition impact to IAS 19 as at 1 January 2005 analysed as follows:

Balances	Deferral period
Obligations with healthcare benefits and other liabilities	10 years
Liabilities for death before retirement	8 years
Early retirement	8 years
Actuarial losses charged-off related with early retirement	8 years
Increase of deferred actuarial losses	8 years
Reversal of amortization of actuarial losses in accordance with local GAAP	8 years

In accordance with Regulation no. 7/2008 from the Bank of Portugal concerning the balances listed in the table above, an additional period of three years was authorised considering the inittially defined deferral period.

The Bank's net obligation in respect of pension plans and other benefits (defined benefit pensions plan) is calculated on a half year basis at 31 December and 30 June of each year.

The current services cost plus the interest cost on the unwinding of the pension liabilities less the expected return on the plan assets are recorded in operational costs.

The Bank's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value, using a discount rate determined by reference to interest rates of high-quality corporate bonds that have maturity dates approximating the terms of the Bank's obligations. The net obligations are determined after the deduction of the fair value of the assets of the Pension Plan.

Employee benefits, other than pension plans, namely post retirement health care benefits and benefits for the spouse and sons for death before retirement are also included in the benefit plan calculation.

Costs arising from early retirements are recognised in the income statement on the year in which the early retirement is approved and announced.

Gains and losses for the year are recognised against reserves in the year they occur.

The contributions to the funds are made annually by the Bank according to a certain plan contributions to ensure the solvency of the fund. The minimum level required for the funding is 100% regarding the pension payments and 95% regarding the past services of active employees.

Defined contribution plan
For defined contribution plan, the responsibilities related to the benefits attributed to the Bank's employees are recognised as expenses when incurred.

As at 31 December 2012, the Bank has two defined contribution plans. One plan that covers employees who were hired before 1 July 2009. For this plan, called non-contributory, Bank's contributions will be made annually and equal to 1% of the annual remuneration paid to employees in the previous year. Contributions shall only be made if the following requirements are met: (i) the Bank's ROE equals or exceeds the rate of government bonds of 10 years plus 5 percentage points and (ii) exist distributable profits or reserves in the accounts of Banco Comercial Português.

The other plan covers employees who have been hired after 1 July 2009. For this plan, designated contributory, monthly contributions will be made equal to 1.5% of the monthly remuneration received by employees in the current month, either by themselves or by the Bank and employees.

Share based compensation plan
As at 31 December 2012 there are no share based compensation plans in force.

Variable remuneration paid to employees
The Executive Committee decides on the most appropriate criteria of allocation among employees.

This variable remuneration is charged to income statement in the year to which it relates.

w) Income taxes
The Bank is subject to the regime established by the Income Tax Code ("IRC"). Additionally, deferred taxes resulting from the temporary differences between the accounting net income and the net income accepted by the Tax Authorities for Income Taxes calculation are accounted for, whenever there is a reasonable probability that those taxes will be paid or recovered in the future.

Income tax registered in net income for the year comprises current and deferred tax effects. Income tax is recognised in the income statement, except when related to items recognised directly in equity, which implies its recognition in equity. Deferred taxes arising from the revaluation of financial assets available for sale and cash flow hedging derivatives are recognised in shareholders' equity and are recognised after in the income statement at the moment the profit and loss that originated the deferred taxes are recognised.

Current tax is the value that determines the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are calculated in accordance with the liability method based on the balance sheet, considering temporary differences, between the carrying amounts of assets and liabilities and the amounts used for taxation purposes using the tax rates approved or substantially approved at balance sheet date and that is expected to be applied when the temporary difference is reversed.

Deferred tax liabilities are recognised for all taxable temporary differences except for goodwill, not deductible for tax purposes, differences arising on initial recognition of assets and liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that probably they will not reverse in the foreseeable future.

Deferred taxes assets are recognised to the extent when it is probable that future taxable profits, will be available to absorb deductible temporary differences for taxation purposes (including reportable taxable losses).

The Bank as established in IAS 12, paragraph 74, compensates the deferred tax assets and liabilities if, and only if: (i) has a legally enforceable right to set off current tax assets against current tax liabilities; and (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

x) Segmental reporting
The Group adopted the IFRS 8 – Operating Segments for the purpose of disclosure financial information by operating segments. A business segment is a group of assets and operations that are subject to risks and returns different from other business segments.

The results of the operating segments are periodically reviewed by the management with the aim of taking decisions. The Group prepares regular financial information concerning these segments, which is reported to Management. A geographical segment is a group of assets and operations located within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

Taking into consideration that the individual financial statements are present with the Group's report, in accordance with the paragraph 4 of IFRS 8, the Bank is dismissed to present individual information regarding segmental reporting.

y) Provisions

Provisions are recognised when (i) the Bank has a present obligation (legal or resulting from past practices or published policies that imply the recognition of certain responsibilities), (ii) it is probable that an outflow of economic benefits will be required to settle a present legal or constructive obligation as a result of past events and (iii) a reliable estimate can be made of the amount of the obligation.

On the cases that the discont efect is material, provion correspondes to atual value of the espected future payments, disconted by a rate that consideres the associated risk of the obligation.

Provisions are reviewed at each balance sheet date and adjusted to reflect the best estimate, being reverted through profit and loss in the proportion of the payments that are not probable.

The provisions are derecognised through their use for the obligations for which they were initially accounted or for the cases that the situations were not already observed.

z) Earnings per share

Basic earnings per share are calculated by dividing net income available to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year, excluding the average number of ordinary shares purchased by the Bank and held as treasury stock.

For the diluted earnings per share, the weighted average number of ordinary shares outstanding is adjusted to consider conversion of all dilutive potential ordinary shares, such as convertible debt and stock options granted to employees. Potential or contingent share issues are treated as dilutive when their conversion to shares would decrease net earnings per share.

If the earnings per share are changed as a result of an issue with premium or discount or other event that changed the potential number of ordinary shares or as a result of changes in the accounting policies, the earnings per share for all presented periods should be adjusted retrospectively.

aa) Insurance or reinsurance mediation services

The Banco Comercial Português and Banco ActivoBank are entities authorized by the Insurance Institute of Portugal to practice the activity of insurance mediation in the category of Online Insurance Broker, in accordance with Article 8., Paragraph a), point i) of Decree-Law no. 144/2006, of July 31, developing the activity of insurance intermediation in life and non-life.

Within the insurance mediation services, the Bank performs the sale of insurance contracts. As compensation for services rendered for insurance mediation, the Bank receives commissions for arranging contracts of insurance and investment contracts, which are defined in the agreements/ protocols established between the Bank and the Insurance Companies.

Commissions received by insurance mediation are recognised in accordance with the principle of accrual, so the commissions which payment occurs at different time period to which it relates, are subject to registration as an amount receivable under Other Assets.

ab) Accounting estimates and judgements in applying accounting policies

IFRS set forth a range of accounting treatments and require the Executive Board of Directors and management to apply judgment and make estimates in deciding which treatment is most appropriate. The most significant of these accounting policies are discussed in this section in order to improve understanding of how their application affects the Bank's reported results and related disclosure.

Considering that in some cases there are several alternatives to the accounting treatment chosen by management, the Bank's reported results would differ if a different treatment was chosen. Management believes that the choices made are appropriate and that the financial statements present the Bank's financial position and results fairly in all material aspects.

The alternative outcomes discussed below are presented solely to assist the reader in understanding the financial statements and are not intended to suggest that other alternatives or estimates would be more appropriate.

Impairment of available for-sale equity investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decrease in the fair value below its acquisition cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the volatility in the prices of the financial assets.

In addition, valuations are generally obtained through market quotation or valuation models that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the income statement of the Bank.

Impairment losses on loans and advances to customers

The Bank reviews its loan portfolios to assess impairment losses on a regularly basis, as described in Note 1 b).

The evaluation process in determining whether an impairment loss should be recorded in the income statement is subject to numerous estimates and judgments. The probability of default, risk ratings, value of associated collaterals recovery rates and the estimation of both the amount and timing of future cash flows, among other things, are considered in making this evaluation.

Alternative methodologies and the use of different assumptions and estimates could result in a different level of impairment losses with a consequent impact in the income statement of the Bank.

Fair value of derivatives

Fair values are based on listed market prices if available, otherwise fair value is determined either by dealer price quotations (both for that transaction or for similar instruments traded) or by pricing models, based on net present value of estimated future cash flows which take into account market conditions for the underlying instruments, time value, yield curve and volatility factors. These pricing models may require assumptions or judgments in estimating their values.

Consequently, the use of a different model or of different assumptions or judgments in applying a particular model could result in different financial results for a particular period.

Held-to-maturity investments

The Bank follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

If the Bank fails to keep these investments to maturity other than for the specific circumstances — for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value instead of amortised cost.

Held-to-maturity investments are subject to impairment tests made by the Bank. The use of different assumptions and estimates could have an impact on the income statement of the Bank.

Impairment for investments in subsidiary and associated companies

The Bank assesses annually the recoverable amount of investments in subsidiaries and associates, regardless the existence of any impairment triggers. Impairment losses are are calculated based on the difference between the recoverable amount of the investments in subsidiaries and associated and their book value. Impairment losses identified are charged against results and subsequently, if there is a reduction of the estimated impairment loss, the charge is reversed, in a subsequent period.

The recoverable amount is determined based on the higher between the assets value in use and the market value deducted of selling costs, calculated using valuation methodologies supported by discounted cash flow techniques, considering market conditions, the time value of money and the business risks, that may require assumptions or judgment in making estimates of fair value.

Alternative methodologies and the use of different assumptions and estimates could result in a higher level of impairment losses recognised with a consequent impact in the consolidated income statement of the Bank.

Securitizations and special purpose entities (SPE)
The Bank sponsors the formation of SPE primarily for asset securitization transactions for liquidity purposes and/or capital management.

Therefore, the securitization operations Nova Finance no. 4, Caravela SME no. 2 and Tagus Leasing no. 1 were not derecognised in the Bank's financial statements.

The Bank derecognised the following SPE which also resulted from operations of securitization: Magellan Mortgages no. 1, 2, 3 and 4. For these SPE, the Bank concluded that the main risks and the benefits were transferred, as the Bank does not hold detain any security issued by the SPE, that are exposed to the majority of the residual risks, neither is exposed to the performance of the credit portfolios. The Bank subsequently purchased the residual securities from Magellan Mortgages No. 2 and 3, which involves the consolidation of these vehicles in the consolidated accounts.

Income taxes
Significant interpretations and estimates are required in determining the worldwide amount for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

Different interpretations and estimates would result in a different level of income taxes, current and deferred, recognised in the year.

The Portuguese Tax Authorities are entitled to review the Bank and its subsidiaries' determination of its annual taxable earnings, for a period of four years or six years in case there are tax losses brought forward. Hence, it is possible that some additional taxes may be assessed, mainly as a result of differences in interpretation of the tax law which for its probability, the Executive Board of Directors considers that there is no relevant material effect at the level of the Financial Statements.

Pension and other employees' benefits
Determining pension liabilities requires the use of assumptions and estimates, including the use of actuarial projections, estimated returns on investment, and other factors that could impact the cost and liability of the pension plan.

Changes in these assumptions could materially affect these values.

2. Net interest income and net gains arising from trading, hedging and available for sale activities

IFRS requires separate disclosure of net interest income and net gains from trading, hedging and available for sale activities, as presented in notes 3, 6 and 7. A particular business activity can generate impact in net interest income and net gains arising from trading, hedging and AFS activities. This disclosure requirement demonstrates the contribution of the different business activities for the net interest margin and net gains from trading, hedging and AFS activities.

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Net interest income	**392,961**	900,893
Net gains/(losses) from trading and hedging activities	**296,047**	(179,370)
Net gains/(losses) from available for sale activities	**114,474**	(179,101)
	803,482	542,422

3. Net interest income

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Interest and similar income		
Interest on loans and advances	**1,821,217**	2,080,294
Interest on trading securities	**22,433**	106,680
Interest on available for sale financial assets	**494,314**	437,559
Interest on held to maturity financial assets	**127,988**	186,893
Interest on hedging derivatives	**51,154**	128,505
Interest on derivatives associated to financial instruments through profit and loss account	**4,610**	31,543
Interest on deposits and other investments	**773,827**	237,649
	3,295,543	3,209,123
Interest expense and similar charges		
Interest on deposits and inter-bank funding	**1,394,825**	1,566,910
Interest on securities sold under repurchase agreement	**-**	1,773
Interest on securities issued	**1,472,919**	619,161
Interest on hedging derivatives	**16,501**	20,737
Interest on derivatives associated to financial instruments through profit and loss account	**1,451**	3,199
Interest on other financial liabilities valued at fair value through profit and loss account	**16,886**	96,450
	2,902,582	2,308,230
Net interest income	**392,961**	900,893

The balance Interest on loans and advances includes the amount of Euros 65,944,000 (31 December 2011: Euros 46,317,000) related to commissions and other gains/losses which are accounted for under the effective interest method, as referred in the accounting policy described in note 1m).

The balance Interest on securities issued includes the amount of Euros 134,880,000 related to interest of the hybrid instruments that qualify as core tier 1 (CoCos) underwritten by the Portuguese State.

The balance Net interest income includes, in 2012, the amount of Euros 330,272,000 related with interest income arising from customers with signs of impairment.

4. Dividends from equity instruments

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Dividends from available for sale financial assets	**8,927**	12,236
Dividends from subsidiaries and associated companies	**261,960**	285,044
	270,887	297,280

The balance Dividends from available for sale financial assets includes dividends and income from investment fund units received during the year.

As at 31 December 2012, the balance Dividends from subsidiaries and associated companies includes the amount of Euros 254,408,000 (31 December 2011: Euros 255,500,000) related to the distribution of dividends from the company Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.

5. Net fees and commissions income

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Fees and commissions received		
From guarantees	**88,723**	93,994
From credit and commitments	**297**	315
From banking services	**325,755**	359,784
From other services	**185,750**	188,910
	600,525	643,003
Fees and commissions payed		
From guarantees	**6,578**	4,196
From banking services	**57,225**	59,041
From other services	**21,823**	18,948
	85,626	82,185
Net fees and commissions income	**514,899**	560,818

The balance Fees and commissions received – From banking services includes the amount of Euros 60,416,000 (31 December 2011: Euros 72,665,000) related to insurance mediation commissions.

The balance Fees and commissions received includes the amount of Euros 41,163,000 regarding commissions charged to customers with signs of impairment.

6. Net gains/(losses) arising from trading and hedging activities

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
The amount of this account is comprised of		
Foreign exchange activity	**265,715**	272,068
Transactions with financial instruments recognized at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	**79,072**	25,641
Variable income	**6,079**	4,939
Certificates and structured securities issued	**12,869**	32,075
Derivatives associated to financial instruments through profit and loss account	**13,714**	15,599
Other financial instruments derivatives	**1,428,122**	2,604,984
Other financial instruments through profit and loss account	**1,731**	45,456
Repurchase of own issues	**287,138**	125,333
Hedging accounting		
Hedging derivatives	**146,694**	903,578
Hedged item	**7,889**	162,746
Other activity	**65,437**	19,929
	2,314,460	4,212,348
Losses arising on trading and hedging activities		
Losses arising on trading and hedging activities	**247,454**	264,934
Transactions with financial instruments recognized at fair value through profit and loss account		
Held for trading		
Securities portfolio		
Fixed income	**44**	152,926
Variable income	**9,481**	4,543
Certificates and structured securities issued	**24,908**	17,139
Derivatives associated to financial instruments through profit and loss account	**10,779**	44,251
Other financial instruments derivatives	**1,367,997**	2,721,760
Other financial instruments through profit and loss account	**74,571**	79,688
Repurchase of own issues	**45,162**	1,939
Hedging accounting		
Hedging derivatives	**69,483**	795,712
Hedged item	**99,906**	245,936
Other activity	**68,628**	62,890
	2,018,413	4,391,718
Net gains/(losses) arising from trading and hedging activities	**296,047**	(179,370)

The caption Transactions with financial instruments recognized at fair value through profit and loss account – Held for trading included, as at 31 December 2012, a gain in the amount of Euros 57,403,000 (31 December 2011: loss of Euros 144,121,000) related with the valuation of Treasury bonds from the Portuguese Republic.

The balance Net gains/(losses) arising from trading and hedging activities includes, in 2012, a loss of Euros 24,840,000 (2011: Loss of Euros 57,308,000) related with the fair value changes arising from changes in the own credit risk (spread) of own operations for financial liabilities instruments through profit and loss.

The caption Gains arising on trading and hedging activities – Repurchase of own issues includes, in 2012, the amount of Euros 139,178,000 (31 December 2011: Euros 62,870,000), corresponding to the difference between the nominal and the repurchase value of a group of bonds (Floating Rate Notes and Covered Bonds), included in the set of initiatives undertaken by the Bank for liability management, as referred in note 44.

The result of repurchases of own issues is determined in accordance with the accounting policy described in note 1 c).

The caption Gains arising on trading and hedging activities – Other financial instruments derivatives includes the amount of Euros 24,117,000 resulting from the recognition in profit and loss account of the interruption of an hedging operation related with the mortgage debt issues from 1 April 2012.

7. Net gains/(losses) arising from financial assets available for sale

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Gains arising from financial assets available for sale		
Fixed income	**127,625**	4,771
Variable income	**1,715**	6,146
Losses arising from financial assets available for sale		
Fixed income	**(14,452)**	(181,931)
Variable income	**(414)**	(8,087)
Net gains/(losses) arising from financial assets available for sale	**114,474**	(179,101)

The caption Gains arising from financial assets available for sale – Fixed income – includes, in 2012, the amount of Euros 48,849,000 related to gains resulting from the sale of Portuguese public debt.

The caption Losses arising from financial assets available for sale – Fixed income – includes, in 2012, the amount of Euros 8,746,000 related to losses resulting from the sale of Greek public debt which resulted from the restructuring of country's sovereign debt, as mentioned in note 21.

The caption Losses arising from available for sale financial assets – Fixed income – includes, in 2011, the amount of Euros 135,774,000 refered to a loss of the sale of position detained by the Bank on the securitization operation Kion 2. It is a securitization operation of mortgage loans issued by the Millennium Bank (Greece), and this position was sold to the issuer.

8. Other operating income

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Operating income		
Income from services	**38,333**	37,869
Cheques and others	**11,743**	14,109
Other operating income	**25,243**	39,433
	75,319	91,411
Operating costs		
Indirect taxes	**7,339**	8,002
Donations and quotizations	**3,742**	3,667
Specific contribution for the Banking sector	**15,563**	30,032
Other operating expenses	**41,137**	27,769
	67,781	69,470
	7,538	21,941

The caption Other operating income included, in 2011, the amount of Euros 18,900,000 related with the reimbursment to Banco Comercial Português, S.A. by Ocidental – Companhia Portuguesa de Seguros de Vida, S.A. ('Ocidental Vida') of the amounts paid to set up perpetual annuities policies to cover the responsibilities with retirement pensions of former members of the Executive Board of Directors, following the agreements established between the parties.

The caption Specific contribution for the Banking sector is estimated according to the terms of the Decree-Law no. 55-A/2010. The determination of the amount payable is based on: (i) the annual average liabilities deducted by core capital (Tier 1) and supplementary (Tier 2) and deposits covered by the Deposit Guarantee Fund, and (ii) the off-balance notional amount of derivatives.

9. Staff costs

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Salaries and remunerations	**363,015**	362,520
Mandatory social security charges	**34,300**	250,560
Voluntary social security charges	**52,189**	41,270
Other staff costs	**69,941**	7,278
	519,445	**661,628**

The caption Staff costs includes costs associated with the restructuring program, early retirement and the recalculation of pension liabilities related to the Bank's resizing program that resulted, in 2012, in a reduction of 965 employees. Those costs amount, in 2012, to a net value of Euros 68,367,000.

The balance Mandatory social security charges includes in 2012, a gain of Euros 63,687,000 resulting from the impact of the change of the calculation method of the death subsidy in accordance with the publication on 27 June 2012, of the Decree-Law no. 133/2012, which introduces changes in the calculation of the referred subsidy.

In accordance with IAS 19, it is a negative past service cost which occurs when changes in the benefits plan exist, which result in a reduction of the current value of the liabilities for rendered services. On this base, the gain should be deferred and amortised throughout the average vesting period. Considering that the acquisition conditions of the benefit are fulfilled (vested), in fact the employee or the pensioner has the right to the benefit without having to fulfill any service condition, as referred in note 46, the Bank accounted for the referred impact in results.

As referred in note 46, the caption Mandatory social security charges included in 2011 the effect of the transfer of the responsibilities to the General Social Healthcare System, in the amount of Euros 164,770,000.

The referred caption also includes, as referred in notes 37 and 46, the amount of Euros 1,091,000 (2011: Euros 35,492,000) related with the write-down of provisions established to cover the future updates in the retirement pension plan of former members of the Executive Board of Directors, following the agreements established, between the Bank and former members of the Executive Board of Directors.

The remunerations paid to the members of the Executive Committee in 2012 amounted to Euros 2,803,000 (2011: Euros 3,814,000), with Euros 131,000 (2011: Euros 322,000) paid by subsidiaries or companies whose governing bodies represent interests in the Group. During 2012 and 2011, no variable remuneration was attributed to the members of the Executive Committee.

Therefore, considering that the remuneration of the members of the Executive Committee intends to compensate the functions that are performed directly in the Bank and all other functions on subsidiaries or other companies for which they have been designated by indication or representing the Bank, in the last case, the net amount of the remunerations annually received by each member are deducted to the fixed annual remuneration attributed by the Bank.

During 2012, the costs with Social Security and the contributions to the Pension Fund for members of the Executive Board of Directors amounted to Euros 1,294,000 (2011: Euros 1,288,000).

The average number of employees by professional category, at service in the Bank, is analysed as follows by category:

	'12	'11
Management	**1,322**	1,356
Managerial staff	**1,877**	1,918
Staff	**3,423**	3,485
Other categories	**2,989**	3,111
	9,611	9,870

10. Other administrative costs

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Water, electricity and fuel	**14,525**	12,999
Consumables	**4,003**	3,657
Rents	**44,693**	45,841
Communications	**16,863**	17,223
Travel, hotel and representation costs	**5,124**	6,928
Advertising	**15,385**	15,641
Maintenance and related services	**18,945**	20,398
Credit cards and mortgage	**4,544**	9,245
Advisory services	**16,586**	15,334
Information technology services	**15,511**	16,166
Outsourcing	**122,128**	131,392
Other specialised services	**17,586**	18,776
Training costs	**814**	1,747
Insurance	**4,751**	6,907
Legal expenses	**7,533**	5,957
Transportation	**7,246**	7,714
Other supplies and services	**8,126**	10,099
	324,363	346,024

The caption Rents includes the amount of Euros 39,853,000 (2011: 40,755,000), related to rents paid regarding buildings used by the Bank as lessee.

The Bank has various operating lease properties and vehicles. The payments under these leases are recognised in the statement of income during the life of the contract. The minimum future payments relating to operating leases not revocable, by maturity as at 31 December 2012, are as follows:

(Thousands of Euros)

	Properties	Vehicles	Total
Until 1 year	26,148	3,344	**29,492**
1 to 5 years	10,131	3,884	**14,015**
Over 5 years	6,714	-	**6,714**
	42,993	7,228	**50,221**

11. Depreciation

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Intangible assets:		
Software	4,700	4,429
Property, plant and equipment:		
Land and buildings	17,784	22,276
Equipment		
Furniture	977	1,186
Office equipment	115	121
Computer equipment	7,030	8,853
Interior installations	986	975
Motor vehicles	82	114
Security equipment	1,180	1,373
Other equipments	24	25
Other tangible assets	1	1
	28,179	34,924
	32,879	39,353

12. Loans impairment

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Loans and advances to credit institutions:		
For overdue loans and credit risks		
Charge for the year	54,693	58
Write-back for the year	(42)	(2,828)
For country risk		
Charge for the year	5,093	-
Write-back for the year	-	(21,051)
	59,744	(23,821)
Loans and advances to customers:		
For overdue loans and credit risks		
Impairment for the year	1,509,116	857,062
For country risk		
Write-back for the year	(28,043)	(14,765)
Recovery of loans and interest charged-off	(20,844)	(16,064)
	1,460,229	826,233
	1,519,973	802,412

In accordance with the accounting policy presented in note 1 a), the Bank applies in its financial statements the NCA's, and therefore the balance Loans impairment accounts the estimate of the incurred losses at the end of the year in accordance with the provision law defined by the rules of the Bank of Portugal, as described in the accounting policy presented in note 1 b).

13. Other financial assets impairment

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Impairment for financial assets available for sale		
Charge for the year	**120,855**	71,578
Write-back for the year	**(4,116)**	-
Impairment for financial assets held to maturity		
Charge for the year	**119**	358,277
	116,858	429,855

The balance Impairment for financial assets available for sale includes the amount of Euros 38,930,000 (31 December 2011: Euros 51,562,000) related with securities provisions from securitization operations not derecognised in accordance with Bank of Portugal.

The balance Impairment for financial assets available for sale includes also the amount of Euros 53,131,000 (31 December 2011: Euros 17,184,000) related with the recognition of impairment losses related with shares and investment fund units held by the Bank.

The caption Impairment for financial assets held to maturity corresponds to the impairment recognised during 2011, of 77% of the nominal value of Greece's sovereign debt, as referred in notes 23 and 52.

14. Other provisions

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Provision for credit risks		
Charge for the year	**8,923**	-
Write-back for the year	**(46,922)**	(102,589)
Provision for country risk		
Charge for the year	**74**	37
Write-back for the year	**(5,029)**	(1,262)
Other provisions for liabilities and charges		
Charge for the year	**11,913**	1,712
Write-back for the year	**-**	(29,219)
	(31,041)	(131,321)

15. Gains/(losses) from the sale of subsidiaries and other assets

The amount of this account is comprised of:

(Thousands of Euros)

	'12	'11
Sale of subsidiaries	**-**	(175)
Sale of other assets	**(10,074)**	(738)
	(10,074)	(913)

The caption Gains/(losses) from the sale of subsidiaries and other assets – Sale of subsidiaries includes, as at 31 December 2011, the loss in the amount of Euros 175,000 arising from liquidation of the company Banpor Consulting S.R.L.

The caption Gains/(losses) from the sale of subsidiaries and other assets – Sale of other assets corresponds to gains and losses arising from the sale of buildings.

16. Earnings per share

The earnings per share are calculated as follows:

(Thousands of Euros)

	'12	'11
Net income for the year	**(1,483,362)**	(468,527)
Dividends from other capital instruments	**-**	(3,919)
Adjusted net income	**(1,483,362)**	**(472,446)**
Average number of shares	**12,174,107,696**	8,535,278,970
Basic earnings per share (Euros)	**(0.12)**	(0.06)
Diluted earnings per share (Euros)	**(0.12)**	(0.06)

Under the Bank's Capitalisation Plan, the share capital increase was successfully completed, following the issue of ordinary shares in the amount of Euros 500,000,000, through subscription reserved for shareholders exercising their legal preference right, of 12,500,000,000 new shares. The share capital of the Bank, as at 31 December 2012, amounts to Euros 3,500,000,000 and is represented by 19,707,167,060 nominate and ordinary shares without nominal value, which is fully paid.

In June 2012, the Bank registered a decrease of the share capital from Euros 6,064,999,986 to Euros 3,000,000,000 without changing the number of existing shares without nominal value, being this decrease composed of two separate amounts: a) Euros 1,547,873,439.69, to cover losses recorded in the Bank's individual financial statements for 2011; b) Euros 1,517,126,546.31, to reinforce future conditions for having funds available that may be qualified, under the regulatory provisions, as distributable.

In June 2011, a capital increase of the Banco Comercial Português, S.A. was performed, from Euros 4,694,600,000 to Euros 6,064,999,986 resulting from the following steps:

(i) Euros 120,400,000, by incorporation of share premium reserves, through the issuance of 206,518,010 new ordinary and nominative shares without nominal value;
(ii) Euros 990,147,000, by contribution in kind of 990,147 perpetual subordinated instruments with conditioned interest, by issuing 1,584,235,200 new ordinary and nominative shares without nominal value, that resulted in the conversion of the majority of the perpetual subordinated securities;
(iii) Euros 259,852,986, by the issue of 721,813,850 ordinary shares without nominal value, with the issue and subscribe value of Euros 0.36, with preference reserve to the shareholders, in the exercise of the preference legal rights.

In accordance with the Decree-Law no. 49/2010 of 19 May, that allows share capital of a company to be represented by shares without nominal value, the General Shareholders meeting of Banco Comercial Português, S.A. approved that the share capital of Banco Comercial Português, S.A. would be represented by shares with no nominal value.

The average number of shares indicated above results from the number of existing shares at the beginning of each year, adjusted by the number of shares repurchased or issued in the period weighted by a time factor. During the year of 2009, Banco Comercial Português, S.A. issued three series of its program of perpetual subordinated debt securities in the total amount of Euros 1,000,000,000, which were considered as capital instruments as established in the accounting policy note 1 g), in accordance with the IAS 32.

The balance Dividends from other capital instruments includes, in 2011, the dividends distributed from the following three issues of perpetual subordinated debt securities:

– in June 2009, as referred in note 38, the Bank issued Euros 300,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments;
– in August 2009, as referred in note 38, the Bank issued Euros 600,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments;
– in December 2009, as referred in note 38, the Bank issued Euros 100,000,000 of perpetual subordinated debt securities with conditional coupons presenting a nominal value of Euros 1,000, which were considered as capital instruments.

These issues were exchanged within the scope of the public change offering of perpetual subordinated securities for ordinary shares, performed in 2011. The amount not exchanged amounted to Euros 9,853,000.

17. Cash and deposits at Central Banks

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Cash	**377,612**	345,871
Central Banks	**2,019,705**	689,758
	2,397,317	1,035,629

The balance Central Banks includes deposits with the Central Bank to satisfy the legal requirements to maintain a cash reserve for which the value is based on the value of deposits and other liabilities. The cash reserve requirements, according with the European Central Bank System for Euro Zone, establishes the maintenance of a deposit with the Central Bank equivalent to 1% of the average value of deposits and other liabilities, during each reserve requirement period.

18. Loans and advances to credit institutions repayable on demand

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Credit institutions in Portugal	**88**	51
Credit institutions abroad	**503,193**	908,906
Amounts due for collection	**212,940**	298,184
	716,221	1,207,141

The balance Amounts due for collection represents essentially cheques due for collection on other financial institutions.

19. Other loans and advances to credit institutions

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Central Banks	**-**	600,008
Inter-bank Money Market	**150,004**	-
Credit institutions in Portugal	**8,384,924**	5,880,233
Credit institutions abroad	**4,298,821**	5,842,682
	12,833,749	12,322,923
Overdue loans – over 90 days	**1,795**	1,836
	12,835,544	12,324,759
Impairment for other loans and advances to credit institutions	**(71,052)**	(11,308)
	12,764,492	12,313,451

This balance is analysed by the period to maturity as follows:

(Thousands of Euros)

	'12	'11
Up to 3 months	**10,550,497**	9,219,923
3 to 6 months	**446,910**	65,955
6 to 12 months	**761,435**	803,262
1 to 5 years	**858,885**	2,134,485
Over 5 years	**216,022**	99,298
Undetermined	**1,795**	1,836
	12,835,544	12,324,759

Within the scope of Derivative financial transactions with institutional counterparties, and according to the signed agreements, the Bank has, as of 31 December 2012, the amount of Euros 492,813,000 (31 December 2011: Euros 759,815,000) of Loans and advances to credit institutions granted as collateral on the mentioned transactions.

The movements of impairment for other loans and advances to credit institutions is analysed as follows:

(Thousands of Euros)

	'12	'11
Impairment for credit risk for loans and advances to credit institutions:		
Balance on 1 January	1,836	13,759
Impairment for the year	54,693	58
Write-back for the year	(42)	(2,828)
Loans charged-off	-	(9,153)
Balance on 31 December	56,487	1,836
Provision for country risk for loans and advances to credit institutions:		
Balance on 1 January	9,472	-
Transfers	-	30,523
Impairment for the year	5,093	-
Write-back for the year	-	(21,051)
Balance on 31 December	14,565	9,472

The balance Provision for country risk for loans and advances to credit institutions includes the amount of Euros 14,428,000 (31 December 2011: Euros 5,484,000) regarding provisions to loans granted to resident entities in Angola.

20. Loans and advances to customers

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Public sector	460,551	427,399
Asset-backed loans	25,999,718	28,253,817
Personal guaranteed loans	8,689,426	10,119,127
Unsecured loans	1,259,855	1,721,146
Foreign loans	3,166,414	3,624,132
Factoring	983,387	1,206,917
Finance leases	2,858,262	3,462,761
	43,417,613	48,815,299
Overdue loans – less than 90 days	141,663	170,596
Overdue loans – over 90 days	3,173,604	2,243,283
	46,732,880	51,229,178
Impairment for credit risk	(3,646,522)	(2,762,676)
	43,086,358	48,466,502

As at 31 December 2012, the balance Loans and advances to customers includes the amount of Euros 11,732,124,000 (31 December 2011: Euros 9,276,002,000) regarding mortgage loans which are allocated as a collateral for seven asset-back securities.

During 2012, Banco Comercial Português performed a covered bonds issue in the amount of Euros 2,000,000,000, with a maturity of 3 years. This transaction occurred on 23 August 2012 with an interest rate of Euribor 1M + 0.5%.

In accordance with accounting policy note 1 b), the Bank only writes-off overdue loans fully provided which, after an economic analysis, are considered uncollectable on the basis that there are no perspectives of recovery.

The Bank, as part of the liquidity risk management, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank, which includes loans and advances to customers.

As referred in note 53, the Bank performed a set of sales of Loans and advances to customers for Specialized Loan Funds. The total amount of loans sold amounted to Euros 968,015,000.

The analysis of loans and advances to customers, by type of credit, is as follows:

(Thousands of Euros)

	'12	'11
Loans not represented by securities		
Discounted bills	**334,877**	518,862
Current account credits	**3,062,947**	4,284,967
Overdrafts	**1,045,659**	1,263,382
Loans	**13,553,444**	15,106,497
Mortgage loans	**19,272,359**	20,502,641
Factoring	**983,387**	1,206,917
Finance leases	**2,858,262**	3,462,761
	41,110,935	46,346,027
Loans represented by securities		
Commercial paper	**1,813,334**	1,741,120
Bonds	**493,344**	728,152
	2,306,678	2,469,272
	43,417,613	48,815,299
Overdue loans – less than 90 days	**141,663**	170,596
Overdue loans – over 90 days	**3,173,604**	2,243,283
	46,732,880	51,229,178
Impairment for credit risk	**(3,646,522)**	(2,762,676)
	43,086,358	48,466,502

The analysis of loans and advances to customers by sector of activity is as follows:

(Thousands of Euros)

	'12	'11
Agriculture	**388,448**	482,556
Mining	**59,730**	363,542
Food, beverage and tobacco	**354,027**	316,140
Textiles	**428,409**	455,075
Wood and cork	**166,765**	178,118
Printing and publishing	**308,251**	244,579
Chemicals	**538,102**	692,531
Engineering	**662,250**	874,891
Electricity, water and gas	**813,202**	760,963
Construction	**3,021,267**	3,971,731
Retail business	**1,018,476**	1,328,833
Wholesale business	**1,280,281**	1,670,615
Restaurants and hotels	**1,236,484**	1,276,623
Transports and communications	**1,473,160**	1,163,367
Services	**11,481,480**	12,624,874
Consumer credit	**2,433,533**	2,636,734
Mortgage credit	**18,065,342**	18,923,906
Other domestic activities	**1,308,745**	870,134
Other international activities	**1,694,928**	2,393,966
	46,732,880	51,229,178
Impairment for credit risk	**(3,646,522)**	(2,762,676)
	43,086,358	48,466,502

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December 2012, is as follows:

(Thousands of Euros)

	Loans				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Agriculture	114,057	102,213	125,621	46,557	388,448
Mining	31,324	18,266	3,730	6,410	59,730
Food, beverage and tobacco	192,696	66,126	67,123	28,082	354,027
Textiles	221,101	84,092	81,379	41,837	428,409
Wood and cork	57,946	20,463	47,685	40,671	166,765
Printing and publishing	78,816	45,632	167,988	15,815	308,251
Chemicals	261,811	145,080	121,940	9,271	538,102
Engineering	240,727	131,244	181,980	108,299	662,250
Electricity, water and gas	139,917	192,527	480,145	613	813,202
Construction	1,270,091	380,266	392,553	978,357	3,021,267
Retail business	416,973	224,597	257,414	119,492	1,018,476
Wholesale business	565,074	245,390	229,450	240,367	1,280,281
Restaurants and hotels	246,190	222,075	613,615	154,604	1,236,484
Transports and communications	530,594	176,712	725,898	39,956	1,473,160
Services	4,831,201	2,918,448	3,085,854	645,977	11,481,480
Consumer credit	727,235	776,715	414,797	514,786	2,433,533
Mortgage credit	12,123	133,592	17,775,353	144,274	18,065,342
Other domestic activities	256,482	381,631	635,088	35,544	1,308,745
Other international activities	299,591	536,722	714,260	144,355	1,694,928
	10,493,949	6,801,791	26,121,873	3,315,267	46,732,880

The analysis of loans and advances to customers, by type of credit and by maturity as at 31 December 2012, is as follows:

(Thousands of Euros)

	Loans				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Public sector	460,551	-	-	-	460,551
Asset-backed loans	3,438,940	4,217,110	18,343,668	1,514,453	27,514,171
Personal guaranteed loans	3,100,274	1,548,216	4,040,936	692,102	9,381,528
Unsecured loans	1,247,453	-	12,402	1,108,712	2,368,567
Foreign loans	1,257,427	349,972	1,559,015	-	3,166,414
Factoring	983,387	-	-	-	983,387
Finance leases	5,917	686,493	2,165,852	-	2,858,262
	10,493,949	6,801,791	26,121,873	3,315,267	46,732,880

The analysis of loans and advances to customers, by maturity and by sector of activity as at 31 December 2011, is as follows:

(Thousands of Euros)

	Loans				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Agriculture	125,236	121,564	197,914	37,842	482,556
Mining	168,475	102,513	88,231	4,323	363,542
Food, beverage and tobacco	151,530	49,211	48,049	67,350	316,140
Textiles	244,237	85,450	79,805	45,583	455,075
Wood and cork	81,296	27,661	43,708	25,453	178,118
Printing and publishing	77,307	40,364	109,020	17,888	244,579
Chemicals	288,744	200,268	189,355	14,164	692,531
Engineering	298,775	165,602	349,504	61,010	874,891
Electricity, water and gas	142,668	196,485	420,396	1,414	760,963
Construction	2,071,609	690,742	678,187	531,193	3,971,731
Retail business	578,567	297,727	362,798	89,741	1,328,833
Wholesale business	812,984	321,288	303,210	233,133	1,670,615
Restaurants and hotels	204,472	279,950	655,263	136,938	1,276,623
Transports and communications	292,861	196,842	630,248	43,416	1,163,367
Services	5,286,071	3,412,859	3,389,148	536,796	12,624,874
Consumer credit	903,600	911,551	457,757	363,826	2,636,734
Mortgage credit	12,624	135,779	18,641,610	133,893	18,923,906
Other domestic activities	188,473	334,335	326,246	21,080	870,134
Other international activities	490,989	914,935	939,206	48,836	2,393,966
	12,420,518	**8,485,126**	**27,909,655**	**2,413,879**	**51,229,178**

The analysis of loans and advances to customers, by type of credit and by maturity as at 31 December, 2011, is as follows:

(Thousands of Euros)

	Loans				
	Due within 1 year	1 year to 5 years	Over 5 years	Undetermined maturity	Total
Public sector	427,399	-	-	-	427,399
Asset-backed loans	3,491,661	5,260,778	19,501,378	1,155,898	29,409,715
Personal guaranteed loans	4,747,159	1,201,975	4,169,993	592,123	10,711,250
Unsecured loans	1,648,505	-	72,641	665,858	2,387,004
Foreign loans	889,086	1,041,566	1,693,480	-	3,624,132
Factoring	1,206,917	-	-	-	1,206,917
Finance leases	9,791	980,807	2,472,163	-	3,462,761
	12,420,518	**8,485,126**	**27,909,655**	**2,413,879**	**51,229,178**

Loans and advances to customers includes the effect of traditional securitization transactions realized by the Bank, regarding consumer loans, mortgage, leasings, commercial paper and corporate loans. The referred securitizations are performed through Special Purpose Entities (SPE).

The balance Loans and advances to customers includes the following amounts related to securitization transactions, presented by type of transaction:

(Thousands of Euros)

	Traditionals	
	'12	'11
Mortgage loans	-	4,927,574
Consumer loans	**231,944**	417,771
Leases	**674,404**	906,892
Corporate loans	**2,567,575**	4,620,819
	3,473,923	10,873,056

Nova Finance No. 4

On 21 December 2007, the Bank transferred a pool of consumer loans to the SPE "Nova Finance No. 4 Limited". Considering that, given the characteristics of the transaction, the Bank still holds the risks and benefits associated to the referred assets, in the amount of Euros 231,944,000, with reference to 31 December 2012, the transaction does not qualify for derecognition from the Bank's Financial Statements as established in the accounting policy 1 f). The related liabilities, with a nominal amount of Euros 239,848,000, are majorly held by the Bank, and the amount of Euros 64,145,000 is placed on the market.

Tagus Leasing No.1

On 26 February 2010, the Bank transferred a pool of leasing loans owned by Banco Comercial Português, S.A. to the SPE "Tagus Leasing No. 1 Limited". Considering that given the characteristics of the transaction, the Bank still holds the risks and benefits associated to the referred assets, these, as established in the accounting policy defined in note 1 f), maintain the recognition in the Financial Statements of the Bank, in the amount of Euros 674,404,000, with reference to 31 December 2012. The related liabilities, with a nominal amount of Euros 715,307,000, are fully owned by the Bank, and consequently are included in the balance Financial assets available for sale.

Caravela SME No. 2

On 16 December 2010, the Bank transferred a pool of corporate loans owned by Banco Comercial Português, S.A. to the SPE "Caravela SME No. 2 Limited". Considering that given the characteristics of the transaction, the Bank still holds the risks and benefits associated to the referred assets, these, as established in the accounting policy defined in note 1 f), maintain the recognition in the Financial Statements of the Bank, in the amount of Euros 2,567,575,000, with reference to 31 December 2012. The related liabilities, with a nominal amount of Euros 2,622,00,000, are fully owned by the Bank, and consequently are included in the balance Financial assets available for sale.

The Bank is applying physical collaterals and financial guarantees as instruments to mitigate the credit risk. The physical collaterals are mainly mortgages on residential buildings for the mortgage portfolio and other mortgages on other types of buildings related to other types of loans. In order to reflect the market value, these collaterals are regularly reviewed based on independent and certified valuation entities or through the application of evaluation coefficients that reflect the market trends for each specific type of building and geographical area. The financial guarantees are reviewed based on the market value of the respective assets, when available, with the subsequent application of haircuts that reflect the volatility of their prices.

Considering the current real estate and financial markets conditions, the Bank continued to negotiate, during 2012, additional physical and financial collaterals with its customers.

The balance Loans and advances to customers includes the following amounts related to finance leases contracts:

(Thousands of Euros)

	'12	'11
Gross amount	**3,386,571**	4,370,589
Interest not yet due	**(528,309)**	(907,828)
Net book value	**2,858,262**	3,462,761

The analysis of the financial leasing contracts by type of client is presented as follows:

(Thousands of Euros)

	'12	'11
Individuals		
Home	**77,500**	83,360
Consumer	**48,963**	71,619
Others	**186,211**	219,023
	312,674	374,002
Companies		
Mobiliary	**557,646**	815,330
Mortgage	**1,987,942**	2,273,429
	2,545,588	3,088,759
	2,858,262	3,462,761

Regarding operational leasing, the Bank does not present significant contracts as leasor.

On the other hand, and in accordance with note 10, the balance Rents, includes as at 31 December 2012, the amount of Euros 39,853,000 (31 December 2011: Euros 40,755,000), corresponding to rents paid regarding buildings used by the Bank as leasee.

The loans portfolio includes restructured loans that have been formally negotiated with the clients, in order to reinforce collaterals, defer the maturity date or change the interest rate. The analysis of restructured loans by sector of activity is as follows:

(Thousands of Euros)

	'12	'11
Agriculture	**1,892**	2,163
Mining	**-**	502
Food, beverage and tobacco	**182**	585
Textiles	**2,788**	1,886
Wood and cork	**9,915**	11,677
Printing and publishing	**636**	381
Chemicals	**-**	122
Engineering	**2,733**	5,399
Construction	**9,324**	7,032
Retail business	**1,248**	3,099
Wholesale business	**20,792**	28,501
Restaurants and hotels	**827**	1,203
Transports and communications	**204**	463
Services	**178,153**	194,176
Consumer credit	**48,192**	49,726
Other domestic activities	**198**	197
Other international activities	**12**	26
	277,096	307,138

Regarding the restructured loans, the impairment amounts to Euros 206,704,000 as at 31 December 2012 (31 December 2011: Euros 168,471,000).

Additionally, the portfolio includes loans that, based on the customer's financial difficulties, are subject to a change in the original terms of the contract, in the amount of Euros 3,126,174,000 with an impairment of Euros 403,153,000.

The restructured loans are still subject to an impairment analysis resulting from the revaluation of expectation to meet new cash flows inherent to the new contract terms, discounted at the original effective interest rate and considering the new collaterals.

The analysis of overdue loans by sector of activity is as follows:

(Thousands of Euros)

	'12	'11
Agriculture	**46,557**	37,842
Mining	**6,410**	4,323
Food, beverage and tobacco	**28,082**	67,350
Textiles	**41,837**	45,583
Wood and cork	**40,671**	25,453
Printing and publishing	**15,815**	17,888
Chemicals	**9,271**	14,164
Engineering	**108,299**	61,010
Electricity, water and gas	**613**	1,414
Construction	**978,357**	531,193
Retail business	**119,492**	89,741
Wholesale business	**240,367**	233,133
Restaurants and hotels	**154,604**	136,938
Transports and communications	**39,956**	43,416
Services	**645,977**	536,796
Consumer credit	**514,786**	363,826
Mortgage credit	**144,274**	133,893
Other domestic activities	**35,544**	21,080
Other international activities	**144,355**	48,836
	3,315,267	2,413,879

The analysis of overdue loans, by type of credit, is as follows:

(Thousands of Euros)

	'12	'11
Asset-backed loans	**1,514,453**	1,155,898
Personal guaranteed loans	**692,102**	592,123
Unsecured loans	**1,108,712**	665,858
	3,315,267	2,413,879

The movements of impairment for credit risk are analysed as follows:

(Thousands of Euros)

	'12	'11
Impairment for overdue loans and for other credit risks:		
Balance on 1 January	**2,724,106**	2,087,255
Transfers	**(10,449)**	35,395
Impairment for the year	**1,509,116**	857,062
Loans charged-off	**(586,778)**	(255,606)
Balance on 31 December	**3,635,995**	2,724,106
Impairment for country risk:		
Balance on 1 January	**38,570**	-
Transfers	-	59,356
Write-back for the year	**(28,043)**	(14,765)
Loans charged-off	-	(6,021)
Balance on 31 December	**10,527**	38,570
	3,646,522	2,762,676

If the impairment loss decreases on a subsequent period to its initial accounting and this decrease can be objectively associated to an event that occurred after the recognition of the loss, the impairment in excess is reversed through profit and loss.

The balance Impairment for overdue loans and for other credit risks includes, as at 31 December 2012, the amount of Euros 10,527,000 (31 December 2011: Euros 38,570,000) regarding impairments to loans granted to resident entities in countries wich are subject to country risk according with Instruction of the Bank of Portugal.

The analysis of the impairment, by sector of activity, is as follows:

(Thousands of Euros)

	'12	'11
Agriculture	**25,970**	21,891
Mining	**5,411**	4,703
Food, beverage and tobacco	**25,013**	52,163
Textiles	**40,756**	44,995
Wood and cork	**35,372**	23,482
Printing and publishing	**28,333**	28,244
Chemicals	**12,419**	14,717
Engineering	**81,605**	49,662
Electricity, water and gas	**143**	1,736
Construction	**782,090**	376,358
Retail business	**105,001**	89,932
Wholesale business	**204,897**	217,115
Restaurants and hotels	**203,466**	96,033
Transports and communications	**32,465**	40,474
Services	**714,549**	625,836
Consumer credit	**645,072**	519,286
Mortgage credit	**518,178**	472,952
Other domestic activities	**34,436**	18,012
Other international activities	**151,346**	65,085
	3,646,522	**2,762,676**

The impairment for credit risk, by type of credit, is analysed as follows:

(Thousands of Euros)

	'12	'11
Asset-backed loans	**1,694,391**	1,258,417
Personal guaranteed loans	**623,978**	465,802
Unsecured loans	**1,317,628**	999,888
Foreign loans	**10,525**	38,569
	3,646,522	**2,762,676**

The analysis of the loans charged-off, by sector of activity, is as follows:

(Thousands of Euros)

	'12	'11
Agriculture	**2,463**	1,239
Mining	**2,289**	394
Food, beverage and tobacco	**49,756**	884
Textiles	**15,890**	17,904
Wood and cork	**2,916**	9,409
Printing and publishing	**944**	1,771
Chemicals	**546**	1,275
Engineering	**17,304**	13,160
Electricity, water and gas	**1,250**	19
Construction	**109,700**	71,471
Retail business	**16,159**	2,463
Wholesale business	**71,823**	13,011
Restaurants and hotels	**63,042**	3,780
Transports and communications	**5,548**	1,816
Services	**122,265**	38,378
Consumer credit	**77,698**	25,723
Other domestic activities	**1,995**	3,755
Other international activities	**25,190**	55,175
	586,778	261,627

In compliance with the accounting policy described in note 1 b), loans and advances to customers are charged-off when there are no feasable expectations, from an economic perspective, of recovering the loan amount. For collateralized loans, the charge-off occurs for the unrecoverable amount when the funds arising from the execution of the respective collaterals are effectively received. This charge-off is carried out only for loans that are considered not to be recoverable and fully provided.

The analysis of the loans charged-off, by type of credit, is as follows:

(Thousands of Euros)

	'12	'11
Asset-backed loans	**50,924**	39,637
Personal guaranteed loans	**200,405**	26,926
Unsecured loans	**335,449**	189,064
Foreign loans	**-**	6,000
	586,778	261,627

The analysis of recovered loans and interest, during 2012 and 2011, by sector of activity, is as follows:

(Thousands of Euros)

	'12	'11
Agriculture	-	517
Mining	**96**	32
Food, beverage and tobacco	**7,780**	215
Textiles	**495**	866
Wood and cork	**317**	1,054
Printing and publishing	**143**	151
Chemicals	**58**	2
Engineering	**394**	555
Electricity, water and gas	**10**	-
Construction	**1,803**	1,128
Retail business	**616**	310
Wholesale business	**4,414**	1,274
Restaurants and hotels	**27**	25
Transports and communications	**242**	149
Services	**698**	7,545
Consumer credit	**3,317**	2,211
Mortgage credit	**18**	2
Other domestic activities	**178**	28
Other international activities	**238**	-
	20,844	16,064

The analysis of recovered loans and interest during 2012 and 2011, by type of credit, is as follows:

(Thousands of Euros)

	'12	'11
Unsecured loans	**20,844**	16,064
	20,844	16,064

21. Financial assets held for trading and available for sale

The balance Financial assets held for trading and available for sale is analysed as follows:

(Thousands of Euros)

	'12	'11
Bonds and other fixed income securities		
Issued by public entities	**3,648,461**	2,715,787
Issued by other entities	**7,088,632**	13,417,028
	10,737,093	16,132,815
Overdue securities	**4,925**	4,925
Impairment for overdue securities	**(4,925)**	(4,925)
	10,737,093	16,132,815
Shares and other variable income securities	**1,484,099**	689,177
	12,221,192	16,821,992
Trading derivatives	**1,186,345**	1,657,872
	13,407,537	18,479,864

The balance Trading derivatives included, as at 31 December 2011, the valuation of the embedded derivatives separated from the host contracts in accordance with the accounting policy presented in note 1 c) in the amount of Euros 22,708,000.

The analysis of the financial assets held for trading and available for sale by the type of asset is as follows:

(Thousands of Euros)

	'12			'11		
	Securities			Securities		
	Trading	**Available for sale**	**Total**	Trading	Available for sale	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	**162,878**	**1,466,267**	**1,629,145**	77,476	938,069	1,015,545
Foreign issuers	**35,571**	**4,491**	**40,062**	33,535	4,552	38,087
Bonds issued by other entities						
Portuguese issuers	**12,621**	**3,935,098**	**3,947,719**	37,865	4,169,524	4,207,389
Foreign issuers	**104,755**	**1,588,821**	**1,693,576**	160,616	9,053,948	9,214,564
Treasury bills and other Government bonds	**16,963**	**1,962,291**	**1,979,254**	496,518	1,165,637	1,662,155
Commercial paper	**-**	**1,452,262**	**1,452,262**	-	-	-
	332,788	**10,409,230**	**10,742,018**	806,010	15,331,730	16,137,740
Variable income:						
Companies Shares						
Shares in Portuguese companies	**249**	**69,139**	**69,388**	4,032	66,973	71,005
Shares in foreign companies	**7,268**	**462**	**7,730**	24,399	19,696	44,095
Investment fund units	**34**	**1,405,924**	**1,405,958**	108	573,969	574,077
Other securities	**1,023**	**-**	**1,023**	-	-	-
	8,574	**1,475,525**	**1,484,099**	28,539	660,638	689,177
Impairment for overdue securities	**-**	**(4,925)**	**(4,925)**	-	(4,925)	(4,925)
	341,362	**11,879,830**	**12,221,192**	834,549	15,987,443	16,821,992
Trading derivatives	**1,186,345**	**-**	**1,186,345**	1,657,872	-	1,657,872
	1,527,707	**11,879,830**	**13,407,537**	2,492,421	15,987,443	18,479,864
of which:						
Level 1	**452,167**	**5,355,920**	**5,808,087**	746,862	3,097,774	3,844,636
Level 2	**1,075,363**	**3,018,227**	**4,093,590**	1,745,381	1,686,049	3,431,430
Level 3	**-**	**28,849**	**28,849**	-	38,930	38,930
Financial assets at cost	**177**	**3,476,834**	**3,477,011**	178	11,164,690	11,164,868

The trading portfolio is recorded at fair value with changes through profit and loss, in accordance with the accounting policy described in note 1 c).

As referred in IFRS 7, financial assets held for trading and available for sale are valued in accordance with the following fair value measurement levels:

– Level 1: Financial instruments measured in accordance with quoted market prices or providers;
– Level 2: Financial instruments measured in accordance with internal valuation techniques based on observable market inputs;
– Level 3: Financial instruments measured in accordance with valuation techniques based on inputs not based on observable data that have significant impact in the instruments valuation.

During 2012, no significant reclassifications were made between valuation levels.

Financial assets at cost includes the amount of Euros 3,430,129,000 (31 December 2011: Euros 11,145,287,000) refered to securities of securitization operations not unrecognised and which are accounted at nominal value net of impairment.

Quoted financial assets includes securities measured with stock market's quotations, provider's prices and securities admitted to quotation in other organised markets.

As referred in the accounting policy presented in note 1 c), the available for sale securities are presented at market value with the respective fair value accounted for against fair value reserves, as referred in note 40. The amount of fair value reserves of Euros 86,200,000 (31 December 2011: negative amount of Euros 487,665,000) is presented net of impairment losses in the amount of Euros 219,726,000 (31 December 2011: Euros 188,636,000). As referred in the accounting policy note 1 e) the Bank performed reclassifications of Finacial intruments, during the first semester of 2010.

As mentioned in note 53 the balance Variable income – investment fund units includes, the amount of Euros 813,858,000 related to participation units of the funds specialized in recovery loans, acquired under the provided sale of loans and advances to customers (net of impairment). The amount of Euros 32,161,000 refers to junior tranches (bonds with a more subordinated nature), which are fully provided.

The reclassifications performed until 31 December 2012 are analysed as follows:

(Thousands of Euros)

	At the reclassification date		December '12		
	Book value	Fair value	**Book value**	**Fair value**	**Difference**
From financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	**12,259**	**12,259**	**-**
Financial assets held to maturity	2,144,892	2,144,892	**1,202,491**	**1,120,572**	**(81,919)**
From financial assets available for sale to:					
Loans represented by securities	2,592,280	2,592,280	**120,862**	**111,435**	**(9,427)**
Financial assets held to maturity	627,492	627,492	**547,811**	**559,966**	**12,155**
			1,883,423	**1,804,232**	**(79,191)**

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2012, related to reclassified financial assets, are analysed as follows:

(Thousands of Euros)

	Income statement	Changes	
	Interest	Fair value reserves	Equity
From financial assets held for trading to:			
Financial assets available for sale	823	-	823
Financial assets held to maturity	46,351	-	46,351
From financial assets available for sale to:			
Loans represented by securities	3,071	849	3,920
Financial assets held to maturity	14,321	(363)	13,958
	64,566	486	65,052

If the reclassifications described previously had not occurred, the additional amounts recognised in equity as at 31 December 2012, would be as follows:

(Thousands of Euros)

	Income statement			
	Fair value changes	Retained earnings	Fair value reserves	Equity
From financial assets held for trading to:				
Financial assets available for sale	5,686	-	(5,686)	-
Financial assets held to maturity	190,485	(272,404)	-	(81,919)
From financial assets available for sale to:				
Loans represented by securities	-	-	(9,427)	(9,427)
Financial assets held to maturity	-	-	12,155	12,155
	196,171	**(272,404)**	**(2,958)**	**(79,191)**

As at 31 December 2011, this reclassification is analysed as follows:

(Thousands of Euros)

	At the reclassification date		December '11		
	Book value	Fair value	Book value	Fair value	Difference
From financial assets held for trading to:					
Financial assets available for sale	196,800	196,800	6,545	6,545	-
Financial assets held to maturity	2,144,892	2,144,892	1,413,245	1,140,841	(272,404)
From financial assets available for sale to:					
Loans represented by securities	2,592,280	2,592,280	140,974	130,376	(10,598)
Financial assets held to maturity	627,492	627,492	578,799	523,431	(55,368)
			2,139,563	**1,801,193**	**(338,370)**

The amounts accounted in the income statement and in fair value reserves, as at 31 December 2011, related to reclassified financial assets are analysed as follows:

(Thousands of Euros)

	Income statement			Changes	
	Interest	Impairment	Total	Fair value reserves	Equity
From financial assets held for trading to:					
Financial assets available for sale	822	-	822	-	822
Financial assets held to maturity	65,195	(358,277)	(293,082)	-	(293,082)
From financial assets available for sale to:					
Loans represented by securities	4,055	-	4,055	242	4,297
Financial assets held to maturity	18,707	-	18,707	(360)	18,347
	88,779	**(358,277)**	**(269,498)**	**(118)**	**(269,616)**

If the reclassifications described previously had not occurred, the additional amounts recognised in equity, as at 31 December 2011, would be as follows:

(Thousands of Euros)

	Income statement			
	Fair value changes	Retained earnings	Fair value reserves	Equity
From financial assets held for trading to:				
Financial assets available for sale	(6,932)	-	6,932	-
Financial assets held to maturity	314	(272,718)	-	(272,404)
From financial assets available for sale to:				
Loans represented by securities	-	-	(10,598)	(10,598)
Financial assets held to maturity	-	-	(55,368)	(55,368)
	(6,618)	**(272,718)**	**(59,034)**	**(338,370)**

The movements of the impairment of the financial assets available for sale are analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	**188,636**	124,037
Transfers	**(3,671)**	(3,570)
Impairment for the year	**120,855**	71,578
Impairment against fair value reserves	**-**	4,651
Write-back for the year	**(4,116)**	-
Write-back against fair value reserves	**-**	(5,601)
Loans charged-off	**(81,978)**	(2,459)
Balance on 31 December	**219,726**	188,636

The Bank recognises impairment on financial assets available for sale when there is a significant or prolonged decrease in its fair value or when there is an impact on expected future cash flows of the assets. This assessment involves judgement, in which the Bank takes into consideration among other factors, the volatility of the prices of securities.

Thus, as a consequence of the low liquidity and significant volatility in financial markets, the following factors were taken into consideration in determining the existence of impairment:

– Equity instruments: (i) decreases of more than 30% against the purchase price; or (ii) the market value below the purchase price for a period exceeding 12 months;
– Debt instruments: when there is objective evidence of events with impact on the recoverable value of future cash flows of these assets.

The analysis of financial assets held for trading and available for sale by maturity, as at 31 December 2012, is as follows:

(Thousands of Euros)

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	828	1,150,928	477,389	-	1,629,145
Foreign issuers	-	-	40,062	-	-	40,062
Bonds issued by other entities						
Portuguese issuers	150,567	82,382	170,244	3,539,601	4,925	3,947,719
Foreign issuers	-	432,790	121,247	1,139,539	-	1,693,576
Treasury bills and other Government bonds	882,051	941,558	155,645	-	-	1,979,254
Commercial paper	1,452,262	-	-	-	-	1,452,262
	2,484,880	1,457,558	1,638,126	5,156,529	4,925	10,742,018
Variable income:						
Companies shares						
Portuguese companies					69,388	69,388
Foreign companies					7,730	7,730
Investment fund units					1,405,958	1,405,958
Other securities					1,023	1,023
					1,484,099	1,484,099
Impairment for overdue securities					(4,925)	(4,925)
	2,484,880	1,457,558	1,638,126	5,156,529	1,484,099	12,221,192

The analysis of financial assets held for trading and available for sale by maturity, as at 31 December 2011, is as follows:

(Thousands of Euros)

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Undetermined	Total
Fixed income:						
Bonds issued by public entities						
Portuguese issuers	-	221,863	511,715	281,967	-	1,015,545
Foreign issuers	-	-	4,552	33,535	-	38,087
Bonds issued by other entities						
Portuguese issuers	47,498	255,570	1,029,797	2,869,599	4,925	4,207,389
Foreign issuers	111,685	347,889	144,456	8,610,534	-	9,214,564
Treasury bills and other Government bonds	1,515,020	147,135	-	-	-	1,662,155
	1,674,203	972,457	1,690,520	11,795,635	4,925	16,137,740
Variable income:						
Companies shares						
Portuguese companies					71,005	71,005
Foreign companies					44,095	44,095
Investment fund units					574,077	574,077
					689,177	689,177
Impairment for overdue securities					(4,925)	(4,925)
	1,674,203	972,457	1,690,520	11,795,635	689,177	16,821,992

The analysis of the securities portfolio included in the financial assets held for trading and available for sale, by sector of activity, as at 31 December 2012, is as follows:

(Thousands of Euros)

	Bonds	Shares	Other financial assets	Overdue securities	Gross total
Wood and cork	-	501	-	361	862
Printing and publishing	-	11	-	998	1,009
Chemicals	-	-	-	-	-
Engineering	-	4	-	-	4
Electricity, water and gas	150,567	-	-	-	150,567
Construction	-	1,804	-	2,560	4,364
Wholesale business	-	898	-	475	1,373
Restaurants and hotels	-	74	-	-	74
Transport and communications	42,148	7,013	-	529	49,690
Services	6,895,131	66,797	1,401,829	2	8,363,759
Other domestic activities	786	16	5,152	-	5,954
	7,088,632	**77,118**	**1,406,981**	**4,925**	**8,577,656**
Government and Public securities	1,669,207	-	1,979,254	-	3,648,461
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	8,757,839	**77,118**	**3,386,235**	**-**	**12,221,192**

The analysis of the securities portfolio included in the financial assets held for trading and available for sale, by sector of activity, as at 31 December 2011, is as follows:

(Thousands of Euros)

	Bonds	Shares	Other financial assets	Overdue securities	Gross total
Textiles	-	1	-	-	1
Wood and cork	-	501	-	361	862
Printing and publishing	86	15,259	-	998	16,343
Chemicals	-	7,618	-	-	7,618
Engineering	-	180	-	-	180
Electricity, water and gas	154,713	1,118	-	-	155,831
Construction	9,472	1,960	-	2,560	13,992
Retail business	-	27	-	-	27
Wholesale business	-	1,205	-	475	1,680
Restaurants and hotels	-	51	-	-	51
Transport and communications	22,470	767	-	529	23,766
Services	13,204,826	86,413	574,077	2	13,865,318
Other domestic activities	25,461	-	-	-	25,461
	13,417,028	**115,100**	**574,077**	**4,925**	**14,111,130**
Government and Public securities	1,053,632	-	1,662,155	-	2,715,787
Impairment for overdue securities	-	-	-	(4,925)	(4,925)
	14,470,660	**115,100**	**2,236,232**	**-**	**16,821,992**

As detailed in note 48, the Bank, as part of the management process of the liquidity risk, holds a pool of eligible assets that can serve as collateral in funding operations in the European Central Bank and other Central Banks in countries were the Bank operates, which includes fixed income securities.

The analysis of the trading derivatives by maturity, as at 31 December 2012, is as follows:

(Thousands of Euros)

	'12					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Interest rate derivatives:						
OTC market:						
Interest rate swaps	2,245,727	2,809,584	15,579,465	20,634,776	905,578	909,258
Interest rate options (purchase)	13,534	50,960	511,919	576,413	8,564	-
Interest rate options (sale)	13,534	50,960	511,919	576,413	-	10,398
Other interest rate contracts	52,400	108,894	264,524	425,818	21,723	21,717
	2,325,195	**3,020,398**	**16,867,827**	**22,213,420**	**935,865**	**941,373**
Stock exchange transactions:						
Interest rate futures	-	18,948	-	18,948	-	-
Currency derivatives:						
OTC Market:						
Forward exchange contract	47,791	24,066	146	72,003	3,360	620
Currency swaps	2,886,308	313,371	-	3,199,679	5,654	21,219
Currency options (purchase)	14,550	5,048	-	19,598	258	-
Currency options (sale)	14,340	5,048	-	19,388	-	261
	2,962,989	**347,533**	**146**	**3,310,668**	**9,272**	**22,100**
Share derivatives:						
OTC market:						
Shares/indexes swaps	62,987	53,314	138,189	254,490	17,571	8,919
Shares/indexes options (sale)	33,749	25,700	78,000	137,449	-	-
Debt instruments forwards	-	-	30,000	30,000	1,219	-
	96,736	**79,014**	**246,189**	**421,939**	**18,790**	**8,919**
Stock exchange transactions:						
Shares futures	85,056	-	-	85,056	-	-
Shares/indexes options (purchase)	-	-	-	-	125,479	-
Shares/indexes options (sale)	-	-	-	-	-	125,480
	85,056	**-**	**-**	**85,056**	**125,479**	**125,480**
Commodity derivatives:						
Stock exchange transactions:						
Commodities futures	28,765	-	-	28,765	-	-
Credit derivatives:						
OTC market:						
Credit default swaps	-	710,000	3,130,300	3,840,300	96,939	95,268
Other credit derivatives (sale)	-	-	29,110	29,110	-	-
	-	**710,000**	**3,159,410**	**3,869,410**	**96,939**	**95,268**
Total financial instruments traded in:						
OTC market	5,384,920	4,156,945	20,273,572	29,815,437	1,060,866	1,067,660
Stock exchange	113,821	18,948	-	132,769	125,479	125,480
Embedded derivatives					-	661
	5,498,741	**4,175,893**	**20,273,572**	**29,948,206**	**1,186,345**	**1,193,801**

A análise da carteira de derivados de negociação por maturidades em 31 de December de 2011 é a seguinte:

(Thousands of Euros)

	'11					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Interest rate derivatives:						
OTC market:						
Forward rate agreements	800	2,400	-	3,200	20	-
Interest rate swaps	4,913,040	2,061,826	37,779,247	44,754,113	1,264,463	1,281,021
Interest rate options (purchase)	1,202	336,972	611,598	949,772	12,469	-
Interest rate options (sale)	1,202	336,972	611,598	949,772	-	14,287
Other interest rate contracts	23,800	509,753	10,118,393	10,651,946	30,184	30,175
	4,940,044	**3,247,923**	**49,120,836**	**57,308,803**	**1,307,136**	**1,325,483**
Stock exchange transactions:						
Interest rate futures	5,002	-	-	5,002	-	-
Currency derivatives:						
OTC market:						
Forward exchange contract	105,122	39,944	-	145,066	6,147	2,080
Currency swaps	2,836,263	-	-	2,836,263	28,108	5,507
Currency options (purchase)	25,992	1,677	-	27,669	551	-
Currency options (sale)	11,394	1,677	-	13,071	-	580
	2,978,771	**43,298**	**-**	**3,022,069**	**34,806**	**8,167**
Share derivatives:						
OTC market:						
Shares/indexes swaps	154,133	58,549	104,054	316,736	5,454	9,129
Shares/indexes options (purchase)	78,366	-	-	78,366	-	-
Shares/indexes options (sale)	78,400	-	-	78,400	-	68
Debt instruments forwards	-	-	30,000	30,000	-	2,601
	310,899	**58,549**	**134,054**	**503,502**	**5,454**	**11,798**
Stock exchange transactions:						
Shares futures	67,243	-	-	67,243	-	-
Commodity derivatives:						
Stock exchange transactions:						
Commodities futures	31,703	-	-	31,703	-	-
Credit derivatives:						
OTC market:						
Credit default swaps	3,864	-	4,125,066	4,128,930	287,768	295,349
Other credit derivatives (sale)	-	-	34,948	34,948	-	-
	3,864	**-**	**4,160,014**	**4,163,878**	**287,768**	**295,349**
Total financial instruments traded in:						
OTC market	8,233,578	3,349,770	53,414,904	64,998,252	1,635,164	1,640,797
Stock exchange	103,948	-	-	103,948	-	-
Embedded derivatives					22,708	11,214
	8,337,526	**3,349,770**	**53,414,904**	**65,102,200**	**1,657,872**	**1,652,011**

22. Hedging derivatives

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Hedging instruments		
Assets:		
Swaps	**117,535**	463,734
Liabilities:		
Swaps	**55,000**	64,041

Hedging derivatives are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 7 these derivatives are classified in level 2.

The Bank uses derivatives to hedge interest and exchange rate exposure risks. The accounting method depends on the nature of the hedged risk, namely if the Bank is exposed to fair value changes, variability in cash flows or highly probable forecasted transactions.

The Bank, for the hedging relationships which comply with the hedging requirements of IAS 39, adopts the hedge accounting method, namely through the fair value hedge model, and holds in its derivatives portfolio mainly interest rate swaps, which are hedging fair value changes in interest rate risk of debt securities issued, deposits and loans with fixed rate.

The Bank performs periodical effectiveness tests of the hedging relationships. For this year a negative amount of Euros 24,848,000 (31 December 2011: positive amount of Euros 25,181,000) was recorded against the results, corresponding to the ineffective part of the fair value hedge relationships.

The accumulated adjustment on financial risks covered performed on the assets and liabilities which includes hedged items is analysed as follows:

(Thousands of Euros)

	'12	'11
Hedged item		
Loans represented by securities	**646**	-
Deposits	**(23,333)**	(26,926)
Loans	**4,405**	14,696
Debt issued	**(231,559)**	(261,696)
Financial assets held to maturity to maturity	**3,623**	-
	(246,218)	(273,926)

The analysis of the portfolio of hedging derivatives by maturity as at 31 December 2012 is as follows:

(Thousands of Euros)

	'12					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC market:						
Interest rate swaps	659,212	523,782	4,763,450	5,946,444	117,535	55,000
	659,212	**523,782**	**4,763,450**	**5,946,444**	**117,535**	**55,000**

A análise da carteira de derivados de cobertura por maturidades em 31 de December de 2011 é a seguinte:

(Thousands of Euros)

	'11					
	Notional (remaining term)				Fair value	
	Up to 3 months	3 months to 1 year	Over 1 year	Total	Assets	Liabilities
Fair value hedging derivatives related to interest rate risk changes:						
OTC market:						
Interest rate swaps	164,500	308,761	5,829,365	6,302,626	463,734	64,041
	164,500	**308,761**	**5,829,365**	**6,302,626**	**463,734**	**64,041**

23. Financial assets held to maturity

The balance Financial assets held to maturity is analysed as follows:

(Thousands of Euros)

	'12	'11
Bonds and other fixed income securities		
Issued by Government and public entities	2,087,738	2,764,695
Issued by other entities	1,473,627	2,679,583
	3,561,365	**5,444,278**
Impairment for securities	-	(358,277)
	3,561,365	**5,086,001**

The balance Bonds and other fixed income securities – Issued by Government and public entities includes, as at 31 December 2012, the amount of Euros 2,037,530,000 (31 December 2011: Euros 2,356,340,000) related to European Union countries, in bailout situation, detailed in note 52.

The balance Financial assets held to maturity includes, as at 31 December 2012, the amount of Euros 1,202,491,000 (31 December 2011: Euros 1,413,245,000) related to non derivatives financial assets (bonds) reclassified in 2010 from Financial assets held for trading caption to Financial assets held to maturity caption, as referred in the accounting policy note 1 e) and note 21.

The balance Financial assets held to maturity also includes, as at 31 December 2012, the amount of Euros 547,811,000 (31 December 2011: Euros 578,799,000) related to non derivatives financial assets (bonds) reclassified, in 2010, from Financial assets available for sale caption to Financial assets held to maturity caption, as referred in the accounting policy note 1 e) and note 21.

The movements of the impairment of the Financial assets held to maturity are analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	358,277	-
Impairment for the year	119	358,277
Write-back for the year	(358,396)	-
Balance on 31 December	-	358,277

As at 31 December 2011, the balance of Impairment for securities corresponded to the impairment recognised on Greek sovereign debt, considering the European Union sovereign debt crisis and specifically the economic and political environment in Greece, which contributed to the continuous deterioration of economic and financial situation of Greece and the incapacity to obtain funds from the international markets, which implied that the short term solvency of the country is dependent on the continuous support by EU and IMF.

Impairment was determined considering the terms of the agreement established between the Greek state and the private sector (PSI), related to the restructuring of the Greek sovereign debt (GGBs). For the purposes of determining impairment, the Group considered the terms and conditions of the PSI and also paragraph AG 84 of IAS 39 that considers reasonable that, for the portfolio of assets held to maturity when, for practical reasons, there are relevant uncertainties regarding the estimate of future cash flows, impairment can be determined based on observable market prices.

Considering the available information regarding the bonds' characteristics, the fair value corresponded as at 31 December 2011 to approximately 23% of the book value of the portfolio. Following the reestructuring of the Greek sovereign debt in the second quarter of 2012, the impairment was charged off. The exchange offer occurred in 12 March 2012.

The PSI is part of an European Union Euros 130,000,000,000 bailout package for Greece.

After the exchange, the Bank sold all portfolio of Greek sovereign debt arising from the PSI.

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2012, is as follows:

(Thousands of Euros)

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Fixed income:					
Bonds issued by public entities					
Portuguese issuers	-	-	1,508,715	319,460	1,828,175
Foreign issuers	-	-	209,355	50,208	259,563
Bonds issued by other entities					
Portuguese issuers	76,119	217,718	163,826	685,585	1,143,248
Foreign issuers	29,093	25,866	100,992	174,428	330,379
	105,212	243,584	1,982,888	1,229,681	3,561,365

The analysis of Bonds and other fixed income securities portfolio, net of impairment, included in Financial assets held to maturity, by maturity, as at 31 December 2011, is as follows:

(Thousands of Euros)

	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Total
Fixed income:					
Bonds issued by public entities					
Portuguese issuers	-	103,508	1,602,899	319,859	2,026,266
Foreign issuers	26,062	-	253,521	100,569	380,152
Bonds issued by other entities					
Portuguese issuers	-	56,381	960,559	716,875	1,733,815
Foreign issuers	551,478	35,311	105,204	253,775	945,768
	577,540	195,200	2,922,183	1,391,078	5,086,001

The analysis of the Bonds and other fixed income securities portfolio, net of impairment, included in the Financial assets held to maturity, by sector of activity, is analysed as follows:

(Thousands of Euros)

	'12	'11
Transport and communications	**170,845**	170,333
Services	**1,302,782**	2,509,250
	1,473,627	2,679,583
Government and Public securities	**2,087,738**	2,406,418
	3,561,365	5,086,001

The Bank, as part of the management process of the liquidity risk, holds a pool of eligible assets that can serve as collateral in funding operations with the European Central Bank and other Central Banks in countries were the Bank operates, which include fixed income securities.

24. Investments in subsidiaries and associated companies

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Portuguese credit institutions	**277,348**	277,348
Foreign credit institutions	**930,032**	887,190
Other Portuguese companies	**488,219**	487,189
Other foreign companies	**4,291,520**	4,166,277
	5,987,119	5,818,004
Impairment for investments in associated companies		
In subsidiary companies	**(2,480,117)**	(1,828,212)
In associated and other companies	**(3,585)**	(3,585)
	(2,483,702)	(1,831,797)
	3,503,417	3,986,207

The balance Investments in subsidiaries and associated companies is analysed as follows:

(Thousands of Euros)

	'12	'11
ACT-C – Indústria de Cortiças, S.A.	**3,585**	3,585
Banca Millennium S.A.	**4**	4
Banco de Investimento Imobiliário, S.A.	**260,235**	260,235
Bank Millennium S.A.	**879,524**	838,476
Banque BCP, S.A.S.	**17,175**	15,381
Banco Millennium Angola, S.A.	**33,329**	33,329
BCP Capital – Sociedade de Capital de Risco, S.A.	**30,773**	30,773
BCP Investment, B.V.	**2,234,532**	2,112,532
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	**68,375**	68,375
BitalPart, B.V.	**2,027,671**	2,027,671
Interfundos Gestão de Fundos de Investimento Imobiliários, S.A.	**1,500**	1,500
Millennium bcp – Escritório de representações e Serviços, S/C Lda.	**14,753**	11,511
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	**28,009**	28,009
S&P Reinsurance Limited	**14,536**	14,536
Caracas Financial Services, Limited	**27**	27
Millennium bcp Imobiliária, S.A.	**341,088**	341,088
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	**885**	885
Nanium, S.A.	**6,159**	6,158
Propaço – Sociedade Imobiliária De Paço D'Arcos, Lda.	**3**	3
Servitrust – Trust Management Services S.A.	**100**	100
SIBS, S.G.P.S., S.A.	**6,700**	6,700
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	**13**	13
UNICRE – Instituição Financeira de Crédito, S.A.	**17,113**	17,113
Quinta do Furão – Sociedade de Animação Turística e Agrícola de Santana, Lda.	**1,030**	-
	5,987,119	5,818,004
Impairment for investments in associated companies		
ACT-C – Indústria de Cortiças, S.A.	**(3,585)**	(3,585)
S&P Reinsurance Limited	**(12,450)**	(12,450)
Millennium bcp – Escritório de representações e Serviços, S/C Lda.	**(14,753)**	(400)
BCP Capital – Sociedade de Capital de Risco, S.A.	**(19,810)**	-
Millennium bcp Imobiliária, S.A.	**(341,088)**	(333,346)
BCP Investment, B.V.	**(610,000)**	-
BitalPart, B.V.	**(1,482,016)**	(1,482,016)
	(2,483,702)	(1,831,797)
	3,503,417	3,986,207

The movements for impairment for investments in associated companies are analysed as follows:

(Thousands of Euros)

	'12	'11
Impairment for investments in associated companies		
Balance on 1 January	**1,831,797**	1,828,212
Transfers	**-**	3,585
Impairment for the year	**651,905**	-
Balance on 31 December	**2,483,702**	1,831,797

The Bank's subsidiaries and associated companies are presented in note 54.

As at 31 December 2012, the Bank analysed the impairment related to the investments made in subsidiaries and associated.

The analysis was based on the determination of the recoverable amount. The recoverable amounts, as described in note 1 ab), was determined based on the higher between the fair value amount less costs to sell and the value in use.

The value in use was determined based on: (i) the business plan approved by each company board for the period from 2013 to 2017 and (ii) the following assumptions depending on the nature of the companies activities and correspondent geography:

	Discount rate/Explicit period	Discount rate/Perpetuity	Growth rate/Perpetuity
Portugal			
Generic	13.375%	10.125%	3.800%
Real Estate Business	13.375%	10.125%	0.000%
ActivoBank	13.375%	10.125%	3.800%
Poland	10.125%	10.125%	0.000%
Angola	17.000%	17.000%	0.000%

Based on the analysis made, the Bank recognised impairment for a group of companies as follows:

(Thousands of Euros)

	Balance on 01.01.2012	Impairment	Balance on 31.12.2012
ACT-C – Indústria de Cortiças, S.A.	3,585	-	3,585
S&P Reinsurance Limited	12,450	-	12,450
Millennium bcp – Escritório de representações e Serviços, S/C Lda.	400	14,353	14,753
BCP Capital – Sociedade de Capital de Risco, S.A.	-	19,810	19,810
Millennium bcp Imobiliária, S.A.	333,346	7,742	341,088
BCP Investment, B.V.	-	610,000	610,000
BitalPart, B.V.	1,482,016	-	1,482,016
	1,831,797	651,905	2,483,702

25. Non current assets held for sale

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Subsidiaries acquired exclusively with the purpose of short-term sale	**46,092**	46,092
Investments, properties and other assets arising from recovered loans	**1,325,869**	1,197,588
	1,371,961	1,243,680
Impairment	**(305,649)**	(298,565)
	1,066,312	945,115

The assets included in this balance are accounted for in accordance with the accounting policy note 1 k).

The balance Subsidiaries acquired exclusively with the purpose of a short-term sale corresponds to two real estate companies acquired by the Bank within the restructuring of a loan exposure, that the Bank intends to sell in less than one year. However, taking into account the actual market conditions, it was not possible to conclude the sales in the expected time.

The balance Investments, properties and other assets arising from recovered loans includes assets resulting from (i) foreclosure, with an option to repurchase or leaseback, which are accounted following the establishment of the contract or the promise of contract and the respective irrevocable power of attorney issued by the client on behalf of the Bank; or (ii) judicial foreclosure as a result of the judicial process of execution of collaterals, accounted for with the title of adjudication or following the adjudication request after the record of the first pledge.

These assets are available for sale in a period less than one year and the Bank has a strategy for its sale. However, taking into account the actual market conditions, it is not possible in all instances to conclude the sales in the expected time.

The strategy of alienation results in an active search of buyers, with the Bank having a website that advertises these properties, contracts with intermediaries for sales promotion and sales initiatives in real estate auctions. Prices are periodically reviewed and adjusted for continuous adaptation to the market.

The referred balance includes buildings and other assets for which the Bank has already established contracts for the sale in the amount of Euros 71,897,000 (31 December 2011: Euros 77,056,000).

The movements of impairment for non current assets held for sale are analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	298,565	206,011
Transfers	-	990
Charge for the year	121,434	126,779
Loans charged-off	(114,350)	(35,215)
Balance on 31 December	305,649	298,565

26. Property and equipment

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Land and buildings	670,291	680,703
Equipment		
Furniture	69,256	69,318
Machines	15,230	15,389
Computer equipment	159,087	156,889
Interior installations	96,304	96,188
Motor vehicles	1,783	1,967
Security equipment	67,130	67,484
Other equipments	3,207	3,236
Work in progress	27,243	27,627
Other tangible assets	34	34
	1,109,565	1,118,835
Accumulated depreciation		
Charge for the year	(28,179)	(34,924)
Accumulated charge for the previous years	(777,334)	(752,587)
	(805,513)	(787,511)
	304,052	331,324

The Property and equipment movements during 2012 are analysed as follows:

(Thousands of Euros)

	Balance on 1 January	Acquisitions/ Charge	Disposals/ Charged-off	Transfers	Exchange differences	Balance on 31 December
Cost:						
Land and buildings	680,703	103	(12,273)	1,758	-	670,291
Equipment:						
Furniture	69,318	479	(648)	107	-	69,256
Machines	15,389	1,791	(1,950)	-	-	15,230
Computer equipment	156,889	3,517	(1,319)	-	-	159,087
Interior installations	96,188	44	(485)	557	-	96,304
Motor vehicles	1,967	192	(375)	-	(1)	1,783
Security equipment	67,484	298	(681)	29	-	67,130
Other equipments	3,236	-	(29)	-	-	3,207
Work in progress	27,627	2,595	(527)	(2,452)	-	27,243
Other tangible assets	34	-	-	-	-	34
	1,118,835	**9,019**	**(18,287)**	**(1)**	**(1)**	**1,109,565**
Accumulated depreciation:						
Land and buildings	402,552	17,784	(6,516)	-	-	413,820
Equipment:						
Furniture	66,454	977	(619)	(1)	-	66,811
Machines	14,990	115	(212)	-	-	14,893
Computer equipment	146,661	7,030	(1,313)	-	-	152,378
Interior installations	91,467	986	(467)	-	-	91,986
Motor vehicles	1,789	82	(374)	-	(1)	1,496
Security equipment	60,443	1,180	(648)	-	-	60,975
Other equipments	3,122	24	(26)	-	-	3,120
Other tangible assets	33	1	-	-	-	34
	787,511	**28,179**	**(10,175)**	**(1)**	**(1)**	**805,513**

27. Intangible assets

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Software	**24,110**	22,561
Other intangible assets	**1,388**	2,108
	25,498	**24,669**
Accumulated depreciation		
Charge for the year	**(4,700)**	(4,429)
Accumulated charge for the previous years	**(6,552)**	(9,365)
	(11,252)	**(13,794)**
	14,246	**10,875**

The Intangible assets movements during 2012 are analysed as follows:

(Thousands of Euros)

	Balance on 1 January	Acquisitions/ Charge	Disposals/ Charged-off	Transfers	Exchange differences	Balance on 31 December
Cost:						
Software	22,561	8,004	(6,453)	-	(2)	24,110
Other intangible assets	2,108	111	(831)	-	-	1,388
	24,669	8,115	(7,284)	-	(2)	25,498
Accumulated depreciation:						
Software	13,006	4,700	(6,453)	-	(1)	11,252
Other intangible assets	788	-	(788)	-	-	-
	13,794	4,700	(7,241)	-	(1)	11,252

28. Income tax

Deferred income tax assets and liabilities, as at 31 December, 2012 and 2011, generated by temporary differences are analysed as follows:

(Thousands of Euros)

	'12			'11		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
Other tangible assets	**-**	**3,370**	**(3,370)**	-	3,449	(3,449)
Provision losses	**927,099**	**-**	**927,099**	651,964	-	651,964
Benefits to employees	**548,155**	**-**	**548,155**	577,750	-	577,750
Financial assets available for sale	**-**	**20,933**	**(20,933)**	143,523	379	143,144
Allocation of profits	**68,472**	**-**	**68,472**	78,035	-	78,035
Tax losses carried forward	**363,452**	**-**	**363,452**	184,238	-	184,238
Others	**22,097**	**84,042**	**(61,945)**	24,453	44,898	(20,445)
Total deferred taxes	**1,929,275**	**108,345**	**1,820,930**	1,659,963	48,726	1,611,237
Offset between deferred tax assets and deferred tax liabilities	**(108,345)**	**(108,345)**	**-**	(48,726)	(48,726)	-
Net deferred tax	**1,820,930**	**-**	**1,820,930**	1,611,237	-	1,611,237

Deferred taxes are calculated at the tax rates expected to be in force when the temporary differences are reversed, which correspond to the rates enacted or substantively enacted at the balance sheet date.

The deferred tax assets and liabilities are presented on a net basis whenever, in accordance with applicable law, current tax assets and current tax liabilities can be offseted and when the deferred taxes are related to the same tax.

The caption Benefits to employees includes, as at 31 December 2012, the amount of Euros 287,877,000 (31 December 2011: Euros 290,435,000) related to the recognition of deferred taxes associated with actuarial gains and losses recognised against reserves, as a result of a change in the accounting policy. The referred caption also includes the amount of Euros 45,129,000 (31 December 2011: Euros 47,783,000) related to deferred taxes associated to the charge deriving from the transfer of the liabilities with retired employees/pensioners to the General Social Security Scheme, which was recognised in the income statement.

The negative impact in equity associated with the change in the above mentioned accounting policy is deductible for tax purposes, in equal parts, for a 10 years period starting on 1 January 2012. The expense arising from the transfer of liabilities with pensioners to the General Social Security Scheme is deductible for tax purposes in equal parts starting on 1 January 2012, for a period corresponding to the average number of years of life expectancy of retirees/pensioners whose responsibilities were transferred (18 years for the Bank).

The expire date of recognised tax losses carried forward is presented as follows:

(Thousands of Euros)

Expire date	'12	'11
2014	**10,255**	44,376
2015	**-**	139,862
2017	**353,197**	-
	363,452	184,238

The Bank recognised deferred taxes based on valuation of their recoverability, considering the expectation of future taxable income. The amount of unrecognised deferred taxes are as follows:

(Thousands of Euros)

	'12	'11
Provisions	**93,439**	-
Benefits to employees	**218,712**	275,000
Tax losses carried forward	**57,603**	-
	369,754	275,000

The impact of income taxes in Net (loss)/income and other captions of equity of the Bank is analysed as follows:

(Thousands of Euros)

	'12		'11	
	Net (loss)/income	**Reserves and retained earnings**	Net (loss)/income	Reserves and retained earnings
Deferred taxes				
Other tangible assets	**79**	**-**	79	-
Provisions	**275,135**	**-**	238,515	-
Benefits to employees	**(42,607)**	**13,012**	25,450	5,910
Financial assets available for sale (AFS)	**-**	**(164,077)**	-	69,496
Allocation of profits	**(9,563)**	**-**	33,157	-
Tax losses carried forward	**147,709**	**31,505**	112,640	20,168
Others	**(41,500)**	**-**	(16,057)	-
	329,253	**(119,560)**	393,784	95,574
Current taxes				
Actual year	**(2,536)**	**-**	(2,427)	-
Correction of previous years estimate	**(10,286)**	**-**	1,255	-
	(12,822)	**-**	(1,172)	-
Income tax	**316,431**	**(119,560)**	392,612	95,574

The reconciliation of the effective tax rate is analysed as follows:

	'12		'11	
	%	**Euros '000**	%	Euros '000
Net loss before income taxes		**(1,799,793)**		(861,139)
Current tax rate	**29.0%**	**521,940**	29.0%	249,730
Accruals for the calculation of taxable income (i)	**-13.2%**	**(237,974)**	-4.4%	(38,314)
Deductions for the calculation of taxable income (ii)	**4.3%**	**77,087**	10.4%	89,696
Fiscal incentives	**0.0%**	**801**	0.1%	1,057
Effect of the tax losses used/recognised	**0.0%**	**44**	0.0%	-
Effect of deferred tax losses not recognised previously	**-0.8%**	**(14,494)**	13.0%	111,985
Tax rate effect (iii)	**-1.8%**	**(31,760)**	-2.5%	(21,503)
Previous years corrections	**0.2%**	**2,719**	0.2%	2,003
(Autonomous tax)/Tax credits	**-0.1%**	**(1,932)**	-0.2%	(2,042)
	17.6%	**316,431**	45.6%	392,612

References:
(i) Corresponds, essentially, to tax associated with provisions not allowed for tax purposes.
(ii) Tax associated with dividends received which are not considered under the double taxation agreement, in the amount of Euros 261,960,000 (Tax: Euros 75,969,000) (2011: Euros 285,809,000 ; Tax: Euros 82,885,000).
(iii) Corresponds, essentially, to the difference in rate of deferred tax associated with tax losses.

The caption Effect of deferred tax losses not recognised previously included, in 2011, the amount of Euros 132,000,000 resulting from the recognition of deferred tax assets associated with losses related to the investment held in Bitalpart, B.V.

29. Other assets

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Debtors	**249,814**	967,653
Supplementary capital contributions	**195,979**	124,490
Other financial investments	**10,650**	8,106
Amounts due for collection	**20,666**	20,404
Recoverable tax	**51,957**	50,571
Recoverable government subsidies on interest on mortgage loans	**14,440**	16,871
Associated companies	**602,791**	322,980
Interest and other amounts receivable	**19,940**	31,810
Prepayments and deferred costs	**47,385**	92,901
Amounts receivable on trading activity	**194,270**	561,012
Amounts due from customers	**135,422**	145,759
Suplementary capital contributions	**1,225,872**	1,247,351
Sundry assets	**216,484**	282,519
	2,985,670	3,872,427
Impairment for other assets	**(167,525)**	(66,432)
	2,818,145	3,805,995

As referred in note 53, the balance Supplementary capital contributions includes, as at 31 December 2012, the amount of Euros 128,061,000, related to the junior bonds related with the sale of loans and advances to costumers to Specialized recovery Funds wich are fully provided.

As at 31 December 2012, the balance Associated companies includes the amount of Euros 509,908,000 (31 December 2011: Euros 255,500,000) related to receivable dividends from subsidiary companies.

The balance Sundry assets includes, as at 31 December 2012, the amount of Euros 136,875,000 related to the assets associated with liabilities for post-employment benefits, as described in note 46.

The caption Suplementary capital contributions is analysed as follows:

(Thousands of Euros)

	'12	'11
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	**1,175,378**	1,207,662
Millennium bcp Prestação de Serviços ACE	**38,000**	38,000
Others	**12,494**	1,689
	1,225,872	1,247,351

The movement of impairment for other assets is analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	**66,432**	19,496
Transfers	**(28,688)**	39,602
Impairment for the year	**130,762**	8,343
Write back for the year	**(53)**	(386)
Amounts charged-off	**(928)**	(623)
Balance on 31 December	**167,525**	66,432

30. Deposits from credit institutions

This balance is analysed as follows:

(Thousands of Euros)

	'12			'11		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Deposits from Central Banks	**2**	**12,126,782**	**12,126,784**	2	13,024,163	13,024,165
Deposits from credit institutions in Portugal	**257,106**	**1,363,671**	**1,620,777**	218,641	2,119,828	2,338,469
Deposits from credit institutions abroad	**299,232**	**4,077,453**	**4,376,685**	58,616	7,844,118	7,902,734
	556,340	**17,567,906**	**18,124,246**	277,259	22,988,109	23,265,368

The balance Deposits from Central Banks includes the amount of Euros 12,029,559,000 (31 December 2011: Euros 12,700,000,000) related to deposits obtained from the European Central Bank. This funding represents a remaining term of up to three months in the amount of Euros 29,559,000 and one to five years of Euros 12,000,000,000.

This balance is analysed by the maturity, as follows:

(Thousands of Euros)

	'12	'11
Up to 3 months	**4,611,464**	16,126,925
3 to 6 months	**173,359**	419,656
6 to 12 months	**316,153**	376,731
1 to 5 years	**12,790,503**	6,117,223
Over 5 years	**232,767**	224,833
	18,124,246	23,265,368

Within the scope of the derivative financial transactions with institutional counterparties, and according to the signed agreements, the Bank has, as of 31 December 2012, the amount of Euros 39,430,000 (31 December 2011: Euros 845,703,000) of Deposits from other credit institutions, received as collateral of the mentioned transactions.

31. Deposits from customers

This balance is analysed as follows:

(Thousands of Euros)

	'12			'11		
	Non interest bearing	Interest bearing	Total	Non interest bearing	Interest bearing	Total
Deposits from customers:						
Repayable on demand	7,742,686	645,560	8,388,246	7,840,435	1,348,654	9,189,089
Term deposits		22,397,440	22,397,440	-	21,976,293	21,976,293
Saving accounts	-	1,649,437	1,649,437	-	1,289,901	1,289,901
Other	170,667	92,083	262,750	170,501	92,083	262,584
	7,913,353	24,784,520	32,697,873	8,010,936	24,706,931	32,717,867

In the terms of the Law, the Deposit Guarantee Fund was established to guarantee the reimbursement of funds deposited in Credit Institutions. The criteria to calculate the annual contributions to the referred fund are defined in Regulation no. 11/94 of the Bank of Portugal.

This balance is analysed by the period to maturity, as follows:

(Thousands of Euros)

	'12	'11
Deposits from customers repayable on demand:	8.388.246	9.189.089
Term deposits and saving accounts from customers:		
Up to 3 months	11,360,863	11,509,734
3 to 6 months	3,797,682	3,635,814
6 to 12 months	5,837,275	4,656,672
1 to 5 years	3,047,938	3,348,553
Over 5 years	3,119	115,421
	24,046,877	23,266,194
Other:		
Up to 3 months	-	150,533
Over 3 months	262,750	112,051
	262,750	262,584
	32,697,873	32,717,867

32. Debt securities issued

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Bonds	18,753,215	15,447,616
Commercial paper	-	1,439,407
Others	106,490	97,209
	18,859,705	16,984,232

The characteristics of the Bonds and Commercial paper issued by the Bank, as at 31 December 2012, are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bonds issued:					
BCP Ob Cx E. Gr. S. Dec 05/15	December, 2005	December, 2015	Indexed to Down Jones EuroStoxx 50	365	283
BCP Ob Cx E. I. S. Mar 06/16	March, 2006	March, 2016	Indexed to Down Jones EuroStoxx 50	1,100	1,043
BCP FRN May 07/14	May, 2007	May, 2014	Euribor 3M + 0.150%	687,253	687,010
BCP Cov Bonds Jun 07/17	June, 2007	June, 2017	Fixed rate of 4.750%	879,750	932,368
BCP Cov Bonds Oct 07/14	October, 2007	October, 2014	Fixed rate of 4.750%	870,850	927,042
BCP FRN Mar 17	December, 2007	March, 2017	Euribor 3M + 0.180%	100,000	99,959
BCP Ob Cx S Af 1E Mar 08/13	March, 2008	March, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	160,402	160,402
BCP Ob Cx S Af 2E Mar 08/13	March, 2008	March, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	32,788	32,788
BCPsfi Ob Cx S Af 1E Mar 08/13	March, 2008	March, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	13,915	13,915
BCPsfe Ob Cx S Af 1E Mar 08/13	March, 2008	March, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	2,347	2,347
BCP Ob Cx S Af 3E May 08/13	May, 2008	May, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	198,074	198,074
BCPsfi Ob Cx S Af 3E May 08/13	May, 2008	May, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	9,942	9,942
BCPsfi Ob Cx S Af 3E May 08/13	May, 2008	May, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	2,489	2,489
BCPsfe Ob Cx S Af 3E May 08/13	June, 2008	June, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	180,893	180,893
BCP Ob Cx S Af 4E Jun 08/13	June, 2008	June, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	7,622	7,622
BCPsfi Ob Cx S Af 4E Jun 08/13	June, 2008	June, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	1,460	1,460
BCPsfe Ob Cx S Af 4E Jun 08/13	July, 2008	July, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	50,560	50,560
BCP Ob Cx S Af 5E Jul 08/13	July, 2008	July, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	5,686	5,686
BCPsfi Ob Cx S Af 5E Jul 08/13	July, 2008	July, 2013	Euribor 3M + Remain Prize: 1st year 0.000%; 2nd year 0.125%; 3rd year 0.250%; 4th year 0.750%; 5th year 1.500%	959	959

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP O Cx S A M BIE Oct 08/13	October, 2008	October, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	172,646	172,646
BCP Sfi O Cx S A M BIE 08/13	October, 2008	October, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	13,976	13,976
BCP Sfe O Cx S A M BIE Oct08/13	October, 2008	October, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	2,096	2,096
BCP O Cx S A M B2E Nov 08/13	November, 2008	November, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	109,219	109,219
BCP Sfi O Cx S A M B2E 08/13	November, 2008	November, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	6,171	6,171
BCP Sfe O Cx S A M B2E Nov 08/13	November, 2008	November, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	952	952
BCP O Cx S A M B3E Dec 08/13	December, 2008	December, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	125,344	125,344
BCP Sfi O Cx S A M B3E 08/13	December, 2008	December, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	7,453	7,453
BCP Sfe O Cx S A M B3E Dec 08/13	December, 2008	December, 2013	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	2,047	2,047
BCP S Aforro Ser B Feb 2009/14	February, 2009	February, 2014	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	40,731	40,731
BCP Super Aforro Ser B Mar 2009/14	March, 2009	March, 2014	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.500%; 4th year 0.750%; 5th year 1.000%	30,347	30,347
BCP 5.625 % -Book Entry Note Synd	April, 2009	April, 2014	Fixed rate of 5.625%	890,642	893,231
BCP S. Aforro Ser C 09/280409	April, 2009	April, 2014	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.750%; 4th year 1.000%; 5th year 1.250%	10,960	10,960
BCP Sup Afor Ser B 09/190514	May, 2009	May, 2014	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.750%; 4th year 1.000%; 5th year 1.250%	1,878	1,878
BCP Super Aforro Serie C Jun/2014	June, 2009	June, 2014	Euribor 3M + Remain Prize: 1st year 0.125%; 2nd year 0.250%; 3rd year 0.750%; 4th year 1.000%; 5th year 1.250%	7,448	7,448
BCP Sup Aforro Ser C Aug 2009/14	August, 2009	August, 2014	Euribor 3M + Remain Prize: 1st year 0,125%; 2nd year 0,250%; 3rd year 0,750%; 4th year 1,000%; 5th year 1,250%	28,212	20,859

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Cov Bonds Oct 09/16	October, 2009	October, 2016	Fixed rate of 3.750%	380,838	402,992
BCP Rend.Trim. Nov 2009/14	November, 2009	November, 2014	1st year=2.500%; 2nd year=2.750%; 3rd year =3.000%; 4th year=3.500%; 5th year=4.500%	40,363	42,786
BCP Emissão Sindicada – Emtn 668	December, 2009	February, 2013	Euribor 3M + 0.900%	464,229	464,117
BCP Rend.Trim.09/22.12.2014	December, 2009	December, 2014	1st year=2.500%; 2nd year=2.750%; 3rd year=3.000%; 4th year=3.500%; 5th year=4.250%	53,822	57,042
BCP Fixed Rate Note Inv Top Mais	January, 2010	January, 2015	1st year=2.500%; 2nd year=2.750%; 3rd year=3.250%; 4th year=4.125%; 5th year=5.000%	43,346	46,298
BCP Sup Rend Mar 2010 Fix. Rate Note	March, 2010	March, 2013	1st Sem.=2.250%; 2nd Sem.=2.500%; 3rd Sem.=2.750%; 4th Sem.=3.000%; 5th Sem.=3.250%; 6th Sem.=4.500%	132,558	133,289
BCP Rend Sem. Fixe Rate Note	March, 2010	March, 2013	1st Sem.=1.500%; 2nd Sem.=1.750%; 3rd Sem.=2.000%; 4th Sem.=2.250%; 5th Sem.=2.500%; 6th Sem.=3.500%	121,669	122,297
BCP Frn Mar 2013-Em Sind-Emtn 707	March, 2010	March, 2013	Euribor 3M + 1.300% per year	264,344	264,257
BCP Fixed Rate Note Rd Ext-Emtn 685	April, 2010	April, 2015	1st Sem.=2.000%; 2nd Sem.=2.125%; 3rd Sem.=2,250%; 4th Sem.=2,375%; 3rd Sem.=2.250%; 4th Sem.=2.375%; 5th Sem.=2.500%; 6th Sem.=2.750%; 7th Sem.=2.875%; 8th Sem.=3.125%;	97,281	103,122
BCP Fixed Rate Note Rend Top April	April, 2010	April, 2015	1st Sem.=2.250%; 2nd Sem.=2.500%; 3rd Sem.=2.600%; 4th Sem.=2.800%; 5th Sem.=3.000%; 6th Sem.=3.150%; 7th Sem.=3.200%; 8th Sem.=3.500%; 9th Sem.=3.800%; 10th Sem.=4.500%	122,734	130,070
BCP Rend Plus-Emtn 697	April, 2010	April, 2014	1st Sem.=2.000%; 2nd Sem.=2.125%; 3rd Sem.=2.250%; 4th Sem.=2.375%; 5th Sem.=2.500%; 6th Sem.=2.625%; 7th Sem.=2.750%; 8th Sem.=3.250%	22,879	23,537
BCP Rend Mais-Emtn 699	April, 2010	April, 2014	1st Sem.=1.750%; 2nd Sem.=1.875%; 3rd Sem.=2.000%; 4th Sem.=2.125%; 5th Sem.=2.250%; 6th Sem.=2.375%; 7th Sem.=2.500%; 8th Sem.=3.000%	13,899	14,300
BCP Frn Rend Plus June 10/14-Emtn 718	June, 2010	June, 2014	1st Sem.=1.875%; 2nd Sem.=2.000%; 3rd Sem.=2.125%; 4th Sem.=2.250%; 5th Sem.=2.375%; 6th Sem.=2.500%; 7th Sem.=2.625%; 8th Sem.=3.250%	15,876	16,326
BCP Frn Rend Mais June 2014-Emtn 720	June, 2010	June, 2014	1st Sem.=1.625%; 2nd Sem.=1.750%; 3rd Sem.=1.875%; 4th Sem.=2.000%; 5th Sem.=2.125%; 6th Sem.=2.250%; 7th Sem.=2.375%; 8th Sem.=3.000%	11,361	11,684
BCP Rend Ext 1 Ser 2010-2015	August, 2010	August, 2015	1st Sem.=1.875%; 2nd Sem.=2.000%; 3rd Sem.=2.125%; 4th Sem.=2.250%; 5th Sem.=2.375%; 6th Sem.=2.500%; 7th Sem.=2.750%; 8th Sem.=2.875%; 9th Sem.=3.000%; 10th Sem.=3.500%	38,787	40,801

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Rend Ext 2 Ser 2010-15	August, 2010	August, 2015	1st Sem.=2.125%; 2nd Sem.=2.300%; 3rd Sem.=2.425%; 4th Sem.=2.550%; 5th Sem.=2.800%; 6th Sem.=3.050%; 7th Sem.=3.300%; 8th Sem.=3.550%; 9th Sem.=3.800%; 10th Sem.=4.300%	66,182	69,913
BCP Rend Ext 1 Ser-Emtn 749	September, 2010	September, 2015	1st Sem.=1.875%; 2nd Sem.=2.000%; 3rd Sem.=2.125%; 4th Sem.=2.250%; 5th Sem.=2.375%; 6th Sem.=2.500%; 7th Sem.=2.750%; 8th Sem.=2.875%; 9th Sem.=3.000%; 10th Sem.=3.500%	45,900	48,370
BCP Rend Ext 2 Ser Sep 2010-2015	September, 2010	September, 2015	1st Sem.=2.175%; 2nd Sem.=2.300%; 3rd Sem.=2.425%; 4th Sem.=2.550%; 5th Sem.=2.800%; 6th Sem.=3.050%; 7th Sem.=3.300%; 8th Sem.=3.550%; 9th Sem.=3.800%; 10th Sem.=4.300%	79,377	83,982
BCP Rend Pr 1 Ser Apr 2013	October, 2010	April, 2013	1st Sem.=1.850%; 2nd Sem.=1.975%; 3rd Sem.=2.225%; 4th Sem.=2.475%; 5th Sem.=2.725%	8,826	8,883
BCP Rend Pr 2 Ser 26 Apr 2013	October, 2010	April, 2013	1st Sem.=2.300%; 2nd Sem.=2.425%; 3rd Sem.=2.675%; 4th Sem.=2.925%; 5th Sem.=3.425%	78,396	78,951
BCP Rend Pr 3 Serie-Emtn 767	November, 2010	May, 2013	1st Sem.=1.850%; 2nd Sem.=1.975%; 3rd Sem.=2.225%; 4th Sem.=2.475%; 5th Sem.=2.725%	2,351	2,370
BCP Rend Pr 4 Ser 2010-2013	November, 2010	May, 2013	1st Sem.=2.300%; 2nd Sem.=2.425%; 3rd Sem.=2.675%; 4th Sem.=2.925%; 5th Sem.=3.425%	18,648	18,813
BCP Mil Rend Pr Mais 1 Serie	December, 2010	June, 2014	1st Sem.=1.750%; 2nd Sem.=2.000%; 3rd Sem.=2.250%; 4th Sem.=2.500%; 5th Sem.=2.750%; 6th Sem.=3.000%; 7th Sem.=3.250%	1,007	1,041
BCP Rend Pr Mais 2 Serie	December, 2010	June, 2014	1st Sem.=2.500%; 2nd Sem.=2.750%; 3rd Sem.=3.000%; 4th Sem.=3.250%; 5th Sem.=3.500%; 6th Sem.=3.750%; 7th Sem.=4.000%	8,743	9,032
BCP Frn Rend Cres I-11 Eur-Jan 2016	January, 2011	January, 2016	1st Sem.=1.750%; 2nd Sem.=2.250%; 3rd Sem.=2.750%; 4th Sem.=3.250%; 5th Sem.=3.750%; 6th Sem.=4.250%; 7th Sem.=4.750%; 8th Sem.=5.250%; 9th Sem.=5.750%; 10th Sem.=6.250%	2,500	2,735
BCP Rend Cres 2011 1 Ser Feb 2014	February, 2011	February, 2014	1st Sem.=2.000%; 2nd Sem.=2.125%; 3rd Sem.=2.250%; 4th Sem.=2.375%; 5th Sem.=2.750%; 6th Sem.=3.500%	4,174	4,295
BCP Rend Cres 2 Ser Feb 2014	February, 2011	February, 2014	1st Sem.=2.500%; 2nd Sem.=2.625%; 3rd Sem.=2.750%; 4th Sem.=3.000%; 5th Sem.=3.125%; 6th Sem.=4.000%	33,159	34,097

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Rend Cres 3 Sr .Mar 2014	March, 2011	March, 2014	1st Sem.=2.000%; 2nd Sem.=2.125%; 3rd Sem.=2.250%; 4th Sem.=2.375%; 5th Sem.=2.750%; 6th Sem.=3.500%	8,707	9,000
BCP Rend Cres 4 Sr. Mar 2014	March, 2011	March, 2014	1st Sem.=2.500%; 2nd Sem.=2.625%; 3rd Sem.=2.750%; 4th Sem.=3.000%; 5th Sem.=3.125%; 6th Sem.=4.000%	66,706	68,914
BCP Ob Mil Rend M 1 Ser-Val M Nr. 5	May, 2011	May, 2016	1st Sem.=2.650%; 2nd Sem.=2.750%; 3rd Sem.=2.875%; 4th Sem.=3.000%; 5th Sem.=3.125%; 6th Sem.=3.250%; 7th Sem.=3.375%; 8th Sem.=3.500%; 9th Sem.=3.750%; 10th Sem.=4.250%	12,496	13,672
BCP Rend M 2 Ser-Val M Nr. 6	May, 2011	May, 2016	1st Sem.=3.000%; 2nd Sem.=3.125%; 3rd Sem.=3.250%; 4th Sem.=3.375%; 5th Sem.=3.500%; 6th Sem.=3.625%; 7th Sem.=3.750%; 8th Sem.=4.250%; 9th Sem.=4.500%; 10th Sem.=5.125%	67,856	74,361
BCP Rend M 3 Ser-Val M Nr. 8	May, 2011	May, 2016	1st Sem.=3.250%; 2nd Sem.=3.375%; 3rd Sem.=3.500%; 4th Sem.=3.625%; 5th Sem.=3.875%; 6th Sem.=4.125%; 7th Sem.=4.375%; 8th Sem.=4.625%; 9th Sem.=4.875%; 10th Sem.=5.625%	34,812	38,208
BCP Sfe Rend M Sr 2-Val Mob Nr. 7	May, 2011	May, 2016	1st Sem.=3.000%; 2nd Sem.=3.125%; 3rd Sem.=3.250%; 4th Sem.=3.375%; 5th Sem.=3.500%; 6th Sem.=3.625%; 7th Sem.=3.750%; 8th Sem.=4.250%; 9th Sem.=4.500%; 10th Sem.=5.125%	166	182
BCP Sfe Rend M Sr 9-Val Mob Nr. 9	May, 2011	May, 2016	1st Sem.=3.250%; 2nd Sem.=3.375%; 3rd Sem.=3.500%; 4th Sem.=3.625%; 5th Sem.=3.875%; 6th Sem.=4.125%; 7th Sem.=4.375%; 8th Sem.=4.625%; 9th Sem.=4.875%; 10th Sem.=5.625%	786	862
BCP Rend Sup M 2 S - Val Mob Sr. 13	June, 2011	June, 2016	1st Sem.=3.500%; 2nd Sem.=3.625%; 3rd Sem.=3.750%; 4th Sem.=3.875%; 5th Sem.=4.000%; 6th Sem.=4.125%; 7th Sem.=4.250%; 8th Sem.=4.375%; 9th Sem.=4.625%; 10th Sem.=5.125%	3,057	3,320
BCP Rend Sup M 3 Sr- Val Mob Sr. 14	June, 2011	June, 2016	1st Sem.=3.875%; 2nd Sem.=4.000%; 3rd Sem.=4.125%; 4th Sem.=4.250%; 5th Sem.=4.375%; 6th Sem.=4.500%; 7th Sem.=4.625%; 8th Sem.=4.750%; 9th Sem.=5.000%; 10th Sem.=5.500%	5,879	6,382
BCP Ob.Mill Rend Super-Vm Sr Nr. 12	June, 2011	June, 2016	1st Sem.=3.000%; 2nd Sem.=3.125%; 3rd Sem.=3.250%; 4th Sem.=3.375%; 5th Sem.=3.500%; 6th Sem.=3.625%; 7th Sem.=3.750%; 8th Sem.=3.875%; 9th Sem.=4.125%; 10th Sem.=4.625%	742	806

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Iln Permal Macro Hold Class D	June, 2011	June, 2021	Index to Sub Asset Permal Macro Holding Lda	611	611
BCP Sfe Rendim Super M 3 Sr.	June, 2011	June, 2016	1st Sem.=3.875%; 2nd Sem.=4.000%; 3rd Sem.=4.125%; 4th Sem.=4.250%; 5th Sem.=4.375%; 6th Sem.=4.500%; 7th Sem.=4.625%; 8th Sem.=4.750%; 9th Sem.=5.000%; 10th Sem.=5.500%	157	170
BCP Rend Super M 4 Ser-Vm Sr. 21	July, 2011	July, 2016	1st Sem.=3.000%; 2nd Sem.=3.125%; 3rd Sem.=3.250%; 4th Sem.=3.375%; 5th Sem.=3.500%; 6th Sem.=3.625%; 7th Sem.=3.750%; 8th Sem.=3.875%; 9th Sem.=4.125%; 10th Sem.=4.625%	375	404
BCP Rend Super M 5 Ser-Vm Sr. 22	July, 2011	July, 2016	1st Sem.=3.500%; 2nd Sem.=3.625%; 3rd Sem.=3.750%; 4th Sem.=3.875%; 5th Sem.=4.000%; 6th Sem.=4.125%; 7th Sem.=4.250%; 8th Sem.=4.375%; 9th Sem.=4.625%; 10th Sem.=5.125%	1,194	1,286
BCP Rend Super M 6 Ser-Vm Sr. 23	July, 2011	July, 2016	1st Sem.=3.875%; 2nd Sem.=4.000%; 3rd Sem.=4.125%; 4th Sem.=4.250%; 5th Sem.=4.375%; 6th Sem.=4.500%; 7th Sem.=4.625%; 8th Sem.=4.750%; 9th Sem.=5.000%; 10th Sem.=5.500%	3,125	3,465
BCP Float 11/17062013-Vm Sr. Nr. 34	July, 2011	June, 2013	Until 17 Dec 2011: Fixed rate 2.198% year; after 17 Dec 2011: Euribor 6M + 0.450%	69,950	68,679
BCP Fix Jul 2016-Val Mob Sr. 38	August, 2011	July, 2016	Fixed rate of 6.180%	1,750	1,750
BCP Float Nov 2015-Val Mob Sr. 36	August, 2011	November, 2015	Until 28 Nov 2011: Fixed rate 2.587% year; after 28 Nov 2011: Euribor 6M + 0.875%	1,600	1,484
BCP Float Jun 2016-Val Mob Sr. 37	August, 2011	June, 2016	Until 27 Dec 2011: Fixed rate 2.646% year; after 27 Dec 2011: Euribor 6M + 0.875%	1,330	1,240
BCP Float Feb 2015-Val Mob Sr. 35	August, 2011	February, 2015	Euribor 6M + 0.875%	1,750	1,616
BCP Frn 11/10.08.2014-Aval Estado-Mtn 825	August, 2011	August, 2014	Euribor 3M + 4.950%	1,750,000	1,750,000
BCP Float Mar 2018-Val Mob Sr. 40	August, 2011	March, 2018	Until 03 Sep 2011: Fixed rate 2.332% year; after 03 Sep 2011: Euribor 6M + 0.950%	2,850	2,348
BCP Float Dec 2017-Val Mob Sr. 41	August, 2011	December, 2017	Until 20 Dec 2011: Fixed rate 2.702% year; after 20 Dec 2011: Euribor 6M + 0.950%	2,450	2,252
BCP Float Jun 2017-Val Mob Sr. 39	August, 2011	June, 2017	Until 27 Dec 2011: Fixed rate 2.646% year; after 27 Dec 2011: Euribor 6M + 0.875%	900	837
BCP Float Jan 2018-Val Mob Sr. 42	August, 2011	January, 2018	Until 28 Jan 2012: Fixed rate 2.781% year; after 28 Jan 2012: Euribor 6M + 0.950%	2,800	2,338
BCP Rend Extra M 1 Ser-Vm Sr. 28	September, 2011	September, 2014	1st Sem.=3.250%; 2nd Sem.=3.375%; 3rd Sem.=3.500%; 4th Sem.=3.750%; 5th Sem.=4.125%; 6th Sem.=4.500%	1,554	1,592
BCP Rend Extra M 2 Ser-Vm Sr. 29	September, 2011	September, 2014	1st Sem.=3.500%; 2nd Sem.=3.625%; 3rd Sem.=3.750%; 4th Sem.=4.000%; 5th Sem.=4.375%; 6th Sem.=4.750%	5,298	5,429

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Rend Extra M 3 Ser-Vm Sr. 31	September, 2011	September, 2014	1st Sem.=3.750%; 2nd Sem.=3.875%; 3rd Sem.=4.000%; 4th Sem.=4.250%; 5th Sem.=4.625%; 6th Sem.=5.000%	11,190	11,466
BCP Fix Rate Notes 9.25 Pct -Emtn 827	October, 2011	October, 2014	Fixed rate of 9.250%	554,047	476,389
BCP Zero Cp 11/13.10.2013 Emtn 829	October, 2011	October, 2013	Zero Coupon	18,680	16,269
BCP Float Jun 2017-Vm Sr. 47	November, 2011	June, 2017	Fixed rate of 1.771% (1st interest) and Euribor 6 M (2nd and following)	4,575	3,195
BCP Float Jan 2018-Vm Sr. 46	November, 2011	January, 2018	Fixed rate of 1.831% (1st interest) and Euribor 6 M (2nd and following)	8,750	5,883
BCP Float Sep 2015-Vm Sr. 45	November, 2011	September, 2015	Fixed rate of 1.732% (1st interest) and Euribor 6 M (2nd and following)	2,550	2,023
BCP Float Nov 2015-Vm Sr. 48	November, 2011	November, 2015	Fixed rate of 1.712% (1st interest) and Euribor 6 M (2nd and following)	2,075	1,629
BCP Fix Oct 2019-Vm Sr. 44	November, 2011	October, 2019	Fixed rate of 6.875%	5,400	4,347
Estrut Taxa Step Up Xii-11-Vm Sr. 56	December, 2011	December, 2014	1st Sem.=7.000%; 2nd Sem.=7.000%; 3rd Sem.=7.000%; 4th Sem.=7.000%; 5th Sem.=7.500%; 6th Sem.=7.500%; 7th Sem.=7.500%; 8th Sem.=7.500%; 9th Sem.=8.000%; 10th Sem.=8.000%; 11th Sem.=8.000%; 12th Sem.=8.000%	8,226	8,445
BCP Frn 12/2014-Aval Estado-Mtn 832	December, 2011	December, 2014	Euribor 3M + 12.000% per year	2,750,000	2,750,000
Bcp Rend Special One Sr 1-Vm Sr. 50	December, 2011	December, 2015	1st year=3.500%; 2nd year=4.750%; 3rd year=6.000%. 4th year=6.750%	2,318	2,448
Bcp Rend Special One Sr 2-Vm Sr. 51	December, 2011	December, 2015	1st year=3.750%; 2nd year=5.000%; 3rd year=6.250%. 4th year=7.000%	2,629	2,777
Bcp Rend Special One Sr 3-Vm Sr. 52	December, 2011	December, 2015	1st year=4.000%; 2nd year=5.250%; 3rd year=6.500%. 4th year=7.250%	2,154	2,275
Bcp Rend Ja Feb 2013-Vm Sr. 49	December, 2011	February, 2013	Fixed rate of 6.000%	98,200	97,161
Bcp Rend Tx Cres Xii 11 Eur-Vm Sr. 58	December, 2011	December, 2014	1st Sem.=7.000%; 2nd Sem.=7.000%; 3rd Sem.=7.000%; 4th Sem.=7.000%; 5th Sem.=7.500%; 6th Sem.=7.500%; 7th Sem.=7.500%; 8th Sem.=7.500%; 9th Sem.=8.000%; 10th Sem.=8.000%; 11th Sem.=8.000%; 12th Sem.=8.000%	3,608	3,697
Bcp Millen Rend Cres S1-Vm Sr. 54	December, 2011	January, 2014	1st Sem.=4.000%; 2nd Sem.=4.750%; 3rd Sem.=5.750%; 4th Sem.=6.500%	2,016	2,058
Bcp Millen Rend Cres S2-Vm Sr. 55	December, 2011	January, 2014	1st Sem.=4.250%; 2nd Sem.=5.000%; 3rd Sem.=6.000%; 4th Sem.=6.750%	6,157	6,285
Bcp Mill Rend Ja 2 Sr-Feb 13-Vm Sr. 53	December, 2011	February, 2013	Fixed rate of 6.000%	118,848	117,972
Bcp Mill Rend Imed Feb 13-Vm Sr. 57	December, 2011	February, 2013	Fixed rate of 5.250%	28,288	28,114
Bcp Mill Rend Ja 3 Sr-Feb 14-Vm Sr. 59	December, 2011	February, 2014	Fixed rate of 6.250%	10,726	10,069
Bcp Float Apr 2014-Vm Sr.76-Ref. 9	December, 2011	April, 2014	Until 1Apr 2012: Fixed rate 2.000% year; after 1 Apr 2012: Euribor 3M + 0.450%	25,000	23,051
Bcp Float Apr 2017-Vm Sr.95-Ref. 28	December, 2011	April, 2017	Until 1Apr 2012: Fixed rate 2.050% year; after 1 Apr 2012: Euribor 3M + 0.500%	90,000	67,070

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bcp Float Apr 2016-Vm Sr. 82 Ref. 15	December, 2011	April, 2016	Until 4 Apr 2012: Fixed rate 2.054% year; after 4 Apr 2012: Euribor 3M + 0.500%	137,200	110,124
Bcp Float Jan 2019-Vm 105-Ref. 38	December, 2011	January, 2019	Until 5Apr 2012: Fixed rate 2.367% year; after 5 Apr 2012: Euribor 3M + 0.810%	50,000	36,891
Bcp Float Jul 2016-Vm Sr. 87-Ref. 20	December, 2011	July, 2016	Until 8Apr 2012: Fixed rate 2.056% year; after 8 Apr 2012: Euribor 3M + 0.500%	40,000	31,412
Bcp Float Jul 2013-Vm Sr. 68-Ref. 1	December, 2011	July, 2013	Until 16Apr 2012: Fixed rate 2.022% year; after 16 Apr 2012: Euribor 3M + 0.450%	37,500	36,213
Bcp Float Oct 2013-Vm Sr. 71-Ref. 4	December, 2011	October, 2013	Until 15Apr 2012: Fixed rate 2.022% year; after 15 Apr 2012: Euribor 3M + 0.450%	18,000	17,097
Bcp Float Apr 2016-Vm Sr. 83-Ref. 16	December, 2011	April, 2016	Until 14Apr 2012: Fixed rate 2.071% year; after 14 Apr 2012: Euribor 3M + 0.500%	35,000	27,982
Bcp Float Oct 2016-Vm 91 Ref. 24	December, 2011	October, 2016	Until 15Apr 2012: Fixed rate 2.072% year; after 15 Apr 2012: Euribor 3M + 0.500%	18,000	13,861
Bcp Float Oct 2014-Vm Sr. 80-Ref .13	December, 2011	October, 2014	Until 28Apr 2012: Fixed rate 2.038% year; after 28 Apr 2012: Euribor 3M + 0.450%	12,900	11,384
Bcp Float 2 Jul 2016-Vm Sr. 88 Ref. 21	December, 2011	July, 2016	Until 30Apr 2012: Fixed rate 2.090% year; after 30 Apr 2012: Euribor 3M + 0.500%	45,200	35,191
Bcp Float Jul 2017-Vm Sr. 97-Ref. 30	December, 2011	July, 2017	Until 28Apr 2012: Fixed rate 2.738% year; after 28 Apr 2012: Euribor 3M + 1.150%	28,750	20,872
Bcp Float Oct 2017-Vm Sr. 100 Ref. 33	December, 2011	October, 2017	Until 28Apr 2012: Fixed rate 2.088% year; after 28 Apr 2012: Euribor 3M + 0.500%	49,250	34,832
Bcp Float Aug 2017-Vm Sr. 98-Ref. 31	December, 2011	August, 2017	Until 5 May 2012: Fixed rate 2.080% year; after 5 May 2012: Euribor 3M + 0.500%	5,000	3,607
Bcp Float May 2016-Vm Sr. 84-Ref. 17	December, 2011	May, 2016	Until 7 May 2012: Fixed rate 2.080% year; after 7 May 2012: Euribor 3M + 0.500%	39,100	31,086
Bcp Float May 2014-Vm Sr. 77-Ref. 10	December, 2011	May, 2014	Until 8 May 2012: Fixed rate 2.988% year; after 8 May 2012: Euribor 3M + 1.500%	101,000	92,352
Bcp Float May 2014-Vm Sr. 78-Ref. 11	December, 2011	May, 2014	Until 13 May 2012: Fixed rate 1.914% year; after 13 May 2012: Euribor 3M + 0.450%	4,950	4,520
Bcp Float May 2017-Vm Sr. 96-Ref. 29	December, 2011	May, 2017	Until 13 May 2012: Fixed rate 1.964% year; after 13 May 2012: Euribor 3M + 0.500%	44,450	32,649
Bcp Float May 2018-Vm 104-Ref. 37	December, 2011	May, 2018	Until 12 May 2012: Fixed rate 1.964% year; after 12 May 2012: Euribor 3M + 0.500%	38,850	26,443
Bcp Float Aug 2013-Vm Sr. 69-Ref. 2	December, 2011	August, 2013	Until 14 May 2012: Fixed rate 1.914% year; after 14 May 2012: Euribor 3M + 0.450%	30,850	29,625
Bcp Float Feb 2019-Vm 106 Ref. 39	December, 2011	February, 2019	Until 16 May 2012: Fixed rate 2.459% year; after 16 May 2012: Euribor 3M + 1.000%	10,850	7,946
Bcp Float Feb 2018-Vm 102-Ref. 35	December, 2011	February, 2018	Until 17 May 2012: Fixed rate 1.957% year; after 17 May 2012: Euribor 3M + 0.500%	56,950	39,528
Bcp Float Feb 2014-Vm Sr. 74-Ref. 7	December, 2011	February, 2014	Until 18 May 2012: Fixed rate 1.908% year; after 18 May 2012: Euribor 3M + 0.450%	9,950	9,224
Bcp Float May 2016-Vm 85-Ref. 18	December, 2011	May, 2016	Until 20 May 2012: Fixed rate 1.960% year; after 20 May 2012: Euribor 3M + 0.500%	21,000	16,626
Bcp Float Feb 2017-Vm Sr. 94-Ref. 27	December, 2011	February, 2017	Until 18 May 2012: Fixed rate 1.958% year; after 18 May 2012: Euribor 3M + 0.500%	93,250	69,683

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bcp Float Aug 2016-Avl Sr. 89 Ref. 22	December, 2011	August, 2016	Until 22 May 2012: Fixed rate 1.965% year; after 22 May 2012: Euribor 3M + 0.500%	36,700	28,568
Bcp Float Nov 2013-Vm Sr. 72-Ref. 5	December, 2011	November, 2013	Until 26 May 2012: Fixed rate 1.924% year; after 26 May 2012: Euribor 3M + 0.450%	7,000	6,593
Bcp Float Feb 2014 2Em-Sr. 75-Ref. 8	December, 2011	February, 2014	Until 27 May 2012: Fixed rate 1.924% year; after 27 May 2012: Euribor 3M + 0.450%	1,000	925
Bcp Float Nov 2016-Vm Sr. 92-Ref. 25	December, 2011	November, 2016	Until 26 May 2012: Fixed rate 1.974% year; after 26 May 2012: Euribor 3M + 0.500%	8,000	6,082
Bcp Float Sep 2013-Vm Sr. 70-Ref. 1	December, 2011	September, 2013	Until 3 Jun 2012: Fixed rate 1.919% year; after 3 Jun 2012: Euribor 3M + 0.450%	37,050	35,431
Bcp Float Sep 2016 Ref. 23 Vm 90	December, 2011	September, 2016	Until 3 Jun 2012: Fixed rate 1.969% year; after 3 Jun 2012: Euribor 3M + 0.500%	13,600	10,547
Bcp Float Jun 2016-Vm Sr. 86-Ref.19	December, 2011	June, 2016	Until 20 Jun 2012: Fixed rate 1.917% year; after 20 Jun 2012: Euribor 3M + 0.500%	47,000	37,024
Bcp Float Sep 2014-Vm Sr. 79-Ref.12	December, 2011	September, 2014	Until 21 Jun 2012: Fixed rate 2.270% year; after 21 Jun 2012: Euribor 3M + 0.852%	93,900	84,200
Bcp Float Sep 2017-Vm Sr. 99-Ref .32	December, 2011	September, 2017	Until 23 Jun 2012: Fixed rate 1.916% year; after 23 Jun 2012: Euribor 3M + 0.500%	14,500	10,490
Bcp Float Mar 2016-Vm 81-Ref. 14	December, 2011	March, 2016	Until 25 Jun 2012: Fixed rate 1.910% year; after 25 Jun 2012: Euribor 3M + 0.500%	122,500	98,269
Bcp Float Sep 2015-Vm Sr. 62	December, 2011	September, 2015	Until 28 Sep 2012: Fixed rate 2.607% year; after 28 Sep 2012: Euribor 6M + 0.875%	8,900	7,782
Bcp Float Dec 2013-Vm Sr. 73-Ref. 6	December, 2011	December, 2013	Euribor 3M + 0.450%	6,600	6,178
Bcp Float Dec 2016-Vm Sr. 93-Ref. 26	December, 2011	December, 2016	Euribor 3M + 0.500%	19,500	14,751
Bcp Float Dec 2017-Vm Sr. 101 Ref. 34	December, 2011	December, 2017	Euribor 3M + 0.500%	65,900	46,056
Bcp Float Mar 2018-Vm Sr. 103 Ref. 36	December, 2011	March, 2018	Euribor 3M + 0.500%	49,300	33,920
Bcp Float Nov 2015-Vm Sr. 64	December, 2011	November, 2015	Until 28 Nov 2012: Fixed rate 2.577% year; after 28 Nov 2012: Euribor 6M + 0.875%	8,500	6,901
Bcp Float Jun 2017-Vm Sr. 63	December, 2011	June, 2017	Until 27 Dec 2012: Fixed rate 2.537% year; after 27 Dec 2012: Euribor 6M + 0.875%	6,000	4,635
Bcp Fixa Oct 2019-Vm Sr. 61	December, 2011	October, 2019	Fixed rate of 6.875%	9,500	7,593
Bcp Mill Rend Ja 3 Ser-Vm Sr. 60	January, 2012	March, 2013	Fixed rate of 6.000%	34,785	34,468
Bcp Floater Sep 15-Vm Sr. 111	January, 2012	September, 2015	Until 28 Sep 2012: fixed rate 2.607% year; after 28 Sep 2012: Euribor 6M + 0.875%	5,000	4,381
Bcp Floater Nov 15-Vm Sr. 112	January, 2012	November, 2015	Until 28 Nov 2012: fixed rate 2.577% year; after 28 Nov 2012: Euribor 6M + 0.875%	2,900	2,373
Bcp Floater Jun 17-Vm Sr. 113	January, 2012	June, 2017	Until 27 Dec 2012: fixed rate 2.537% year; after 27 Dec 2012: Euribor 6M + 0.875%	6,000	4,732
Bcp Fixa Oct 19-Vm Sr. 110	January, 2012	October, 2019	Fixed rate of 6.875%	4,000	3,168
Bcp Rend Ja 5 Serie-Vm Sr. 65	February, 2012	April, 2013	Fixed rate of 5.500% por year	51,340	50,724
Bcp Floater Dec 13-Vm Sr. 1	February, 2012	December, 2013	Until 30 Jun 2012: fixed rate 1.396% year; after 30 Jun 2012: Euribor 3M	213,200	199,127
Bcp Floater Mar 13-Vm Sr. 114	February, 2012	March, 2016	Until 28 Jan 2013: fixed rate 2.389% year; after 28 Jan 2013: Euribor 6M + 0.950%	8,000	6,643
Bcp Floater Apr 16-Vm Sr. 115	February, 2012	April, 2016	Until 28 Jan 2013: fixed rate 2.389% year; after 28 Jan 2013: Euribor 6M + 0.950%	1,700	1,411
Bcp Floater Jun 16-Vm Sr. 116	February, 2012	June, 2016	Until 28 Jan 2013: fixed rate 2.389% year; after 28 Jan 2013: Euribor 6M + 0.950%	8,586	7,105

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bcp Floater Jul 17-Vm Sr. 122	February, 2012	July, 2017	Until 28 Jul 2012: fixed rate 2.738% year; after 28 Jul 2012: Euribor 3M + 1.150%	3,750	2,904
Bcp Floater Nov 18-Vm Sr. 124	February, 2012	November, 2018	Until 3 ago 2012: fixed rate 1.715% year; after 3 ago 2012: Euribor 3M + 0.600%	30,000	20,819
Rend Tx Cres Ii -Vm Sr. 117	February, 2012	February, 2015	1st sem.=7.000%; 2nd sem.=7.000%; 3rd sem.=7.000%; 4th sem.=7.000%; 5th sem.=7.500%; 6th sem.=7.500%; 7th sem.=7.500% ; 8th sem.=7.500%; 9th sem.=8.000%; 10th sem.=8.000%; 11th sem.=8.000%; 12th sem.=8.000%	1,620	1,660
Bcp Floater May 14-Vm Sr. 131	February, 2012	May, 2014	Until 10 Nov 2012: fixed rate 1.742% year; after 10 Nov 2012: Euribor 6M + 0.050%	18,050	16,601
Bcp Floater Jun 18-Vm Sr. 132	February, 2012	June, 2018	Until 15 Jun 2013: fixed rate 2.639% year; after 15 Jun 2013: Euribor 12M + 0.500%	20,000	14,172
Retorno Sem Cres Ii 12 Eur-Vm Sr. 133	February, 2012	February, 2013	1st sem.=5.750%; 2nd sem.=6.250%	4,608	4,616
Bcp Frn 02/2017-Aval Estado-Mtn 839	February, 2012	February, 2017	Euribor 3M + 12.000%	1,500,000	1,500,000
Mill Rend Extra 360-Vm Sr. 139	February, 2012	February, 2013	Fixed rate of 5.500%	13,950	13,950
Mill Rend Especial 360-Vm Sr. 136	February, 2012	February, 2013	Fixed rate of 6.250%	20,500	20,500
Mill Rend Extra 360-CP-Vm Sr.143	March, 2012	March, 2013	Fixed rate of 5.500%	12,350	12,350
Mill Rend Especial 360 -CP-Vm Sr. 149	March, 2012	March, 2013	Fixed rate of 6.000%	25,300	25,300
Mill Rend Plus 360 -CP-Vm Sr. 146	March, 2012	March, 2013	Fixed rate of 5.750%	14,100	14,100
Bcp Ret Sem Cresc Iii-Vm Sr. 163	March, 2012	March, 2013	1st sem.=5.750%; 2nd sem.=6.250%	8,688	8,713
Bcp Mill Rend Ja 6 Serie-Vm Sr. 140	March, 2012	May, 2013	Fixed rate of 5.250%	62,811	61,662
Bcp Cupao Zero 12/260313-Vm Sr. 166	March, 2012	March, 2013	Zero coupon	37,740	36,855
Bcp Floater Jun 16-Vm Sr. 167	March, 2012	June, 2016	Until 3 Mar 2013: fixed rate 2.217% year; after 3 Mar 2013: Euribor 6M + 0.950%	4,987	3,978
Bcp Floater Jul 16-Vm Sr. 168	March, 2012	July, 2016	Until 3 Mar 2013: fixed rate 2.217% year; after 3 Mar 2013: Euribor 6M + 0.950%	1,513	1,206
Bcp Ret Sem Cresc Iii 12 Usd-Vm Sr. 170	March, 2012	April, 2013	1st sem.=3.500%; 2nd sem.=4.250%	1,209	1,210
Bcp Rend Tx Cresc Iii 12 Usd-Vm Sr. 171	March, 2012	March, 2015	1st quarter=3.750%; 2nd quarter=3.750%; 3rd quarter=3.750%; 4th quarter=3.750%; 5th quarter=4.000%; 6th quarter=4.000%; 7th quarter=4.000%; 8th quarter=4.000%; 9th quarter=4.250%; 10th quarter=4.250%; 11th quarter=4.250%; 12th quarter=4.250%	758	765
Rend Taxa Cres Iv-Vm Sr. 172	April, 2012	April, 2015	1st quarter=6.000%; 2nd quarter=6.000%; 3rd quarter=6.000%; 4th quarter=6.000%; 5th quarter=6.500%; 6th quarter=6.500%; 7th quarter=6.500%; 8th quarter=6.500%; 9th quarter=7.000%; 10th quarter=7.000%; 11th quarter=7.000%; 12th quarter=7.000%	1,645	1,682
Bcp Floater Feb 15-Vm Sr. 174	April, 2012	February, 2015	Until 8 Feb 2013: fixed rate 2.266% year; after 8 Feb 2013: Euribor 6M + 0.875%	8,300	7,181
Bcp Floater Sep 15-Vm Sr. 175	April, 2012	September, 2015	Until 28 Mar 2013: fixed rate 1.978% year; after 28 Mar 2013: Euribor 6M + 0.875%	8,200	7,096
Bcp Floater Jun 17-Vm Sr. 176	April, 2012	June, 2017	Until 27 Dec 2012: fixed rate 2.537% year; after 27 Dec 2012: Euribor 6M + 0.875%	8,800	7,037
Bcp Fixa Oct 19-Vm Sr. 177	April, 2012	October, 2019	Fixed rate of 6.875%	2,000	1,529

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bcp Floater May 13-Vm Sr. 188	April, 2012	May, 2013	Until 9 Nov 2012: fixed rate 2.570% year; after 9 Nov 2012: Euribor 6M + 0.875%	1,000	989
Bcp Floater Feb 15-Vm Sr. 189	April, 2012	February, 2015	Until 8 Feb 2013: fixed rate 2.266% year; after 8 Feb 2013: Euribor 6M + 0.875%	18,000	15,384
Bcp Floater Sep 15-Vm Sr. 190	April, 2012	September, 2015	Until 28 Mar 2013: fixed rate 1.978% year; after 28 Mar 2013: Euribor 6M + 0.875%	15,900	13,695
Bcp Floater Jun 17-Vm Sr. 191	April, 2012	June, 2017	Until 27 Dec 2012: fixed rate 2.537% year; after 27 Dec 2012: Euribor 6M + 0.875%	19,500	15,408
Bcp Floater Mar 18-Vm Sr. 192	April, 2012	March, 2018	Until 27 Dec 2012: fixed rate 2.217% year; after 27 Dec 2012: Euribor 6M + 0.950%	3,055	2,346
Bcp Fixa Oct 19-Vm Sr. 193	April, 2012	October, 2019	Fixed rate of 6.875%	4,900	3,749
Mill Rend Extra 360-Vm Sr. 153	April, 2012	April, 2013	Fixed rate of 5.500%	44,700	44,700
Mill Rend Especial 360 -Vm Sr. 159	April, 2012	April, 2013	Fixed rate of 6.000%	37,650	37,650
Mill Rend Plus 360 Apr 13-Vm Sr. 156	April, 2012	April, 2013	Fixed rate of 5.750%	35,150	35,150
Mille Rend Extra 360 -Vm Sr. 180	May, 2012	May, 2013	Fixed rate of 4.750%	17,400	17,400
Mill Rend Especial 360 -Vm Sr. 186	May, 2012	May, 2013	Fixed rate of 5.250%	21,400	21,400
Mill Rend Plus 360 -Vm Sr. 183	May, 2012	May, 2013	Fixed rate of 5.000%	24,450	24,450
Bcp Retorno Sem Cres V-Vm Sr. 197	May, 2012	May, 2013	1st semester=4.750%; 2nd semester=5.250%	4,720	4,735
Bcp Mill Rend Ja Jul 13-Vm Sr. 195	May, 2012	July, 2013	Fixed rate of 4.500%	103,183	101,057
Mill Rend Extra 360 2Serie -Vm Sr. 207	May, 2012	May, 2013	Fixed rate of 4.750%	19,000	19,000
Mill Rend Especial 360 2Se -Vm Sr. 213	May, 2012	May, 2013	Fixed rate of 5.250%	25,300	25,300
Mill Rend Plus 360 2S -Vm Sr. 210	May, 2012	May, 2013	Fixed rate of 5.000%	26,700	26,700
Bcp Eur Cln Edp 2 Em -Vm Sr. 230	May, 2012	March, 2013	Until 27 Dec 2012: fixed rate 2.537% year; after 27 Dec 2012: Euribor 6M + 0.875%	5,700	5,663
Bcp Eur Cln Edp Mar 13-Vm Sr. 229	May, 2012	March, 2013	Until 26 Sep 2012: fixed rate 2.231% year; after 26 Sep 2012: Euribor 6M + 0.500%	100,000	99,069
Bcp Eur Cln Jeronimo Martins -Vm Sr. 231	May, 2012	April, 2014	Until 14 Feb 2013: fixed rate 2.240% year; after 14 Feb 2013: Euribor 6M + 0.875%	24,000	22,880
Bcp Eur Cln Bes Jun 14-Vm Sr. 232	May, 2012	June, 2014	Until 14 Feb 2013: fixed rate 2.240% year; after 14 Feb 2013: Euribor 6M + 0.875%	24,400	23,215
Bcp FRN 5.625 Per Cent Sep 14-Emtn 841	June, 2012	September, 2014	Fixed rate of 5,625%	51,550	51,067
Bcp FRN 5.625 Per Cent Apr 15-Emtn 842	June, 2012	April, 2015	Fixed rate of 5,625%	61,150	59,484
Bcp FRNs 5.625 Per Cent Feb 16-Emtn 843	June, 2012	February, 2016	Fixed rate of 5,625%	10,450	9,829
Mill Rend Extra 360 Jun 13-Vm Sr. 217	June, 2012	June, 2013	Fixed rate of 4,500%	10,000	10,000
Mill Rend Especial 360 Jun 13-Vm Sr. 223	June, 2012	June, 2013	Fixed rate of 5,000%	13,450	13,450
Mill Rend Plus 360 Jun 13-Vm Sr. 2	June, 2012	June, 2013	Fixed rate of 4,750%	13,400	13,400
Bcp Retorno Sem Cres Vi -Vm Sr. 214	June, 2012	June, 2013	1st sem.=4,750%; 2nd sem.=5,250%	9,951	9,951
Mill Rend Ja Ago 13-Vm Sr. 224	June, 2012	August, 2013	Fixed rate of 4,125%	58,926	57,473
Mill Rend Extra 180 -Vm Sr. 234	July, 2012	January, 2013	Fixed rate of 4,000%	11,600	11,600
Mill Rend Especial 180 -Vm Sr. 240	July, 2012	January, 2013	Fixed rate of 4,500%	6,100	6,100
Mill Rend Plus 180--Vm Sr. 237	July, 2012	January, 2013	Fixed rate of 4,250%	13,500	13,500
Mill Rend Extra 360 -Vm Sr. 235	July, 2012	July, 2013	Fixed rate of 4,500%	19,300	19,300
Mill Rend Especial 360 -Vm Sr. 241	July, 2012	July, 2013	Fixed rate of 5,000%	12,550	12,550
Mill Rend Plus 360- Vm Sr. 238	July, 2012	July, 2013	Fixed rate of 4,750%	22,000	22,000
Bcp Ret Trim Cres Vii 12 -Vm Sr. 261	July, 2012	July, 2014	1st quarter=4,000%; 2nd quarter=4,000%; 3rd quarter=4,250%; 4th quarter=4,250%; 5th quarter=4,750%; 6th quarter=4,750%; 7th quarter=5,500%; 8th quarter=5,500%	1,410	1,426

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Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bcp Ret Sem Cres Vii/12 -Vm Sr. 253	July, 2012	July, 2013	Until 20 Jan 2013: fixed rate 4.750% year; after 20 Jan 2013: fixed rate 5.250% year	6,130	6,161
Bcp Mill Rend Esp 180 -Vm Sr. 259	August, 2012	February, 2013	Fixed rate of 4.000%	9,000	9,000
Bcp Mill Rend Plus 180 -Vm Sr. 256	August, 2012	February, 2013	Fixed rate of 3.750%	7,200	7,200
Bcp Mill Rend Esp 360 -Vm Sr. 260	August, 2012	August, 2013	Fixed rate of 4.500%	22,800	22,800
Bcp Mill Rend Plus 360 -Vm Sr. 257	August, 2012	August, 2013	Fixed rate of 4.250%	25,900	25,900
Bcp Ret Trim Taxa Cres Viii -Vm 251	August, 2012	August, 2014	1st quarter=3.750%; 2nd quarter=3.750%; 3rd quarter=4.000%; 4th quarter=4.000%; 5th quarter=4.500%; 6th quarter=4.500%; 7th quarter=5.250%; 8th quarter=5.250%	1,470	1,480
Bcp Ret Sem Cres Viii -Vm Sr. 249	August, 2012	September, 2013	Until 1 Mar 2013: fixed rate 4.750% year; after 1 Mar 2013: fixed rate 5.250% year	29,013	29,071
Mill Rend Ja Oct 13-Vm Sr. 250	August, 2012	October, 2013	Fixed rate of 3.4997143%	47,714	46,351
BCP Ret Sem Cres Ix/12 Eur -Vm Sr. 273	September, 2012	September, 2013	Until 10 Mar 2013: fixed rate 4.250% year; after 10 Mar 2013: fixed rate 4.750% year	20,700	20,738
Bcp Ret Trim Cres Ix/12-Vm Sr. 274	September, 2012	September, 2014	1st quarter=3.500%; 2nd quarter=3.500%; 3rd quarter=3.750%; 4th quarter=3.750%; 5th quarter=4.250%; 6th quarter=4.250%; 7th quarter=4.750%; 8th quarter=4.750%	1,770	1,780
Bcp 4.75 Por Cento Sep -Vm Sr. 279	September, 2012	September, 2020	Fixed rate of 4.750%	27,100	25,848
Val. Mob. CP 04.01.13-Vm Sr. 281	October, 2012	January, 2013	Fixed rate of 0.750%	150,000	150,000
Val. Mob. CP 8 Jan 13-Vm Sr. 282	October, 2012	January, 2013	Fixed rate of 0.750%	130,000	130,000
Val. Mob. CP 7 feb 13-Vm Sr. 288	November, 2012	February, 2013	Variable rate Euribor 3M + 2.050%	250,000	250,000
Val. Mob. CP 12Feb2013-Vm Sr. 289	November, 2012	February, 2013	Variable rate Euribor 3M + 2.050%	250,000	250,000
Val. Mob. CP 14Feb2013-Vm Sr. 291	November, 2012	February, 2013	Fixed rate of 0.700%	123,000	123,000
Val. Mob. CP 18.02.2013-Vm Sr. 292	November, 2012	February, 2013	Fixed rate of 0.700%	127,000	127,000
Val. Mob. CP 25.02.2013-Vm Sr. 294	November, 2012	February, 2013	Fixed rate of 0.700%	120,000	120,000
Val. Mob. CP 14 Mar 13-Vm Sr. 297	December, 2012	March, 2013	Fixed rate of 0.700%	160,000	160,000
Val. Mob. CP 15 Mar 13-Vm Sr. 298	December, 2012	March, 2013	Fixed rate of 0.700%	140,000	140,000
Cln Grupo Pestana Sgps -Vm Sr. 295	December, 2012	December, 2015	Variable rate Euribor 6M + 0.950%	10,000	8,209
Mill Rend.Trim Dec 20-Vm Sr. 290	December, 2012	December, 2020	Fixed rate of 4.500%	49,980	49,980
Cln Gr.Pestana Sgps 2ª Em-Vm Sr. 296	December, 2012	December, 2015	Variable rate Euribor 6M + 0.875%	10,000	8,070
					18,568,200
Accruals					185,015
					18,753,215

The balance Debt securities issues included, as at 31 December 2011, the amount of Euros 442,350,000 related to the issue of senior debt, resulting from the exchange offer for holders of perpetual debt instruments and preference shares, ocurred in October 2011.

This balance is analysed by the period to maturity as follows:

(Thousands of Euros)

	'12	'11
Bonds:		
Up to 3 months	**3,209,647**	161,514
3 to 6 months	**996,047**	173,646
6 to 12 months	**1,207,043**	694,128
1 to 5 years	**12,866,004**	12,200,629
Over 5 years	**289,459**	2,045,672
	18,568,200	15,275,589
Accruals	**185,015**	172,027
	18,753,215	15,447,616
Commercial paper:		
Up to 3 months	-	1,434,000
Accruals	-	1,434,000
	-	5,407
	-	1,439,407
Other:		
Up to 3 months	**6,959**	3,454
6 to 12 months	-	4,737
1 to 5 years	-	9,193
Over 5 years	**99,531**	79,825
Mais de 5 anos	**106,490**	97,209
	18,859,705	16,984,232

33. Financial liabilities held for trading

The balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Derivatives		
Swaps	**1,056,381**	1,621,181
Forwards over preference shares	-	2,601
Options	**136,139**	14,935
Embedded derivatives	**661**	11,214
Forwards	**620**	2,080
Others	**61,354**	123,301
	1,255,155	1,775,312

Financial liabilities held for trading are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 7, these instruments are classified in Level 2.

The balance Financial liabilities held for trading includes, the embedded derivatives valuation separated from the host contracts in accordance with the accounting policy presented in note 1 c), in the amount of Euros 661,000 (31 December 2011: Euros 11,214,000). This note should be analysed together with note 21.

34. Other financial liabilities at fair value through profit or loss

The balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Deposits from credit institutions	-	14,511
Deposits from customers	**14,532**	5,834
Bonds	**311,601**	2,517,372
	326,133	**2,537,717**

Other financial liabilities at fair value through profit or loss are measured in accordance with internal valuation techniques considering mainly observable market inputs. In accordance with the hierarchy of the valuation sources, as referred in IFRS 7, these instruments are classified in Level 2.

The balance other financial liabilities at fair value through profit or loss account is revalued against income statement, as referred in the accounting policy presented in note 1 c). As at 31 December 2012, a loss in the amount of Euros 24,840,000 was recognised (31 December 2011: profit of Euros 57,308,000) related to the fair value changes resulting from variations in the credit risk of the Bank.

The characteristics of the Bonds issued by the Bank at fair value through profit or loss as at 31 December, 2012, are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Bonds issued:					
BCP Inv Telecoms March 2013	March, 2010	March, 2013	Indexed to portfolio of 3 shares	7,050	6,972
BCP Iln Euro Inv Apr 10/13	April, 2010	April, 2013	Indexed to portfolio of indexes	1,847	1,828
BCP Rend Diversificado Apr 10/13	April, 2010	April, 2013	Indexed to portfolio of 4 shares	1,730	1,705
BCP Cln Portugal - Emtn 726	June, 2010	June, 2018	Fixed rate of 4.720%	59,600	57,085
BCP Iln Inv Opc Tripla Jun 10/13	June, 2010	June, 2013	Indexed to portfolio of 4 shares	1,189	1,218
BCP Cabaz Mundial 26 Oct 10/14	October, 2010	October, 2014	Indexed to portfolio of 4 shares	220	207
BCP Eur Cln Port 2Emis Jun 10/18	November, 2010	June, 2018	Fixed rate of 4.450%	14,600	14,006
BCP Eur Cln Portugal 10/15.06.20	November, 2010	June, 2020	Fixed rate of 4.800%	30,000	27,210
BCP Iln Inv Indices Mundiais Xi	November, 2010	November, 2013	Indexed to portfolio of 3 indexes	1,771	1,751
BCP Iln Inv Indices Mundiais Xii	December, 2010	December, 2013	Indexed to portfolio of 3 indexes	2,100	2,127
BCP Iln Blue Chip Cupão Conve I-11	January, 2011	January, 2016	Index to DJ EuroStoxx 50 index	3,000	3,159
BCP Iln Range Acc Infl I - 11 Jan 2016	January, 2011	January, 2016	Fixed rate of 3.500%	3,000	2,739
BCP Iln Ações Eur E Eua Ii 11	February, 2011	February, 2014	Indexed to portfolio of indexes	1,680	1,830
BCP Iln Reto Fin Cup Ext 2014	February, 2011	February, 2014	Fixed rate of 8.000% + portfolio of 2 shares	1,010	812
BCP Iln Seleç Merc Emerg 10 Feb 16	February, 2011	February, 2016	Index to MSCI Emerging Market Fund	1,005	896
BCP Iln Invest Dupla Opcao Feb 13	February, 2011	February, 2013	Index to portfolio of 4 shares	7,443	7,315
BCP Iln Indic Internac Cup Fixo Iii	March, 2011	March, 2015	Fixed rate of 10.000% + portfolio of 3 indexes	1,410	1,309
BCP Iln Merc Emerg Asia Autocalle	March, 2011	March, 2014	Index to porfolio of 3 indexes	1,285	1,326
BCP Inv America Latina May 2014	May, 2011	May, 2014	Indexado to S&P Latin America 40 index	1,414	1,424
BCP Iln Empr E Sober Autocc V 11	May, 2011	May, 2014	Index to porfolio of indexes	775	853
BCP Ind Eru Autocallable Jun 2013	June, 2011	June, 2013	Index to porfolio of shares	3,405	3,071
BCP Iln Inv Dupla Opc Eur Jun 13	June, 2011	June, 2013	Fixed rate of 3.000% + porfolio of 4 shares	7,230	7,065
Industria Mundial Autocallable Vii	July, 2011	July, 2013	Index to porfolio of 4 shares	3,480	3,580
Rend Real Eur Vii 11-Emtn 817	July, 2011	July, 2014	Indexed to Eurostat Eurozone Harmonised Index of Consumer Prices	3,395	3,318
Rend Real Usd Vii 11-Emtn 816	July, 2011	July, 2014	Indexed The US CPI Urban Consum Index	796	818
BCP Cab Tecnol Usa Autoc Viii	August, 2011	August, 2014	Index to porfolio of 3 shares	1,400	1,371
BCP Iln Estr Global Viii/11 Eur	August, 2011	August, 2016	Fixed rate of 1.600% per year	2,710	3,158

(continues)

(continuation)

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
BCP Inv Dupla Opcao Eur Sep11	September, 2011	September, 2013	Fixed rate of 3.000% (1st interest)	8,297	8,436
			Index to porfolio of 4 shares (2nd and following)		
Bcp Cp Fix Ant Autocall Iv-Vm Sr. 198	April, 2012	April, 2014	Fixed rate of 7,500%	1,835	1,621
Bcp Eur Cln Portugal 3Rd-Emtn 840	May, 2012	June, 2018	Fixed rate of 4,450%	33,700	33,537
Bcp Blue Chips Zona Eur Viii-Vm Sr. 263	August, 2012	August, 2013	Indexed to DJ EuroStoxx 50	1,720	1,834
Bcp Ind Tecn Eua Autocall Viii-Vm Sr. 264	August, 2012	August, 2015	Indexed to a portfolio of 4 shares	1,210	1,256
Multsetores Zona Euro Autocall -Vm Sr. 283	October, 2012	October, 2013	Indexed to a portfolio of indexes	1,400	1,458
Inv. Reemb. Duplo-Vm Sr. 270	November, 2012	November, 2014	Indexed to DJ EuroStoxx 50	4,963	4,698
Inv. Europa Nov 14-Vm Sr. 271	November, 2012	November, 2014	Indexed to a portfolio of 3 indexes	15,512	15,461
Invest. Mundial Nov 14-Vm Sr. 272	November, 2012	November, 2014	Indexed to a portfolio of 5 shares	21,219	20,260
Inv. Reemb. Duplo Zona Euro-Vm Sr. 284	November, 2012	November, 2014	Indexed to DJ EuroStoxx 50	5,460	5,284
Cabaz 2 Indices Autocall Xi-Vm Sr. 287	November, 2012	November, 2014	Indexed to a portfolio of 2 indexes	2,440	2,561
Rend. Zona Euro Dec 14-Vm Sr. 293	December, 2012	December, 2014	1st sem.=1.250%; 2nd sem.=3.33333%	3,880	3,748
			after indexed to DJ EuroStoxx 50		
Bcp Inv. Europa Dec 14-Vm 285	December, 2012	December, 2014	Indexed to a portfolio of 3 indexes	24,991	25,749
Bcp Inv. Mundial Dec 14-Vm 286	December, 2012	December, 2014	Indexed to a portfolio of 4 shares	24,979	23,899
					307,955
Accruals					**3,646**
					311,601

This balance is analysed by the period to maturity, as follows:

(Thousands of Euros)

	'12	'11
Bonds issued:		
Up to 3 months	**14,287**	2,187,680
3 to 6 months	**14,887**	108,641
6 to 12 months	**19,186**	23,197
1 to 5 years	**127,757**	72,463
Over 5 years	**131,838**	56,659
	307,955	2,448,640
Accruals	**3,646**	68,732
	311,601	2,517,372

35. Provisions for liabilities and charges

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
General provision for loan losses	**367,731**	454,215
Provision for country risk	**1,491**	6,446
Other provisions for liabilities and charges	**46,301**	41,136
	415,523	501,797

Changes in General provision for loan losses are analysed as follows:

(Thousands of Euros)

	'12	'11
General provision for loans		
Balance on 1 January	**357,251**	397,286
Transfers	**(48,538)**	(6,273)
Charge for the year	**8,864**	-
Write-back for the year	**(6,274)**	(33,875)
Exchange rate differences	**-**	113
Balance on 31 December	**311,303**	357,251
General provision for signature credits		
Balance on 1 January	**96,964**	165,910
Transfers	**53**	-
Charge for the year	**59**	-
Write-back for the year	**(40,648)**	(68,714)
Exchange rate differences	**-**	(232)
Balance on 31 December	**56,428**	96,964
	367,731	454,215

The general provision for loans was calculated in accordance with Regulation no. 3/95, no. 2/99 and no. 8/03 of the Bank of Portugal, as referred in accounting policy 1 b).

Changes in Provision for country risk are analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	**6,446**	97,544
Transfers	**-**	(89,873)
Charge for the year	**74**	37
Write-back for the year	**(5,029)**	(1,262)
Balance on 31 December	**1,491**	6,446

The balance Provision for country risk included, as at 31 December 2011, the amount of Euros 5,702,000 regarding provisions to loans granted to resident entities in Macau.

Changes in Other provisions for liabilities and charges are analysed as follows:

(Thousands of Euros)

	'12	'11
Balance on 1 January	41,136	72,895
Transfers	(2,417)	-
Charge for the year	11,913	1,712
Write-back for the year	-	(29,219)
Loans charged-off	(4,331)	(4,252)
Balance on 31 December	46,301	41,136

The provisions are accounted in accordance with the probability of occurrence of certain contingencies related with the Bank's inherent risks, which are revised in each reporting date in order to reflect the best estimate of the amount and probability of payment.

36. Subordinated debt

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Bonds	5,925,187	2,796,939

The caption Subordinated debt – Bonds includes, as at 31 December 2012, the amount of Euros 3,000,000,000 related to the issue of hibrids subordinated debt instruments that qualify as core tier I Capital (CoCo's), in 29 June 2012 by Banco Comercial Português, S.A. and fully subscribed by the Portuguese State. The instruments are fully reimbursable by the Bank through a five years period and only in specific circumstances such as deliquency or lack of payment, are susceptible of being convert in Bank's ordinary shares.

The referred instruments were issued under the scope of the recapitalization program of the bank, using the Euros 12,000,000,000 line made available by the portuguese State, under the scope of the IMF intervention program, in accordance with the Law no. 150-A/2012. These instruments are eligible for prudential efects as core tier I, allowing the Bank to fulfil the 10% limit of the core tier I ratio as at 31 December 2012, as referred in note 49. However, under the IAS 32 – Financial Instruments: Presentation for accounting purposes, these instruments are classified as liability, according with its characteristics, namelly: (i) mandatory obligation to pay capital and interests and (ii) in case of settlement through the delivery of equity securites, the number of securities to delivery is depending on the market value at the date of conversion, in order to have the value of the bond settled.

Thus, the classification as liability results from the fact that the investor, as holder of the instrument issued, is not exposed to the company equity instruments risk, and will always receive the equivalent amount of the value invested, in cash or in ordinary shares of the Bank.

The operation has an increasing interest rate begining in 8.5% and ending at the maturity at 10% in 2017.

As at 31 December 2012, the characteristics of subordinated debt issued are analysed as follows:

Issue	Issue date	Maturity date	Interest rate	Nominal value Euros '000	Book value Euros '000
Non perpetual bonds					
Banco Comercial Português:					
Emp.sub.BCP Finance Bank	December, 2006	December, 2016	See reference (i)	399,400	399,400
Mbcp Ob Cx Sub 1 Serie 2008	September, 2008	September, 2018	See reference (ii)	272,639	272,639
Mbcp Ob Cx Sub 2 Serie 2008	October, 2008	October, 2018	See reference (ii)	76,656	76,655
Bcp Obrigacoes Sub. June 2020	June, 2010	June, 2020	See reference (iii)	88,681	92,560
Bcp Obrigacoes Sub. Aug 2020	August, 2010	August, 2020	See reference (iv)	53,429	56,522
Bcp Ob Sub Mar 2021 – Emtn 804	March, 2011	March, 2021	See reference (v)	114,000	114,000
Bcp Ob Sub Apr 2021 – Emtn 809	April, 2011	April, 2021	See reference (v)	64,100	64,100
Bcp Ob Sub 3S Apr 2021 – Emtn 812	April, 2011	April, 2021	See reference (v)	35,000	35,000
Bcp Sub 11/25.08.2019 – Emtn 823	August, 2011	August, 2019	Fixed rate of 6.383%	7,500	8,165
Bcp Subord Sep 2019 – Emtn 826	October, 2011	September, 2019	Fixed rate of 9.310%	50,000	47,157
Bcp Subord Nov 2019 – Emtn 830	November, 2011	November, 2019	Fixed rate of 8.519%	40,000	35,637
Bcp Subord Dec 2019 – Emtn 833	December, 2011	December, 2019	Fixed rate of 7.150%	26,600	21,837
Mbcp Subord Jan 2020 – Emtn 834	January, 2012	January, 2020	Fixed rate of 7.010%	14,000	10,822
Mbcp Subord Feb2020 – Vm Sr. 173	April, 2012	February, 2020	Fixed rate of 9.000%	23,000	19,623
Bcp Subord Apr 2020 – Vm Sr 187	April, 2012	April, 2020	Fixed rate of 9.150%	51,000	44,050
Bcp Subord 2 Serie Apr 2020 – Vm 194	April, 2012	April, 2020	Fixed rate of 9.000%	25,000	21,408
Bcp Subord Jul 2020 – Emtn 844	July, 2012	July, 2020	Fixed rate of 9.000%	26,250	21,515
					1,341,090
Perpetual bonds					
TOPS BPSM 1997	December, 1997	-	Euribor 6 months + 0.900%	22,231	22,231
BCP 2000	January, 2000	-	Euribor 3 months + 0.208%	486,949	486,949
BCP Leasing 2001	December, 2001	-	Euribor 3 months + 1.750%	5,054	5,054
BCP – Euro 200 millions	June, 2002	-	See reference (vi)	86	86
BCP – Euro 500 millions	June, 2004	-	See reference (vii)	500,000	500,000
Subord.debt BCP Finance Company	October, 2005	-	See reference (viii)	500,000	500,000
					1,514,320
CoCo's					
Bcp Coco Bonds 12/29.06.2017	June, 2012	June, 2017	See reference (ix)	3,000,000	3,017,754
					3,017,754
Accruals					**52,023**
					5,925,187

References:
(i) – Until December 2011 Euribor 3M + 0.335%; After December 2011 Euribor 3M + 0.800%;
(ii) – 1st year 6.000%; 2nd to 5th year Euribor 6M + 1.000%; 6th year and following Euribor 6M + 1.400%;
(iii) – Until the 5th year fixed rate of 3.250%; 6th year and following years Euribor 6M + 1.000%;
(iv) – 1st year 3.000%; 2nd year 3.250%; 3rd year 3.500%; 4th year 4.000%; 5th year 5.000%; 6th year and following Euribor 6M + 1.250%;
(v) – Euribor 3M + 3.750% per year;
(vi) – Until 40th coupon 6.131%; After 40th coupon Euribor 3M + 2.400%;
(vii) – Until June 2014 fixed rate of 5.543%; After June 2014 Euribor 6M + 2.070%;
(viii) – Until October 2015 fixed rate of 4.239%; After October 2015 Euribor 3M + 1.950%;
(ix) – 1st year: 8.500%; 2nd year 8.750%; 3rd year 9.000%; 4th year 9.500%; 5th year 10.000%.

The analysis of the subordinated debt by the period to maturity, is as follows:

(Thousands of Euros)

	'12	'11
1 to 5 years	**3,417,154**	399,400
Over 5 years	**941,690**	820,532
Undetermined	**1,514,320**	1,549,583
	5,873,164	2,769,515
Accruals	**52,023**	27,424
	5,925,187	2,796,939

37. Other liabilities

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Creditors:		
Suppliers	**44,639**	40,755
From factoring operations	**6,444**	2,839
Associated companies	**379**	165
Other creditors	**162,545**	348,199
Public sector	**71,360**	61,037
Other amounts payable	**32,383**	30,901
Deferred income	**3,210**	3,509
Holiday pay and subsidies	**53,147**	59,606
Amounts payable on trading activity	**35,974**	316,390
Other liabilities	**3,751,435**	11,727,976
	4,161,516	12,591,377

The balance Creditors – Other creditors includes the amount of Euros 4,413,000 (31 December 2011: Euros 5,504,000), related to the obligations with retirement benefits already recognised in Staff costs, to be paid to former members of the Executive Board of Directors. As referred in note 46, the above mentioned obligations are not covered by the Pension Fund, and therefore correspond to amounts payable by the Bank.

The movements of the obligations with retirement benefits to be paid to former members of the Executive Board of Directors are presented in note 46.

The balance Creditors – Other creditors also includes the amount of Euros 48,463,000 (31 December 2011: Euros 52,134,000) related with the seniority premium, as described in note 46.

The balance Other liabilities includes the amount of Euros 3,479,825,000 (31 December 2011: Euros 11,280,814,000) related to the loans portfolio securitized in operations Nova Finance no. 4, Caravela no. 2 and Tagus Leasing no. 1.

The balance Other liabilities included as at 31 December 2011, the amount of Euros 93,397,000 related to liabilities for post-employment benefits, as described in note 46.

38. Share capital and other capital instruments

The share capital of the Bank, amounts to Euros 3,500,000,000 and is represented by 19,707,167,060 nominate and ordinary shares without nominal value, which is fully paid.

In accordance with the Decree-Law no. 49/2010 of 19 May, that allows share capital of a company to be represented by shares without nominal value, the General Shareholders Meeting of Banco Comercial Português, S.A. approved in 2011 that the share capital of Banco Comercial Português, S.A. would be represented by shares with no nominal value.

Under the Bank's Capitalisation Plan, the share capital increase was successfully completed, following the issue of ordinary shares in the amount of Euros 500,000,000, through subscription reserved for shareholders exercising their legal preference right, of 12,500,000,000 new shares.

In accordance with the Shareholders General Meeting in 31 May of 2012, and as referred in note 48, in June 2012, the bank reduced the share capital from Euros 6,064,999,986 to Euros 3,000,000,000, without changing the number of shares without nominal value at this date. The redution included two components: a) Euros 1,547,873,439.69 to cover losses on the individual accounts of the Bank occured in the year 2011; b) Euros 1,517,126,546.31, to reinforce the future conditions in order to have funds that can be distribute.

In June 2011 Banco Comercial Português, S.A. performed a share capital increase from Euros 4,694,600,000 to Euros 6,064,999,986 as a result of:

(i) Euros 120,400,000, by incorporation of share premium reserves, through the issuance of 206,518,010 new ordinary and nominative shares without nominal value;
(ii) Euros 990,147,000, by contribution in kind of 990,147 perpetual subordinated instruments with interests conditioned, by issuing 1,584,235,200 new ordinary and nominative shares without nominal value, that resulted in the conversion of the majority of the perpetual subordinated securities. These perpetual subordinated instruments result from the issue, during 2009, of three tranches of the program, in the amount of Euros 1,000,000,000 which, due to its characteristics, have been considered, in accordance with the accounting policy described in note 1 g), as equity instruments in accordance with IAS 32.
(iii) Euros 259,852,986, by the issue of 721,813,850 ordinary shares without nominal value, with the issue and subscribe value of Euros 0.36, with preference reserve to the shareholders, in the exercise of the preference legal rights.

39. Legal reserve

Under Portuguese legislation, the Bank is required to set-up annually a legal reserve equal to a minimum of 10 percent of annual profits until the reserve equals the share capital. Such reserve is not normally distributable. In accordance with the proposal of share capital reduction approved in the General Shareolders Meeting held on 31 May 2012, the Bank increase the legal reserves in the amount of Euros 123,892,877.

40. Fair value reserves, other reserves and retained earnings

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Actuarial losses (net of taxes)	**(1,833,053)**	(1,701,782)
Amortization of the transition adjustment to pensions (Regulation no.12/01)	**(424,676)**	(394,974)
Fair value reserves		
Financial assets available for sale		
Potencial gains and losses recognised in fair value reserves	**86,200**	(487,665)
Fair value adjustments in financial instruments at fair value through gains and losses	**(972)**	544
Fair value hedge adjustments	**(2,222)**	-
Loans represented by securities (*)	**(30)**	(884)
Financial assets held to maturity (*)	**5,863**	6,227
	88,839	**(481,778)**
Deferred tax		
Financial assets available for sale		
Potencial gains and losses recognised in fair value reserves	**(24,851)**	141,182
Fair value adjustments in financial instruments at fair value through gains and losses	**282**	(158)
Fair value hedge adjustments	**644**	-
Loans represented by securities	**9**	256
Financial assets held to maturity	**(1,700)**	(1,806)
	(25,616)	**139,474**
	(2,194,506)	**(2,439,060)**
Other reserves and retained earnings:		
Legal reserve	**600,000**	476,107
Statutory reserve	**30,000**	30,000
Other reserves and retained earnings	**3,232,639**	773,021
	3,862,639	**1,279,128**

(*) Refers to the amount not accrued of the fair value reserve at the date of reclassification for securities subject to reclassification (see note 21).

The reclassification between the amortised cost and the fair value of the Financial assets available for sale is analised as follows:

(Thousands of Euros)

	'12	'11
Financial assets available for sale at amortised cost	**12,013,356**	16,663,744
Accumulated impairment recognised	**(219,726)**	(188,636)
Amortised cost net of impairment	**11,793,630**	16,475,108
Fair value reserves		
Gains and losses recognised in fair value reserves	**86,200**	(487,665)
Market value of financial assets available for sale	**11,879,830**	15,987,443

The Legal reserve changes are analysed in note 39. The Fair value reserves corresponds to the accumulated fair value changes of the Financial assets available for sale, in accordance with the accounting policy presented in note 1 c).

The balance Statutory reserve corresponds to a reserve to steady dividends that, according with the Bank's by-laws can be distributed.

The balance Other comprehensive income includes gains and losses that in accordance with NCA's are recognised in equity.

The changes occurred, during 2012, in Fair value reserves for loans represented by securities, financial assets available for sale and financial assets held to maturity, are analysed as follows:

(Thousands of Euros)

	Balance on 1 January	Revaluation	Impairment in profit and loss	Sales	Balance on 31 December
Portuguese public debt securities	(174,728)	351,255	-	(47,199)	129,328
BII 2014 Mortgage Bonds	(172,016)	142,214	-	-	(29,802)
Others	(135,034)	74,879	116,740	(67,272)	(10,687)
	(481,778)	568,348	116,740	(114,471)	88,839

The changes occurred, during 2011, in Fair value reserves for loans represented by securities, financial assets available for sale and financial assets held to maturity, are analysed as follows:

(Thousands of Euros)

	Balance on 1 January	Revaluation	Impairment in profit and loss	Sales	Balance on 31 December
Portuguese public debt securities	(811)	(174,101)	-	184	(174,728)
Kion 2 Serie A issue	(125,965)	(9,809)	-	135,774	-
BII 2014 Mortgage Bonds	-	(172,016)	-	-	(172,016)
Others	(118,929)	(130,826)	71,578	43,143	(135,034)
	(245,705)	(486,752)	71,578	179,101	(481,778)

41. Treasury stock

This balance is analysed as follows:

	'12			'11		
	Net book value Euros '000	**Number of securities**	**Average book value Euros**	Net book value Euros '000	Number of securities	Average book value Euros
Banco Comercial Português, S.A. shares	**-**	**-**	**-**	989	4,431,776	0.22
Other treasury stock	**1,179**			-		
	1,179			989		

Treasury stock refers to own shares held by Banco Comercial Português, S.A. These shares are held within the limits established by the Bank's by-laws and by "Código das Sociedades Comerciais".

42. Guarantees and other commitments

This balance is analysed as follows:

(Thousands of Euros)

	'12	'11
Guarantees granted	**6,296,091**	10,518,557
Guarantees received	**24,441,640**	26,915,660
Commitments to third parties	**7,182,443**	8,207,810
Commitments from third parties	**15,956,389**	13,316,464
Securities and other items held for safekeeping on behalf of customers	**109,063,444**	114,150,649
Securities and other items held under custody by the Securities Depository Authority	**127,040,952**	126,572,956
Other off balance sheet accounts	**141,435,834**	130,325,601

The amounts of Guarantees and Commitments to third parties are analysed as follows:

(Thousands of Euros)

	'12	'11
Guarantees granted:		
Guarantees	**4,520,440**	5,579,794
Stand-by letters of credit	**71,633**	23,053
Open documentary credits	**135,204**	191,061
Bails and indemnities	**665,396**	859,562
Other liabilities	**903,418**	3,865,087
	6,296,091	**10,518,557**
Commitments to third parties		
Irrevocable commitments		
Term deposits contracts	**2,045**	222,506
Irrevocable credit lines	**1,077,919**	1,126,357
Other irrevocable commitments	**119,471**	123,631
Revocable commitments		
Revocable credit lines	**4,879,749**	5,428,307
Bank overdraft facilities	**1,103,259**	1,307,009
	7,182,443	**8,207,810**

The Guarantees granted by the Bank may be related with loan transactions, where the Bank grants a guarantee in connection with a loan granted to a client by a third entity. According with its specific characteristics it is expected that some of these guarantees expire without being executed and therefore these transactions do not necessarily represent a cash-outflow.

Stand-by letters and open documentary credits aim to ensure the payment to third parties from commercial deals with foreign entities and therefore financing the shipment of the goods. Therefore the credit risk of these transactions is limited once they are collateralised by the shipped goods and are generally short term operations.

Irrevocable commitments are non-used parts of credit facilities granted to corporate or retail customers. Many of these transactions have a fixed term and a variable interest rate and therefore the credit and interest rate risk is limited.

The financial instruments accounted as Guarantees and other commitments are subject to the same approval and control procedures applied to the credit portfolio, namely regarding the analysis of objective evidence of impairment, as described in note 1 b). The maximum credit exposure is represented by the nominal value that could be lost related to guarantees and commitments undertaken by the Bank in the event of default by the respective counterparties, without considering potential recoveries or collaterals.

Considering their nature, as described above, no material losses are anticipated as a result of these transactions.

43. Assets under management and custody

The Bank provides custody, trustee, corporate administration, investment management and advisory services to third parties, which involve the Bank making allocation and purchase and sale decisions in relation to a wide range of financial instruments. For certain services are set objectives and levels of return for assets under management and custody. Those assets held in a fiduciary capacity are not included in the financial statements.

The total assets under management is analysed as follows:

(Thousands of Euros)

	'12	'11
Wealth management	**558,080**	532,590
Assets under deposit	**106,387,081**	111,117,443
	106,945,161	111,650,033

44. Relevant events occured during 2012

Increase of the Bank's Share Capital from Euros 3,000,000,000 to Euros 3,500,000,000

Under the Bank's Capitalisation Plan, the share capital increase was successfully completed, following the issue of ordinary shares in the amount of Euros 500,000,000, through subscription reserved for shareholders exercising their legal preference right, of 12,500,000,000 new shares. The Bank's share capital as at 31 December 2012 amounts to Euros 3,500,000,000 and is represented by 19,707,167,060 nominate and ordinary shares without nominal value, which is fully paid.

Issue of hybrid instruments eligible as capital core tier 1

Following (i) the definition of principles publicly announced on June 4, (ii) the approval of the Recapitalization Plan by the shareholders in a general meeting held on June 25, and (iii) the Decision made by his Excellency the Minister of State and Finance relating to the Bank's Recapitalization Plan pursuant to Article 13. of the Law 63-A/2008, of November 24, in its current wording, the Board of Directors of the Bank, with the prior approval of the Audit Committee, approved the issuance of hybrid subordinated debt instruments eligible as core tier 1 amounting to Euros 3,000,000,000, already fully subscribed and paid-up by the State. As mentioned in note 49 with the completion of this issue the Bank is adequately capitalized and ensures compliance with the capital requirements set forth by Banco de Portugal through its Notice no. 5/2012, consisting in core tier 1 of 9% at end-June 2012, calculated according to more stringent criteria in order to create a temporary capital buffer.

As referred in note 36, the instrument is considered for accounting a debt instrument.

General Meeting in 31 May 2012

On May 31, 2012, the Annual General Meeting of the Bank was held. In this meeting the following resolutions were taken: (i) Approval of the individual and consolidated annual report, balance sheet and financial statements of 2011; (ii) Approval of the proposal to transfer the losses recorded in the 2011 individual balance sheet, amounting to 468,526,835.71 Euros, to Retained Earnings; (iii) Approval of the remuneration policy for the members of the Board of Directors, including the Executive Committee and approval of the remuneration policy for heads of function, senior executives and other employees; and (iv) Approval of the change in the items under Equity, by reducing the amount of the share capital from Euros 6,064,999,986 to Euros 3,000,000,000.

Decrease of the Bank's Share Capital from Euros 6,064,999,986 to Euros 3,000,000,000

Banco Comercial Português, S.A. in accordance to the resolutions adopted at the Annual General Meeting of the Bank held on May 31, 2012, registered, at the respective Commercial Registry Office, the decrease of the Bank's share capital from Euros 6,064,999,986 to Euros 3,000,000,000, without changing the number of existing shares with no nominal value, being this decrease composed of two separate amounts: a) Euros 1,547,873,439.69, to cover losses recorded in the Bank's individual financial statements for 2011; b) Euros 1,517,126,546.31, to reinforce future conditions for having funds that may be qualified as distributable under the regulatory provisions. Consequently, the Bank's share capital was, as at 30 June 2012, of Euros 3,000,000,000, represented by 7,207,167,060 represented by 7,207,167,060 nominate and ordinary shares without nominal value.

Offer of repurchase bonds

During the first semester of 2012, the Bank started an offer of repurchase of debt for holders of Magellan Mortgages no. 2 plc and Magellan Mortgages no. 3 plc securities and Floating Rate Notes issued by Banco Comercial Portuguese S.A., with repayment in May 2014. The offer is included in the set of initiatives undertaken by the Bank pursuant its liability and capital management strategy. On this basis, it was repurchased Euros 486,981,371 of the nominal of these operations.

Offer to repurchase covered bonds
As at 23 March 2012, the Bank concluded the offer to repurchase the covered bonds listed below, issued by the Bank:

– Issue of Euros 1,500 millions due 22 June 2017 ("OH2017");
– Issue of Euros 1,000 millions due 29 October 2014 ("OH2014");
– Issue of Euros 1,000 millions due 8 October de 2016 ("OH2016").

The Bank accepted all of the orders given by the investors which amounted to Euros 918,650,000 (nominal value). The following table sets out the amounts tendered and accepted for each issue:

– "OH2017" – Euros 467,500,000, corresponding to 9,350 covered bonds;
– "OH2014" – Euros 129,150,000, corresponding to 2,583 covered bonds;
– "OH2016" – Euros 322,000,000, corresponding to 6,440 covered bonds.

The purpose of the offer was to proactively manage the Bank's outstanding liability and capital structure.

45. Fair value

Fair value is based on market prices, whenever these are available. If market prices are not available, as occurs regarding many products sold to clients, fair value is estimated through internal models based on cash-flow discounting techniques. Cash-flows for the different instruments sold are calculated according with its financial characteristics and the discount rates used include both the interest rate curve and the current conditions of the pricing policy in the Bank.

Therefore, the fair value obtained is influenced by the parameters used in the evaluation model that, have some degree of judgment and reflect exclusively the value attributed to different financial instruments. However it does not consider prospective factors, as the future business evolution. Therefore the values presented cannot be understood as an estimate of the economic value of the Bank.

The main methods and assumptions used in estimating the fair value for the financial assets and financial liabilities of the Bank are presented as follows:

Cash and deposits at Central Banks, Loans and Advances to Credit Institutions repayable on demand
Considering the short term of these financial instruments, the amount in the balance sheet is a reasonable estimate of its fair value.

Loans and advances to Credit Institutions, Deposits from Credit Institutions and Assets with Repurchase Agreements
The fair value of these financial instruments is calculated discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the installments occur in the contractually defined dates.

For Deposits from Central Banks it was considered that the book value is a reasonable estimate of its fair value, given the nature of operations and the associated short-term. The rate of return of funding with the European Central Bank was 0.75% as at 31 December 2012 (31 December 2011: 1%).

Regarding loans and advances to credit institutions and deposits from credit institutions, the discount rate used reflects the current conditions applied by the Bank on identical instruments for each of the different residual maturities. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year). As at 31 December 2012, the average discount rate was 2.27% for loans and advances and 2.80% for deposits. As at 31 December 2011 the rates were 3.20% and 3.08%, respectively.

Financial assets held for trading (except derivatives), Financial liabilities held for trading (except derivatives), Financial assets available for sale and Other financial liabilities at fair value through profit or loss
These financial instruments are accounted for at fair value. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Market interest rates are determined based on information released by the suppliers of financial content – Reuters and Bloomberg – more specifically as a result of prices of interest rate swaps. The values for the very short-term rates are obtained from similar sources but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The same interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

When optionality is involved, the standard templates (Black-Scholes, Black, Ho and others) are used considering the volatility areas applicable. Whenever there are no references in the market of sufficient quality or that the available models do not fully apply to meet the characteristics of the financial instrument, specific quotations supplied by an external entity are applied, typically a counterparty of the business.

Financial assets held to maturity

These financial instruments are accounted at amortised cost net of impairment. Fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash-flow discounting techniques, using the interest rate curve adjusted for factors associated, predominantly the credit risk and liquidity risk, determined in accordance with the market conditions and time frame.

Hedging and trading derivatives

All derivatives are recorded at fair value.

In case of derivative contracts that are quoted in organised markets their market prices are used. As for derivatives traded "Over-the-counter", it is applied methods based on numerical cash-flow discounting techniques and models for assessment of options considering variables of the market, particularly the interest rates on the instruments in question, and where necessary, their volatilities.

Interest rates are determined based on information disseminated by the suppliers of financial content – Reuters and Bloomberg – more specifically those resulting from prices of interest rate swaps. The values for the very short-term rates are obtained from a similar source but regarding interbank money market. The interest rate curve obtained is calibrated with the values of interest rate short-term futures. Interest rates for specific periods of the cash flows are determined by appropriate interpolation methods. The interest rate curves are used in the projection of the non-deterministic cash flows such as indexes.

Loans and advances to customers with defined maturity date

The fair value of these instruments is calculated by discounting the expected principal and interest future cash flows for these instruments, considering that the payments of the installments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Bank in similar instruments for each of the homogeneous classes of this type of instrument and with similar residual maturity. The discount rate includes the market rates for the residual maturity date (rates from the monetary market or from the interest rate swap market, at the end of the year) and the spread used at the date of the report, which was calculated from the average production of the forth quarter of 2012. The average discount rate was 4.89% as at 31 December 2012 and 6.29% as at 31 December 2011, assuming the projection of the variable rates according to the evolution of the forward rates implicit in the interest rate curves. The calculations also include the credit risk spread.

Loans and advances to customers and Deposits repayable on demand without defined maturity date

Considering the short maturity of these financial instruments, the conditions of the portfolio are similar to conditions used at the date of the report. Therefore the amount in the balance sheet is a reasonable estimate of its fair value.

Deposits from customers

The fair value of these financial instruments is calculated by discounting the expected principal and interest future cash flows, considering that payments occur in the contractually defined dates. The discount rate used reflects the current conditions applied by the Bank in similar instruments with a similar maturity. The discount rate used reflects the actual rates of the Bank to this type of funds and with similar residual maturity date. The discount rate includes the market rates of the residual maturity date (rates of monetary market or the interest rate swap market, at the end of the year) and the spread of the Bank at the date of the report, which was calculated from the average production of the last quarter of 2012. For 31 December 2012, the average discount rate was 2.82% and for December 2011 was 4.73%.

Debt securities issued and Subordinated debt

For these financial instruments the fair value was calculated for components for which fair value is not yet reflected in the balance sheet. Fixed rate instruments for which the Bank adopts "hedge-accounting", the fair value related to the interest rate risk is already recognised.

For the fair value calculation, other components of risk were considered, in addition to the interest rate risk already recorded. The fair value is based on market prices, whenever these are available. If market prices are not available, fair value is estimated through numerical models based on cash flow discounting techniques, using the interest rate curve adjusted by associated factors, predominantly the credit risk and trading margin, the latter only in the case of issues placed for non-institutional customers of the Bank.

As original reference, the Bank applies the curves resulting from the market interest rate swaps for each specific currency. The credit risk (credit spread) is represented by an excess from the curve of interest rate swaps established specifically for each term and class of instruments based on the market prices on equivalent instruments.

For own debts placed among non institutional costumers of the Bank, one more differential was added (commercial spread), which represents the margin between the financing cost in the institutional market and the cost obtained by distributing the respective instrument in the owned commercial network.

The average reference yield curve obtained from market prices in EUR and used in the calculation of the fair value of own securities was 10.83% (31 December, 2011: 20.66%) for subordinated debt placed on the institutional market not considering the CoCo's issue. This issue, as referred in note 36, corresponds to a subordinated liability totally acquired by the State, issued at 29 June 2012, and therefore the fair value corresponds to the accounting balance. Regarding the subordinated issues placed on the retail market it was determined a discount rate of 12.21% (31 December, 2011: 13.20%). The average discount rate calculated for senior issues (including the Government guaranteed and asset-backed) was 4.12% (31 December 2011: 5.24%) and 4.12% (31 December, 2011: 5.24%) for senior and collateralised securities placed on the retail market.

For debt securities, the fair value calculation focused on all the components of these instruments, as a result the difference determined as at 31 December 2012 was a positive amount of Euros 75,367,000 (31 December 2011: a negative amount of Euros 2,037,030,000), and includes a receivable amount of Euros 661,000 (31 December 2011: a receivable amount of Euros 11,494,000) which reflects the fair value of embedded derivatives and are recorded in financial assets and liabilities held for trading.

As at 31 December 2012, the following table presents the interest rates used in the definition of the interest rate curves of main currencies, namely EUR, USD, GBP and PLN used to determine the fair value of the assets and liabilities of the Bank:

	Currencies			
	EUR	USD	GBP	PLN
1 day	0.01%	0.30%	0.52%	4.16%
7 days	0.04%	0.35%	0.48%	4.16%
1 month	0.06%	0.35%	0.50%	4.11%
2 months	0.09%	0.40%	0.52%	4.06%
3 months	0.13%	0.45%	0.57%	4.01%
6 months	0.26%	0.61%	0.70%	3.98%
9 months	0.38%	0.74%	0.84%	3.92%
1 year	0.33%	0.32%	0.98%	3.43%
2 years	0.37%	0.38%	0.71%	3.36%
3 years	0.46%	0.47%	0.78%	3.31%
5 years	0.77%	0.82%	1.02%	3.36%
7 years	1.13%	1.25%	1.36%	3.44%
10 years	1.57%	1.78%	1.87%	3.57%
15 years	2.02%	2.31%	2.43%	3.43%
20 years	2.17%	2.54%	2.74%	3.28%
30 years	2.24%	2.73%	2.97%	2.97%

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 december 2012:

(Thousands of Euros)

	31 December 2012				
	At fair value through profit or loss	Available for sale	Amortised cost	Book value	Fair value
Cash and deposits at Central Banks Loans and advances to credit institutions	-	-	2,397,317	2,397,317	2,397,317
Repayable on demand	-	-	716,221	716,221	716,221
Other loans and advances	-	-	12,764,492	12,764,492	12,774,613
Loans and advances to customers	-	-	43,086,358	43,086,358	41,211,085
Financial assets held for trading	1,527,707	-	-	1,527,707	1,527,707
Financial assets available for sale	-	11,879,830	-	11,879,830	11,879,830
Hedging derivatives	117,535	-	-	117,535	117,535
Held to maturity financial assets	-	-	3,561,365	3,561,365	3,428,623
	1,645,242	**11,879,830**	**62,525,753**	**76,050,825**	**74,052,931**
Deposits from credit institutions	-	-	18,124,246	18,124,246	18,058,729
Amounts owed to customers	-	-	32,697,873	32,697,873	32,683,907
Debt securities	-	-	18,859,705	18,859,705	18,935,072
Financial liabilities held for trading	1,255,155	-	-	1,255,155	1,255,155
Other financial liabilities held for trading at fair value through profit or loss	326,133	-	-	326,133	326,133
Hedging derivatives	55,000	-	-	55,000	55,000
Subordinated debt	-	-	5,925,187	5,925,187	5,888,799
	1,636,288	**-**	**75,607,011**	**77,243,299**	**77,202,795**

The following table shows the fair value of financial assets and liabilities of the Bank, as at 31 december 2011:

(Thousands of Euros)

	31 December 2011				
	At fair value through profit or loss	Available for sale	Amortised cost	Book value	Fair value
Cash and deposits at Central Banks Loans and advances to credit institutions	-	-	1,035,629	1,035,629	1,035,629
Repayable on demand	-	-	1,207,141	1,207,141	1,207,141
Other loans and advances	-	-	12,313,451	12,313,451	12,246,729
Loans and advances to customers	-	-	48,466,502	48,466,502	44,862,122
Financial assets held for trading	2,492,421	-	-	2,492,421	2,492,421
Financial assets available for sale	-	15,987,443	-	15,987,443	15,987,443
Hedging derivatives	463,734	-	-	463,734	463,734
Held to maturity financial assets	-	-	5,086,001	5,086,001	4,270,113
	2,956,155	**15,987,443**	**68,108,724**	**87,052,322**	**82,565,332**
Deposits from other credit institutions	-	-	23,265,368	23,265,368	23,143,530
Amounts owed to customers	-	-	32,717,867	32,717,867	32,591,508
Debt securities	-	-	16,984,232	16,984,232	14,947,202
Financial liabilities held for trading	1,775,312	-	-	1,775,312	1,775,312
Other financial liabilities held for trading at fair value through profit or loss	2,537,717	-	-	2,537,717	2,537,717
Hedging derivatives	64,041	-	-	64,041	64,041
Subordinated debt	-	-	2,796,939	2,796,939	1,857,121
	4,377,070	**-**	**75,764,406**	**80,141,476**	**76,916,431**

46. Post-employment benefits and other long term benefits

The Bank assumed the liability to pay to their employees pensions on retirement or disability and other obligations. These liabilities comply with the terms of the "Acordo Colectivo de Trabalho do Grupo BCP". The Bank's pension obligations and other liabilities are mainly covered through the Banco Comercial Português Pension Fund managed by PensõesGere – Sociedade Gestora de Fundo de Pensões, S.A.

Following the approval by the Government of the Decree-Law no. 127/2011, which was published on 31 December, an agreement between the Government, the Portuguese Banking Association and the Banking Labour Unions was established that regulated the transfer of the liabilities related with pensions currently being paid to pensioners and retirees, to the Social Security.

This agreement established that the responsibilities to be transferred relate to the pensions in payment as at 31 December 2011 at fixed amounts (discount rate 0%) in the already component established in the "Instrumento de Regulação Colectiva de Trabalho (IRCT)" of the retirees and pensioners. The responsibilities related with the increase in pensions as well as any other complements namely, contributions to the Health System (SAMS), death benefit and death before retirement benefit continue to be under the responsibility of the Financial Institutions and being financed through the corresponding Pensions funds. The Decree-Law also establishes the terms and conditions under which the transfer was made by setting a discount rate of 4% to determine the liabilities to be transferred.

As referred in note 1v), in addition to the benefits provided for in collective agreements, the bank had assumed the responsibility, under certain conditions in each year, of assigning a complementary plan to the Group's employees hired before 21 September, 2006 (Complementary Plan).

The Bank at the end of 2012 decided to extinguish ("cut") the benefit of old age of the Complementary Plan. As at 14 December 2012, the ISP (Portuguese Insurance Institute) formally approved this change in the benefit plan of the Group with effect from 1 January 2012. The cut of the plan was made, and the individual rights acquired were specifically assigned to the employees. On that date, the Bank also performed the settlement of the related liability, in the amount of Euros 230,045,000.

For accounting purposes and in accordance with the requirements of IAS 19, as at 31 December, 2012, there was no impact of the change of plan considering that: (i) the present value of the liabilities had no changes, and (ii) despite the Bank has carried a settlement of the plan, the actuarial deviations associated with these liabilities had been recognised in reserves in 2011 following the change in accounting policy. Following the changes made, the Bank has no longer any financial or actuarial risk associated with liquidated liabilities.

As at 31 December 2012 and 2011 the number of participants in the Pension Fund of Banco Comercial Português covered by this pension plan and other benefits is analysed as follows:

	'12	'11
Number of participants		
Pensioners	**15,970**	15,720
Employees	**8,971**	9,849
	24,941	**25,569**

In accordance with the accounting policy described in note 1 v), the Bank's pension obligation and the respective funding for the Bank based on the projected unit credit method are analysed as follows:

(Thousands of Euros)

	'12	'11
Projected benefit obligations		
Pensioners	**1,357,947**	1,335,520
Employees	**918,354**	1,100,193
	2,276,301	**2,435,713**
Value of the Pension Fund	**(2,413,176)**	(2,342,316)
Net (Assets)/Liabilities in balance sheet	**(136,875)**	**93,397**
Accumulated acturial losses recognised in other comprehensive income for the year	**2,192,578**	**1,990,397**

The change in the projected benefit obligations is analysed as follows:

(Thousands of Euros)

	'12			'11
	Pension benefit obligations	**Extra-Fund**	**Total**	Total
Balance as at 1 January	**2,086,534**	**349,179**	**2,435,713**	5,294,006
Service cost	**(7,158)**	**725**	**(6,433)**	(5,169)
Interest costs	**100,823**	**16,653**	**117,476**	280,707
Actuarial (gains) and losses				
Not related to changes in actuarial assumptions	**(15,958)**	**(165)**	**(16,123)**	40,029
Arising from changes in actuarial assumptions	**67,577**	**19,834**	**87,411**	(315,740)
Arising from the recalculation of the liabilities transferred to the General Social Security Scheme (GSSS)	**-**	**-**	**-**	164,770
Impact resulting from the change of the calculation of the Death Subsidy (Decret-Law no.133/2012)	**-**	**(63,687)**	**(63,687)**	-
Payments	**(42,579)**	**(23,672)**	**(66,251)**	(307,817)
Transfer to the GSSS	**(7,142)**	**-**	**(7,142)**	(2,746,919)
Settlement of the benefit for old-age of the Supplementary Plan	**(230,045)**	**-**	**(230,045)**	-
Early retirement programmes	**3,194**	**(169)**	**3,025**	12,275
Contributions of employees	**11,069**	**-**	**11,069**	11,140
Transfer from other societies	**11,288**	**-**	**11,288**	8,431
Balance at the end of the year	**1,977,603**	**298,698**	**2,276,301**	2,435,713

The balances Projected benefit obligations and Value of the Pension Fund as at 31 December 2011 reflected the effect of the transfer of liabilities and assets of the Fund associated to retirees and pensioners to the Social Security, in the amount of Euros 2,754,061,000. The settlement of 55% of the transfer, in the amount of Euros 1,510,536,000 was performed before 31 December 2011. During 2012, the Fund transferred the remaining amount of Euros 1,243,525,000.

As at 31 December 2012, the value of the benefits paid by the Pension Fund, excluding the Extra-fund, amounted to Euros 42,579,000 (31 December 2011: Euros 284,150,000). As at 29 June 2012 the final amount related to the pensioners to GSSS, in accordance with the Decree-Law no. 127/2011 was transfered , which due to that change the population increased by Euros 7,142,000.

As at 31 December 2012, the balance Impact resulting from the change of the calculation of the Death Subsidy amounts to Euros 63,687,000 and arises from the change of method of calculation of the death subsidy, following the publication in 27 June 2012 of the Decree-Law no. 133/2012 which introduces the changes in the calculation of the amount of the subsidy.

In accordance with IAS 19, it is a negative past service cost which occurs when there are changes on the benefit plan, which impact in a reduction of the current value of the responsibilities for past services. On this basis, the gain should be deferred and amortised throughout the average vesting period. Considering that the acquisition conditions of the benefit are fulfilled (vested), since the pensioner has the right to the benefit without having to fulfill any service condition, the Bank accounted the referred impact in results for the year.

The liabilities with health benefits are fully covered by the Pension Fund and correspond, as at 31 December 2012, to the amount of Euros 263,123,000 (31 December 2011: Euros 250,235,000).

Regarding the coverage of some benefit obligations related to pensions, the Bank contracted with Ocidental Vida the acquisition of perpetual annuities for which the total liability as at 31 December 2012 amounts to Euros 86,231,000 (31 December 2011: Euros 90,236,000), in order to pay:

i) pensions of former Bank's Board Members in accordance with the Bank's Board Members Retirement Regulation;
ii) pensions and complementary pension to pensioners in accordance with the Pension Fund of the BCP Group employees established in 28 December 1987, as also to pensioners, in accordance with other Pension Funds, that were incorporated after on the BCP Group Pension Fund and which were planed that the retirement benefits should be paid through the acquisition of insurance policies, in accordance with the Decree-Law no. 12/2006. As at 31 December 2012 the number of beneficiaries was 60.

Ocidental Vida is 100% owned by Ageas Group and Ageas Group is 49% owned by the BCP Group.

The evolution of responsibilities and funds balances and gains experience for the last five years is analysed as follows:

(Thousands of Euros)

	'12	'11	'10	'09	'08
Projected benefit obligations					
Pensioners	**1,357,947**	1,335,520	4,056,369	4,189,336	4,382,647
Employees	**918,354**	1,100,193	1,237,637	1,195,086	1,251,744
	2,276,301	2,435,713	5,294,006	5,384,422	5,634,391
Value of the Pension Fund	**(2,413,176)**	(2,342,316)	(5,121,208)	(5,503,361)	(5,239,077)
Provisions for defined contributions complementary plan	**-**	-	-	-	(12,188)
Liabilities not financed by the Pension Fund	**(136,875)**	93,397	172,798	(118,939)	383,126
Losses/(gains) arising from liabilities	**71,288**	(110,941)	(119,440)	(364,211)	(256,503)
Losses/(gains) arising from funds	**90,272**	313,795	585,178	(190,203)	1,073,724

The change in the value of plan's assets is analysed as follows:

(Thousands of Euros)

	'12	'11
Balance as at 1 January	**2,342,316**	5,121,208
Expected return on plan assets	**110,907**	262,398
Actuarial gains and (losses)	**(90,272)**	(313,795)
Settlement of the benefit for old-age of the Supplementary Plan	**(230,045)**	-
Contributions to the Fund	**299,520**	284,754
Payments	**(42,579)**	(284,150)
Transfer to the GSSS	**(7,142)**	(2,746,919)
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	**8,114**	-
Contributions of employees	**11,069**	11,140
Transfer from other societies	**11,288**	7,680
Balance at the end of the year	**2,413,176**	2,342,316

The change in the value of plan's assets is analysed as follows:

(Thousands of Euros)

	'12	'11
Shares	**664,835**	1,140,186
Bonds and other fixed income securities	**486,476**	655,102
Participation units in real estate funds	**267,969**	819,742
Participations units in investment funds	**286,713**	287,539
Properties	**353,101**	350,864
Loans and advances to credit institutions and others	**354,082**	(911,117)
	2,413,176	2,342,316

The balance Properties includes buildings owned by the Fund and used by the Bank's companies which as at 31 December 2012, amounts to Euros 351,697,000 (31 December 2011: Euros 348,727,000).

The balance Loans and advances to credit institutions and others includes, as at 31 December 2011, a negative amount of Euros 1,236,872,000 transferred in 2012 to the Social Security which is deducted from the value of the Fund.

The balances Shares and Bonds and other fixed income securities include assets issued by the Bank, which are analised as follows:

(Thousands of Euros)

	'12	'11
Shares	7	158,482
Bonds and other fixed income securities	140,834	37,325
	140,841	195,807

A evolução dos (ativos)/responsabilidades líquidas em balanço é analisada como segue:

(Thousands of Euros)

	'12	'11
Balance as at 1 January	93,397	172,798
Service cost	(6,433)	(5,169)
Interest costs	117,476	280,707
Cost with early retirement programs	3,025	12,275
Expected return on plan assets	(110,907)	(262,398)
Actuarial (gains) and losses		
Not related to changes in actuarial assumptions		
Return of the fund	90,272	313,795
Difference between the expect and the effective obligations	(16,123)	40,029
Arising from changes in actuarial assumptions	87,411	(315,740)
Resulting from the transfer under DL 127/2011	-	164,770
Impact of the decrease of the changing of the calculation formula of the Death Subsidy (DL 133/2012)	(63,687)	-
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(8,114)	-
Contributions to the fund	(299,520)	(284,754)
Others	(23,672)	(22,916)
Balance at the end of the year	(136,875)	93,397

Additionally, according to Regulation no. 12/01, there are still negative deviations to amortise in the amount of Euros 33,863,000 (2011: Euros 74,484,000).

The contributions to the Pension Fund, made by the Bank, are analysed as follows:

(Thousands of Euros)

	'12	'11
Other securities	871	78,754
Cash	298,649	206,000
	299,520	284,754

In accordance with IAS 19, as at 31 December 2012, the Bank accounted as post-employment benefits an income of Euros 68,640,000 (31 December 2011: cost of Euros 190,185,000), which is analysed as follows:

(Thousands of Euros)

	'12	'11
Service cost	(6,433)	(5,169)
Interest costs	117,476	280,707
Expected return on plan assets	(110,907)	(262,398)
Costs with early retirement programs	3,025	12,275
Amount transferred to the Fund resulting from acquired rights unassigned related to the Complementary Plan	(8,114)	-
Impact of the decrease of the changing of the calculation formula of the Death Subsidy DL 133/2012	(63,687)	-
Costs resulting from the transfer under DL 127/2011	-	164,770
(Income)/Cost of the period	(68,640)	190,185

The caption Costs arising from the transfer under Decree-Law no. 127/2011 refers as at 31 December 2011, to the impact in the income statement resulting from the transfer of the liabilities of the retirees and pensioners to the Social Security Scheme. The impact refers to the recalculation of the liabilities based on the assumptions defined by the Portuguese Government within the scope of the transfer.

As the Board Members Retirement Regulation establish that the pensions are increased annually, and as it is not common on the insurance market the acquisition of perpetual annuities including the increase in pensions, the Bank determined the liability to be recognised on the financial statements taking into consideration current actuarial assumptions.

In accordance with the remuneration policy of the Board Members, the Bank has the responsibility of supporting the cost with the retirement pensions of former Group's Executive Board Members, as well as the Complementary Plan for these members in accordance with the applicable rules, funded through the Pension Fund, Extra-Fund and perpetual annuities.

To cover the update of contracted responsibilities through perpetual annuities policies, based on the actuarial calculations, the Group recognised a provision of Euros 4,413,000 (31 December 2011: Euros 5,504,000). As referred in notes 9 and 37, the decrease was the result of the write-down of provisions established to cover the future increases in the retirement pensions of the former members of the Executive Board of Directors, following the agreements established between the parties.

As referred in note 9, following the agreements established between the Bank and former members of the Executive Board of Directors the amount of Euros 18,900,000 related with amounts paid to set up a perpetual annuity policy to cover the responsibility with retirement pensions of former members of the Executive Board of Directors, were reimbursed by Ocidental Vida.

The movement of the amounts of the responsibilities with retirement pensions payable to former members of the Executive Board of Directors, included in the balance Other liabilities (note 37), is analysed as follows:

(Thousands of Euros)

	'12	'11
Balance as at 1 January	**5,504**	40,996
Write-back	**(1,091)**	(35,492)
Balance as at 31 December	**4,413**	5,504

Considering the market indicators, particularly the estimations of the inflation rate and the long term interest rate for Euro Zone as well as the demographic characteristics of the employees, the Bank considered the following actuarial assumptions for the calculation of the liabilities with pension obligations with reference to 31 December 2012 and 2011:

	Banco Comercial Português Fund	
	'12	'11
Increase in future compensation levels	**1.00% until 2016 1.75% after 2017**	2.00%
Rate of pensions increase	**0.00% until 2016 0.75% after 2017**	1.00%
Projected rate of return of fund assets	**4.5%**	5.50%
Discount rate	**4.5%**	5.50%
Mortality tables		
Men	**TV 73/77 – 1 year**	TV 73/77 – 1 year
Women	**TV 88/90 – 2 years**	TV 88/90 – 2 years
Disability rate	**0.00%**	0.00%
Turnover rate	**0.00%**	0.00%
Costs with health benefits increase rate	**6.50%**	6.50%

The mortality tables consider an age inferior to the effective age of the beneficiaries, one year for men and two years for women, which is translated in higher average life expectancy.

The assumptions used on the calculation of the employees benefits are in accordance with the requirements of IAS 19. No disability decreases are considered in the calculation of the liabilities.

The determination of the discount rate as at 31 December 2012, took into account (i) the evolution in the major indexes in relation to high quality corporate bonds and (ii) duration of benefit plan liabilities.

The Bank face to (i) the positive deviations observed in the last financial year and (ii) the current trend of wages evolution and the economic situation at this time, led to a growth rate of wages progressive of 1% by 2016 and 1.75% from 2017 and a growth rate of pensions from 0% by 2016 and 0.75% from 2017.

In accordance with the requirements of IAS 19, mandatory for annual periods beginning on 1 January 2013, the rate of return on plan assets considered in the calculation of the present value of the liabilities, corresponds to the discount rate.

However, the estimated expected return for 2013 is as follows:

	'13	
Type of Assets	Portfolio %	Estimated return
Shares	27.55%	11.47%
Bonds and other fixed income securities	20.16%	3.50%
Participations units in investment funds	11.10%	5.08%
Participation units in real estate funds	11.88%	0.61%
Properties	14.63%	6.55%
Loans and advances to credit institutions and others	14.67%	3.50%
Total estimated return		5.98%

Net actuarial losses amounts to Euros 161,560,000 (31 December 2011: actuarial losses of Euros 202,854,000) and are related to the difference between the actuarial assumptions used for the estimation of the pension liabilities and the actual liabilities and are analysed as follows:

	Actuarial (gains)/losses			
	'12		'11	
	%	Euros '000	%	Euros '000
Deviation between expected and actual liabilities:				
Increase in future compensation levels	**0.00%**	**(17,403)**	0.68%	(22,366)
Pensions increase rate	**0.00%**	**(13,355)**	0.00%	(60,846)
Disability	**0.58%**	**12,892**	0.12%	6,358
Others	**0.08%**	**1,743**	-0.09%	(4,886)
Changes on the assumptions:				
Discount rate	**4.50%**	**330,184**	5.50%	286,539
Increase in future compensation levels	**1.00% until 2016 1.75% after 2017**	**(52,329)**	2.00%	(79,345)
Pensions increase rate	**0.00% until 2016 0.75% after 2017**	**(190,444)**	1.00%	(236,395)
Return on plan assets	**1.62%**	**90,272**	-0.71%	313,795
		161,560		202,854

As at 31 December 2011, the caption Actuarial (gains)/losses – Change on the assumptions – Discount rate, includes the amount of Euros 164,770,000 related with the costs arising from the recalculation of the liabilities transferred to the Social Security based on the discount rate defined for the transfer. This amount, as referred in note 10, was charged against income statement.

Health benefit costs have a significant impact on pension costs. Considering this impact the Bank performed a sensitivity analysis assuming one percent positive variation in health benefit costs (from 6.5% to 7.5% in 2012) and a negative variation (from 6.5% to 5.5% in 2012) in health benefit costs, which impact is analysed as follows:

(Thousands of Euros)

	Positive variation of 1% (6.5% to 7.5%)		Negative variation of 1% (6.5% to 5.5%)	
	'12	'11	'12	'11
Pension cost impact	**425**	395	**(425)**	(395)
Liability impact	**40,480**	38,498	**(40,480)**	(38,498)

The liabilities related to the seniority premium are not post-employment liabilities and, as a result, are not covered by the Pension Fund of the Bank. As at 31 December, 2012, the liabilities associated with the seniority premium amounted to Euros 48,463,000 (31 December, 2011: Euros 52,134,000) and are covered by provisions in the same amount, according to the note 37.

The cost of the seniority premium, for the years 2012 and 2011, is analysed as follows:

(Thousands of Euros)

	'12	'11
Service cost	**2,860**	3,035
Interest costs	**2,711**	2,879
Actuarial (gains) and losses	**(3,276)**	(3,432)
Cost of the year	**2,295**	2,482

47. Related parties

The Bank grants loans in the ordinary course of its business within the Group's companies and to other related parties. Under the Collective Agreement of Labour for Employees of the Portuguese Banking Sector which includes substantially all employees of banks operating in Portugal, the Group grants loans to employees at interest rates determined under the above mentioned agreement for each type of loan upon request by the employees.

As at 31 December 2012, loans to members of the Board of Directors and their direct family members amounted to Euros 304,000 (31 December 2011: Euros 340,000), which represented 0.01% of shareholders' equity (31 December 2011: 0.01%). These loans were granted in accordance with the applicable laws and regulations.

As at 31 December 2012, the principal loans and guarantees (excluding interbank and money market transactions) the Bank has made to shareholders holding individually or together with their affiliates, 2% or more of the share capital whose holdings, in aggregate, represent 36.8% of the share capital as of 31 December 2012 (31 December 2011: 34.8%), described in the Board of Directors report, amounted to approximately Euros 1,093,159,000 (31 December 2011: Euros 1,274,080,000). Each of these loans was made in the ordinary course of business, on substantially the same terms as those prevailing at the time for comparable transactions with other entities, being respected the legal formalities and regulations. The amount of impairment constituted for these contracts amounts to Euros 39,486,000 as at 31 December 2012 (31 December 2011: Euros 944,000).

Remunerations to the Executive Board of Directors and other management members

The remunerations paid to the members of the Executive Board of Directors and other management members in 2012 amounted to Euros 2,803,000 (2011: Euros 3,814,000 which includes an amount related to the resignation process of a Director), with Euros 131,000 (2011: Euros 322,000) paid by subsidiaries or companies which governing bodies represent interests in the Group.

Considering that the remuneration of members of the Executive Board of Directors intends to compensate the functions that are performed in the Bank and in all other functions on subsidiaries or other companies for which they have been designated by indication of the Bank or representing it, the net amount of the remunerations annually received by each member is considered for calculating the fixed annual remuneration attributed by the Bank and set by the Remunerations Commission.

During 2012, the costs with Social Security and the contributions to the Pension Fund for members of the Executive Board of Directors amounted to Euros 1,294,000 (2011: Euros 1,288,000).

Transactions with the Pension Fund

During 2012, the Group sold to the Pension Fund: (i) commercial paper in the amount of Euros 706,700,000 (31 December 2011: Euros 1,607,663,000), (ii) Portuguese public debt securities in the amount of Euros 342,500,000 (31 December 2011: Euros 78,200,000) and (iii) bonds in the amount of Euros 213,000,000.

Additionally, the Group purchased to the Pension Fund commercial paper in the amount of Euros 188,450,000 (31 December 2011: Euros 219,190,000), bonds in the amount of Euros 262,334,000 (31 December 2011: Euros 149,565,000) and Portuguese public debt securities in the amount of Euros 343,000,000 (31 December 2011: Euros 177,874,000).

During 2012 were made in-kind contributions to the Pension Fund in the amount of Euros 871,000 related to Brisal rights.

The shareholder and bondholder position of members of the Executive Board, Directors and persons closely related to the previous categories is as follows:

Shareholders/Bondholders	Security	Number of securities at		Changes during 2012			
		31-12-2012	31-12-2011 (a)	Acquisitions	Disposals	Date	Unit Price Euros
Members of Executive Board							
António Vítor Martins Monteiro (1)	BCP Shares	6,589	2,410	4,179		04-Oct-12	0.04
Carlos José da Silva	BCP Shares	414,089	151,438	262,651		04-Oct-12	0.04
	Obrig BCP Ret Sem Cresc III/12EUR 3/2013	300	0	300		22-Mar-12	1,000.00
Nuno Manuel da Silva Amado	BCP Shares	1,003,297	200,000	803,297		04-Oct-12	0.04
André Magalhães Luiz Gomes	BCP Shares	19,437	6,784	12,653		04-Oct-12	0.04
António Henriques Pinho Cardão (2)	BCP Shares	281,034	102,778	178,256		04-Oct-12	0.04
António Luís Guerra Nunes Mexia	BCP Shares	4,120	1,507	2,613		04-Oct-12	0.04
Jaime de Macedo Santos Bastos	BCP Shares	1,468	537	931		04-Oct-12	0.04
João Manuel Matos Loureiro	BCP Shares	4,793	1,753	3,040		04-Oct-12	0.04
José Guilherme Xavier de Basto	BCP Shares	4,951	1,811	3,140		04-Oct-12	0.04
	Obrig BCP Mill Rend Sem Mar 10/13	5	5				
José Jacinto Iglésias Soares	BCP Shares	384,002	130,743 (b)	253,259		04-Oct-12	0.04
Luís Maria França de Castro Pereira Coutinho	BCP Shares	822,123	286,914	535,209		04-Oct-12	0.04
Maria da Conceição Mota Soares de Oliveira Callé Lucas	BCP Shares	100,001	0	100,001		04-Oct-12	0.04
Miguel de Campos Pereira de Bragança	BCP Shares	623,813	0	623,813		04-Oct-12	0.04
Miguel Maya Dias Pinheiro	BCP Shares	601,733	210,000	391,733		04-Oct-12	0.04
Rui Manuel da Silva Teixeira (3)	BCP Shares	134,687	31,982	102,705		04-Oct-12	0.04
Directors							
Ana Isabel dos Santos de Pina Cabral (4)	BCP Shares	74,550	(c)	47,286		04-Oct-12	0.04
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	BCP Shares	82,031	(c)	52,031		04-Oct-12	0.04
Fernando Manuel Majer de Faria	BCP Shares	624,219	(c)	395,934		04-Oct-12	0.04
José Miguel Bensliman Schorcht da Silva Pessanha	BCP Shares	20,879	(c)				
Mário António Pinho Gaspar Neves	BCP Shares	31,500	(c)	21,500		04-Oct-12	0.04
	Obrig BCP Mill Rend Trim Nov 09/14	5	(c)				
	Obrig BCP Mill Rend Sem Mar 10/13	7	(c)				
	Obrig BCP Rend Mais Apr/12	0	(c)		5	27-Apr-12	1.000
	Obrig BCP Invest Tot Dec 2012	0	(c)		5	21-Dec-12	1.000
Pedro Manuel Rendas Duarte Turras	BCP Shares	25,207	(c)	22,880		04-Oct-12	0.04
Persons closely related to the previous categories							
Isabel Maria V. L. P. Martins Monteiro (1)	BCP Shares	5,311	1,854	3,457		04-Oct-12	0.04
Maria da Graça dos Santos Fernandes de Pinho Cardão (2)	BCP Shares	10,485	3,835	6,650		04-Oct-12	0.04
Maria Helena Espassandim Catão (3)	BCP Shares	1,000	253	747		04-Oct-12	0.04
José Manuel de Vasconcelos Mendes Ferreira (4)	BCP Shares	4,577	(c)	3,613		04-Oct-12	0.04

(a) If the person in question has taken possession later than 31 December 2011, it is considered the position at the date of entry into service.

(b) Corrects, by misprint, the shareholder position reported in the Annual Report, Volume II, 2011.

(c) It is provided information only to 2012, based on the 4th paragraph of section 1.2.2, of the CMVM Circular dated 28/01/2012.

All operations were performed at NYSE Euronext Lisbon – Lisbon Stock Exchange.

As at 31 December 2012, the Bank's credits over subsidiaries and associated companies of the BCP Group, represented or not by securities, included in the captions of Loans and advances to credit institutions and to customers and Financial assets held for trading and available for sale and Other receivables, are analysed as follows:

(Thousands of Euros)

	Credit institutions	Customers	Trading	Availabe for sale	Other receivables	Total
Banco Millennium Angola, S.A.	39,266	-	-	-	-	39,266
Banca Millennium, S.A. (Romania)	149,770	-	-	-	-	149,770
Banco de Investimento Imobiliário, S.A.	8,162,713	-	-	901,309	-	9,064,022
Banque Privée BCP (Suisse), S.A.	41,719	-	-	-	-	41,719
BCP Finance Bank, Ltd.	680,561	-	13,278	8,603	-	702,442
BCP Finance Company, Ltd.	401,086	4,931	-	-	-	406,017
BCP Holdings (USA), Inc.	-	62,861	-	-	-	62,861
Bank Millennium (Poland) Group	16,938	-	-	-	-	16,938
Millennium Bank (Greece) Group	1,183,359	-	-	-	-	1,183,359
Millennium bcp Bank & Trust	1,010,803	-	-	-	-	1,010,803
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	-	-	-	-	9,283	9,283
Unicre – Instituição Financeira de Crédito, S.A.	-	683	-	-	-	683
VSC – Aluguer de Veículos Sem Condutor, Lda.	-	20,685	-	-	-	20,685
Others	-	2,529	13,786	138,851	-	155,166
	11,686,215	91,689	27,064	1,048,763	9,283	12,863,014

As at 31 December 2012, the Bank's liabilities with subsidiaries and associated companies of the BCP Group, represented or not by securities, included in the captions Deposits from credit institutions and from customers, Debt securities issued and in Subordinated debt are analysed as follows:

(Thousands of Euros)

	Credit institutions	Customers	Debt securities issued	Subordinated debt	Total
Banco ActivoBank, S.A.	345,693	-	-	-	345,693
Banco de Investimento Imobiliário, S.A.	1,122,995	-	6,810,596	28,784	7,962,375
Banco Millennium Angola, S.A.	33,870	-	-	-	33,870
Banque Privée BCP (Suisse), S.A.	1,802,406	-	-	-	1,802,406
BCP Capital – Sociedade de Capital de Risco, S.A.	-	24,914	-	-	24,914
BCP Finance Bank, Ltd.	1,077,370	-	-	886,840	1,964,210
BCP Finance Company, Ltd.	-	-	-	1,020,297	1,020,297
BitalPart, B.V.	-	213,568	-	-	213,568
BIM – Banco Internacional de Moçambique, S.A.R.L.	37,466	-	-	-	37,466
Bank Millennium (Poland) Group	518	-	-	-	518
Millennium Bank (Greece) Group	3,483	-	-	-	3,483
Millennium bcp Bank & Trust	1,396,686	-	-	-	1,396,686
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	142,303	-	-	142,303
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	-	11,922	-	-	11,922
Millennium bcp – Prestação de Serviços, A.C.E.	-	26,399	-	-	26,399
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	-	650,998	3,684,225	-	4,335,223
SIBS, S.G.P.S., S.A.	1	-	-	-	1
Unicre – Instituição Financeira de Crédito, S.A.	212	-	-	-	212
Others	471	20,709	-	-	21,180
	5,821,171	1,090,813	10,494,821	1,935,921	19,342,726

As at 31 December 2012, the income recognised by the Bank with subsidiaries and associated companies of the BCP Group, included in the captions of Interest income, Commissions income, Other operating income and Gains arising from trading activity, are analysed as follows:

(Thousands of Euros)

	Interest income	Commissions income	Other operating income	Gains arising fro trading activity	Total
Banco Millennium Angola, S.A.	1,834	194	771	-	2,799
Banca Millennium, S.A. (Romania)	2,404	-	-	1,806	4,210
Banco ActivoBank, S.A.	62	-	402	-	464
Banco de Investimento Imobiliário, S.A.	656,928	500	-	24	657,452
Banque Privée BCP (Suisse), S.A.	1,145	986	138	-	2,269
BCP Finance Bank, Ltd.	20,773	27	-	132,703	153,503
BCP Finance Company, Ltd.	38,102	-	-	-	38,102
BCP Holdings (USA), Inc.	2,552	-	-	-	2,552
BIM – Banco Internacional de Moçambique, S.A.R.L.	-	-	9,875	-	9,875
Bank Millennium (Poland) Group	642	20	-	-	662
Millennium Bank (Greece) Group	31,576	257	-	19,687	51,520
Millennium bcp Bank & Trust	13,270	2,166	-	25,525	40,961
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	-	4,827	511	-	5,338
Millennium bcp Imobiliária, S.A.	2,867	30	30	-	2,927
Millennium bcp – Prestação de Serviços, A.C.E.	-	115	10,071	-	10,186
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	-	60,416	16,219	-	76,635
SIBS, S.G.P.S., S.A.	29	90,321	-	-	90,350
Unicre – Instituição Financeira de Crédito, S.A.	481	1,147	-	-	1,628
VSC – Aluguer de Veículos Sem Condutor, Lda.	4,409	-	438	-	4,847
Others	9,584	13,529	281	15	23,409
	786,658	**174,535**	**38,736**	**179,760**	**1,179,689**

As at 31 December 2012, the costs incurred by the Bank with subsidiaries and associated companies of the BCP Group, included in the captions Interest expense, Commissions costs, Staff costs, Administrative costs and Losses arising from trading activity, are analysed as follows:

(Thousands of Euros)

	Interest expense	Commissions costs	Staff costs	Administrative costs	Losses arising from trading activity	Total
Banca Millennium, S.A. (Romania)	13	-	-	-	4,583	4,596
Banco ActivoBank, S.A.	2,158	8,364	-	-	-	10,522
Banco de Investimento Imobiliário, S.A.	632,692	1,717	-	-	26	634,435
Banco Millennium Angola, S.A.	2,485	-	-	-	-	2,485
Banque Privée BCP (Suisse), S.A.	164	-	-	-	-	164
BCP Finance Bank, Ltd.	39,821	-	-	-	216,630	256,451
BCP Finance Company, Ltd.	49,727	-	-	-	-	49,727
BCP Investment, B.V.	6,530	-	-	-	-	6,530
BIM – Banco Internacional de Moçambique, S.A.R.L.	147	-	-	-	-	147
BitalPart, B.V.	460	-	-	-	-	460
Bank Millennium (Poland) Group	1,248	-	-	-	17,146	18,394
Millennium Bank (Greece) Group	2,478	-	-	-	5,662	8,140
Millennium bcp Bank & Trust	38,827	-	-	-	8,241	47,068
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	3,072	-	-	-	-	3,072
Millennium bcp – Prestação de Serviços, A.C.E.	21	-	-	39,324	-	39,345
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	131,798	-	3,787	7,794	-	143,379
SIBS, S.G.P.S., S.A.	53	43,121	-	-	-	43,174
Unicre – Instituição Financeira de Crédito, S.A.	-	20	-	-	-	20
Others	717	-	-	13,231	-	13,948
	912,411	53,222	3,787	60,349	252,288	1,282,057

As at 31 December 2012, the off balance sheet accounts of the Bank with subsidiaries and associated companies of the BCP Group, included in the captions Guarantees granted and Commitments to third parties, are analysed as follows:

(Thousands of Euros)

	Guarantees granted	Commitments to third parties	Total
Banca Millennium, S.A. (Romania)	10,991	75,000	85,991
Banco de Investimento Imobiliário, S.A.	-	77	77
Banco Millennium Angola, S.A.	3,890	-	3,890
Banque Privée BCP (Suisse), S.A.	-	958,362	958,362
BCP Finance Bank, Ltd.	732,244	-	732,244
BCP Finance Company, Ltd.	171,175	-	171,175
BIM - Banco Internacional de Moçambique, S.A.R.L.	6,430	-	6,430
Bank Millennium (Poland) Group	940	200,000	200,940
Millennium Bank (Greece) Group	-	2,045	2,045
Millennium bcp Bank & Trust (*)	76,078	-	76,078
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	80	-	80
Others	-	78,097	78,097
	1,001,828	1,313,581	2,315,409

(*) Guarantees granted by the Bank related to Loans and advances to customers granted by Millennium bcp Bank & Trust.

As at 31 December 2011, the Bank's credits over subsidiaries and associated companies of the BCP Group, represented or not by securities, included in the captions of Loans and advances to credit institutions and to customers and Financial assets held for trading and available for sale and Other receivables, are analysed as follows:

(Thousands of Euros)

	Credit institutions	Customers	Trading	Available for sale	Other receivables	Total
Banco de Investimento Imobiliário, S.A.	5,033,377	-	-	1,050,720	-	6,084,097
Banque Privée BCP (Suisse), S.A.	207,734	-	-	-	-	207,734
Millennium bcp Bank & Trust	1,039,273	-	-	-	-	1,039,273
BCP Finance Bank, Ltd.	1,128,531	-	12,249	62,840	-	1,203,620
Banca Millennium, S.A. (Romania)	150,032	-	-	-	-	150,032
BCP Finance Company, Ltd.	401,225	-	-	-	-	401,225
Bank Millennium (Poland) Group	16,792	-	67,277	-	-	84,069
Millennium Bank (Greece) Group	1,901,677	-	-	-	-	1,901,677
Banco Millennium Angola, S.A.	52,576	-	-	-	-	52,576
BCP Holdings (USA), Inc.	-	134,167	-	-	-	134,167
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	-	212,525	-	-	18,041	230,566
Unicre – Instituição Financeira de Crédito, S.A.	-	673	-	-	-	673
VSC – Aluguer de Veículos Sem Condutor, Lda.	-	49,716	-	-	-	49,716
Others	148	108,009	4,952	41,620	-	154,729
	9,931,365	**505,090**	**84,478**	**1,155,180**	**18,041**	**11,694,154**

As at 31 December 2011, the Bank's liabilities with subsidiaries and associated companies of the BCP Group, represented or not by securities, included in the captions Deposits from credit institutions and from customers, Debt securities issued and in Subordinated debt, are analysed as follows:

(Thousands of Euros)

	Credit institutions	Customers	Debt securities issued	Subordinated debt	Total
Banco ActivoBank, S.A.	284,084	-	-	-	284,084
Banco de Investimento Imobiliário, S.A.	969,659	-	3,881,522	28,873	4,880,054
Bank Millennium (Poland) Group	55,777	-	-	-	55,777
Banque Privée BCP (Suisse), S.A.	48,025	-	-	-	48,025
Millennium bcp Bank & Trust	1,974,693	-	-	-	1,974,693
BCP Finance Bank, Ltd.	3,014,168	-	-	888,190	3,902,358
BCP Finance Company, Ltd.	-	5,020	-	1,020,569	1,025,589
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	-	150,201	-	-	150,201
BCP Investment, B.V.	-	18,802	-	-	18,802
BitalPart, B.V.	-	217,540	-	-	217,540
BIM – Banco Internacional de Moçambique, S.A.R.L.	37,710	-	-	-	37,710
Millennium Bank (Greece) Group	873,365	-	-	-	873,365
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	-	12,728	-	-	12,728
Millennium bcp Imobiliária, S.A.	-	3,921	-	-	3,921
Banco Millennium Angola, S.A.	98,675	-	-	-	98,675
Millennium bcp – Prestação de Serviços, A.C.E.	-	24,374	-	-	24,374
BCP Capital – Sociedade de Capital de Risco, S.A.	-	25,006	-	-	25,006
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	-	983,303	3,117,623	-	4,100,926
SIBS, S.G.P.S., S.A.	-	17,999	-	-	17,999
Others	472	29,517	-	-	29,989
	7,356,628	**1,488,411**	**6,999,145**	**1,937,632**	**17,781,816**

As at 31 December 2011, the costs incurred by the Bank with subsidiaries and associated companies of the BCP Group, included in the captions Interest expense, Commissions costs, Staff costs, Administrative costs and Losses arising from trading activity, are analysed as follows:

(Thousands of Euros)

	Interest income	Commissions income	Other operating income	Gains arising from trading activity	Total
Banco ActivoBank, S.A.	-	-	522	-	522
Banca Millennium, S.A. (Romania)	3,425	-	-	1,182	4,607
Banco de Investimento Imobiliário, S.A.	131,284	-	-	201	131,485
Bank Millennium (Poland) Group	5,423	21	-	6,737	12,181
Banque Privée BCP (Suisse), S.A.	3,912	966	-	-	4,878
Millennium bcp Bank & Trust	26,568	1,048	-	73,896	101,512
BCP Finance Bank, Ltd.	19,802	-	-	944,886	964,688
Bitalpart, B.V.	87	-	-	-	87
BIM–- Banco Internacional de Moçambique, S.A.R.L.	-	-	9,805	-	9,805
Millennium Bank (Greece) Group	49,936	399	-	21,516	71,851
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	-	7,263	357	-	7,620
Millennium bcp Imobiliária, S.A.	200	27	-	-	227
BCP Holdings (USA), Inc.	4,359	-	-	-	4,359
Banco Millennium Angola, S.A.	4,110	-	729	-	4,839
Millennium bcp – Prestação de Serviços, A.C.E.	5	46	11,198	-	11,249
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	-	72,665	37,487	-	110,152
SIBS, S.G.P.S., S.A.	-	93,618	-	-	93,618
Unicre – Instituição Financeira de Crédito, S.A.	-	1,473	-	-	1,473
VSC – Aluguer de Veículos Sem Condutor, Lda.	6,427	-	780	-	7,207
Others	7,671	17,901	246	471	26,289
	263,209	**195,427**	**61,124**	**1,048,889**	**1,568,649**

As at 31 December 2011, the costs incurred by the Bank with subsidiaries and associated companies of the BCP Group, included in the captions Interest expense, Commissions costs, Staff costs, Administrative costs and Losses arising from trading activity, are analysed as follows:

(Thousands of Euros)

	Interest expense	Commissions costs	Staff costs	Administrative costs	Losses arising from trading activity	Total
Banco ActivoBank, S.A.	3,501	5,726	-	112	-	9,339
Banca Millennium, S.A. (Romania)	33	-	-	-	4,383	4,416
Banco de Investimento Imobiliário, S.A.	92,876	1,638	-	-	28	94,542
Bank Millennium (Poland) Group	3,661	-	-	-	21,798	25,459
Banque Privée BCP (Suisse), S.A.	373	-	-	-	-	373
Millennium bcp Bank & Trust	31,734	-	-	-	37,799	69,533
BCP Finance Bank, Ltd.	89,695	-	-	-	846,133	935,828
BCP Finance Company, Ltd.	49,602	-	-	-	-	49,602
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	2,597	-	-	-	-	2,597
BCP Investment, B.V.	3,464	-	-	-	-	3,464
BIM - Banco Internacional de Moçambique, S.A.R.L.	395	-	-	-	-	395
BitalPart, B.V.	7,835	-	-	-	-	7,835
Millennium Bank (Greece) Group	16,369	-	-	-	6,107	22,476
Banco Millennium Angola, S.A.	231	-	-	-	-	231
Millennium bcp – Prestação de Serviços, A.C.E.	63	-	-	40,656	-	40,719
Millenniumbcp Ageas Grupo Segurador, S.G.P.S., S.A.	167,233	-	4,291	8,072	-	179,596
SIBS, S.G.P.S., S.A.	-	46,769	-	-	-	46,769
Unicre – Instituição Financeira de Crédito, S.A.	-	6	-	-	-	6
Others	5,147	-	-	13,185	288	18,620
	474,809	**54,139**	**4,291**	**62,025**	**916,536**	**1,511,800**

As at 31 December 2011, the off balance sheet accounts of the Bank with subsidiaries and associated companies of the BCP Group, included in the captions Guarantees granted and Commitments to third parties, are analysed as follows:

(Thousands of Euros)

	Guarantees granted	Commitments to third parties	Total
Banca Millennium, S.A. (Romania)	11,601	25,000	36,601
Banco de Investimento Imobiliário, S.A.	-	80	80
Bank Millennium (Poland) Group	1,666	200,000	201,666
Banque Privée BCP (Suisse), S.A.	5,700	834,640	840,340
Millennium bcp Bank & Trust (*)	104,792	12,506	117,298
BCP Finance Bank, Ltd.	3,693,912	-	3,693,912
BCP Finance Company, Ltd.	171,175	-	171,175
BIM – Banco Internacional de Moçambique, S.A.R.L.	3,485	-	3,485
Millennium Bank (Greece) Group	-	170,000	170,000
Banco Millennium Angola, S.A.	19,302	-	19,302
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	172	-	172
Others	-	78,097	78,097
	4,011,805	**1,320,323**	**5,332,128**

(*) Guarantees granted by the Bank related to Loans and advances to customers granted by Millennium bcp Bank & Trust.

As at 31 December 2012 and 2011, the remunerations resulting from the services of insurance mediation or reinsurance are as follows:

(Thousands of Euros)

	'12	'11
Life insurance		
Saving products	**23,087**	34,286
Mortgage and consumer loans	**17,867**	19,124
Others	**34**	37
	40,988	53,447
Non-Life insurance		
Accidents and illness	**12,214**	12,219
Automobile insurance	**1,809**	1,744
Multi-Risk Housing	**4,379**	4,171
Others	**1,026**	1,084
	19,428	19,218
	60,416	72,665

The remuneration for insurance mediation services were received through bank transfers and resulted from insurance intermediation with the subsidiaries of Millenniumbcp Ageas Group (Ocidental Vida e Ocidental Seguros).

The Bank does not collect insurance premiums on behalf of Insurance Companies, or performs any movement of funds related to insurance contracts. Thus, there is no other asset, liability, income or expense to be reported on the activity of insurance mediation exercised by the Bank, other than those already disclosed.

As at 31 December 2012 and 2011, the receivable balances from insurance mediation activity by nature and entity are analysed as follows:

(Thousands of Euros)

	'12	'11
By nature		
Funds receivable for payment of life insurance commissions	**2,572**	12,345
Funds receivable for payment of non-life insurance commissions	**4,795**	4,702
	7,367	17,047
By entity		
Ocidental – Companhia Portuguesa de Seguros de Vida, SA	**2,572**	12,345
Ocidental – Companhia Portuguesa de Seguros, SA	**4,795**	4,702
	7,367	17,047

The comissions received by the Bank result from the insurance mediation contracts and investment contracts, under the terms established in the contracts. The mediation commissions are calculated given the nature of the contracts subject to mediation, as follows:

– insurance contracts – use of fixed rates on gross premiums issued;
– investiment contracts – use of fixed rates on the responsibilities assumed by the insurance company under the commercialization of these products.

48. Risk management

The Bank is subject to several risks during the course of its business. The risks from different companies of the Group are managed centrally coordinating with the local departments and considering the specific risks of each business.

The Group's risk-management policy is designed to ensure adequate relationship at all times between its own funds and the business it carries on, and also to evaluate the risk/return profile by business line.

Monitoring and control of the main types of financial risk – credit, market, liquidity and operational – to which the Group's business is subject are of particular importance.

Main Types of Risk

Credit – Credit risk is associated with the degree of uncertainty of the expected returns as a result of the inability either of the borrower (and the guarantor, if any) or of the issuer of a security or of the counterparty to an agreement to fulfils their obligations.

Market – Market risk reflects the potential loss inherent in a given portfolio as a result of changes in rates (interest and exchange) and/or in the prices of the various financial instruments that make up the portfolio, considering both the correlations that exist between them and the respective volatility.

Liquidity – Liquidity risk reflects the Group's inability to meet its obligations at maturity without incurring in significant losses resulting from the deterioration of the funding conditions (funding risk) and/or from the sale of its assets below market value (market liquidity risk).

Operational – Operational risk is understood to be the potential loss resulting from failures or inadequacies in internal procedures, persons or systems, and also the potential losses resulting from external events.

Internal Organisation

The Banco Comercial Português Board of Directors is responsible for the definition of the risk policy, including the approval at the very highest level of the principles and rules to be followed in risk management, as well as the guidelines dictating the allocation of economic capital to the business lines.

The Board of Directors, through the Audit Committee, ensures the existence of adequate risk control and of risk-management systems at the level both of the Group and of each entity. At the proposal of the Banco Comercial Português Executive Committee, the Board of Directors also approves the risk-tolerance level acceptable to the Group.

The Risk Commission is responsible for monitoring the overall levels of risk incurred, ensuring that they are compatible with the objectives and strategies approved for the business.

The Group Risk Officer is responsible for the control of risks in all the Group entities, in order to ensure that the risks are monitored on an overall basis and that there is alignment of concepts, practices and objectives. It must also keep the Risk Commission informed of the Group's level of risk, proposing measures to improve control and implementing the approved limits.

The activity of every entity included within the Banco Comercial Português consolidation perimeter is governed by the principles and decisions established centrally by the Risk Commission and the main subsidiaries are provided with Risk Office structures which are established in accordance with the risks inherent in their particular business. A Risk Control Commission has been set up at each relevant subsidiary, responsible for the control of risks at local level, in which the Group Risk Officer takes part.

The Group Head of Compliance is responsible for implementing systems of monitoring the compliance with legal obligations and responsibilities to which the Bank is subject, as well, the prevention, monitoring and reporting of risks in organizational processes which include, among others, the prevention of money laundering, combating financing of terrorism, prevention of conflict of interest, issues related to abuse of market and compliance with cthe disclosure requirements to customers.

Risk Evaluation and Management Model

For purposes of profitability analysis and risk quantification and control, each entity is divided into the following management areas:

– Trading and Sales: involves those positions whose objective is to obtain short-term gains through sale or revaluation. These positions are actively managed, are tradable without restriction and may be valued frequently and precisely, including the securities, the derivatives and the sales activities;
– Financing: Financing operations of the group in the market, including both money market operations and institutional ones (and possible risk coverage), but no structural financing transactions (e.g. subordinated debt);
– Investment: includes those positions in securities to be held to maturity or during a longer period of time or those that are not tradable on liquid markets, or any others that are held with no other purpose than short-term gains. Also includes any other hedging risk operation associated to those;
– Commercial: includes all operations (assets and liabilities) held at the normal course of business group with its customers;
– ALM: is the Assets and Liabilities management function, including operations decided by CALCO in the group's global risk management function and centralizes the transfer of risk between the remaining areas;
– Structural: deals with balance sheet elements or operations that, because of their nature, are not directly related with any of the other areas, including structural financing operations of the group, capital and balance sheet fixed items;

The definition of the management areas allows effective separation of the management of the trading and banking portfolios, as well as a proper allocation of each operation to the most appropriate management area according to their context.

Risk assessment

Credit Risk

Credit granting is based on prior classification of the customers' risk and on thorough assessment of the level of protection provided by the underlying collateral. In order to do so, a single risk-notation system has been introduced, the Rating Master Scale. It is based on the expected probability of default, allowing greater discrimination in the assessment of the customers and better establishment of the hierarchies of the associated risk. The Rating Master Scale also identifies those customers showing worsening credit capacity and, in particular, those classified as being in default in keeping with the Basel II Accord.

All the rating and scoring models used by the Bank have been duly calibrated for the Rating Master Scale.

The protection-level concept has been introduced as a crucial element of evaluation of the effectiveness of the collateral in credit-risk mitigation, leading to more active collateralization of loans and more adequate pricing of the risk incurred.

To quantify the credit risk at the level of the various portfolios, the Bank has developed a model based on an actuarial approach, which provides the distribution of total loss probability. In addition to the Probability of Default (PD) and of the Amount of the Loss Given Default (LGD) as the central points, consideration is also given to the uncertainty associated with the development of these parameters, through the introduction of the respective volatility. The effects of diversification and/or concentration between the sectors of the loan portfolios are quantified by introducing the respective correlations.

The gross Bank's exposure to credit risk (original exposure), as at 31 December 2012 and 2011 is presented in the following table:

(Thousands of Euros)

	Original exposure	
Type of Risks	'12	'11
Regional Governments or Local Authorities	**7,516,740**	6,843,242
Administrative and non-profit Organisations	**391,121**	437,889
Multilateral Development Banks	**113,338**	97,764
Other Credit Institutions	**76,846**	70,104
Retail and Corporate customers	**18,032,836**	23,222,903
Other items	**61,876,128**	67,443,351
Outros elementos	**16,123,812**	15,736,586
	104,130,821	113,851,839

Note: gross exposures of impairment and amortization. Includes securitization positions.

The following table includes the European countries that have been under particular attention in this period, such as Portugal, Greece, Ireland, Spain, Italy and Hungary. The amount represents the gross exposure (nominal value), as at 31 December 2012, of the credit granted to entities whose country is one of those identified.

(Thousands of Euros)

		'12					
		Country					
Counterparty type	Maturity	Spain	Greece	Hungary	Ireland	Italy	Portugal
Financial Institutions	2013	301,718	28,010	5	975,008	57,409	562,591
	2014	50,000	-	-	15,000	23,000	198,503
	2015	5,000	-	-	-	-	51,594
	>2015	75,000	-	-	-	-	337,846
		431,718	**28,010**	**5**	**990,008**	**80,409**	**1,150,534**
Companies	2013	66,408	-	-	4,136	-	7,314,835
	2014	7,127	-	-	-	-	1,311,036
	2015	90,000	-	-	-	-	620,457
	>2015	207,549	13,658	-	-	-	6,646,475
		371,084	**13,658**	**-**	**4,136**	**-**	**15,892,803**
Retail	2013	4,351	23	13	63	53	2,945,017
	2014	117	-	1	69	-	549,621
	2015	129	-	-	2,459	-	599,760
	>2015	83,657	258	-	61,824	2,771	21,203,979
		88,254	**281**	**14**	**64,415**	**2,824**	**25,298,377**
State and other public entities	2013	-	-	5	-	-	4,091,587
	2014	-	-	-	200,000	-	305,147
	2015	-	-	-	-	-	2,050,799
	>2015	-	-	-	-	50,000	1,499,172
		-	**-**	**5**	**200,000**	**50,000**	**7,946,705**
Total Country		**891,056**	**41,949**	**24**	**1,258,559**	**133,233**	**50,288,419**

The balance Financial Institutions includes applications in other credit institutions. The amounts do not include interest and are not deducted from the values of impairment.

The balance Companies includes the amounts of credit granted to the companies segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance Retail includes the amounts of credit granted to the retail segment and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

The balance State and other public entities includes the amounts related to sovereign debt, credit to governmental institutions, public companies, governments and municipalities, and does not consider the amounts of interest, impairment or risk mitigation through collaterals.

Market Risks

Bank in monitoring and control of market risk existing in the diverse portfolios uses an integrated risk measure that includes the main types of market risk identified by the Group: generic risk, specific risk, non linear risk and commodities risk.

The measure used in evaluating the generic market risk is the VaR (Value at Risk). The VaR is calculated on the basis of the analysis approximation defined in the methodology developed by the RiskMetrics. It is calculated considering a 10-working day time horizon and an unilateral statistical confidence interval of 99%. In calculating the volatility associated with each risk vector, the model assumes a greater weighting for the market conditions seen in the more recent days, thus ensuring more accurate adjustment to market conditions.

A specific risk evaluation model is also applied to securities (bonds, shares, certificates, etc.) and associated derivatives for which the performance is related to its value. With the necessary adjustments, this model follows regulatory standar The d methodology.

Complementary measures for the non-linear risk, at a confidence level of 99%, and a standard measure for the commodities risk are also used.

These measures are included in the indicator of market risk with the conservative assumption of perfect correlation between the various types of risk (the worst-case scenario).

Capital at risk values are determined both on an individual basis for each one of the position portfolios of those areas having responsibilities in risk taking and management, as well as in consolidated terms taking into account the effects of diversification between the various portfolios.

To ensure that the VaR model adopted is appropriate to the evaluation of the risks involved in the positions that have been assumed, a back testing process has been instituted. This is carried out on a daily basis and it confronts the VaR indicators with the actual results.

The following table shows the main indicators for these measures to the trading portfolio, during 2012:

(Thousands of Euros)

	2012.12.31	2011.12.31
Generic Risk (VaR)	**3,079**	5,512
Specific Risk	**691**	1,294
Non Linear Risk	**12**	329
Commodities Risk	**47**	4
Global Risk	**3,829**	**7,139**

Evaluation of the interest rate risk originated by the banking portfolio is performed by a risk sensitivity analysis process carried out every month for all operations included in the Bank's balance sheet.

For this analysis are considered the financial characteristics of the contracts available in information systems. Based on these data, a projection for expected cash flows is made, according to the repricing dates and any prepayment assumptions considered.

Aggregation of the expected cash flows for each time interval for each of the currencies under analysis allows determination of the interest rate gaps per repricing period.

The interest rate sensitivity of the balance sheet in each currency is calculated through the difference between the present value of the interest rate mismatch after discounting the market interest rates and the discounted value of the same cash flows by simulating parallel shifts of the market interest rates.

The following tables shows the expected impact on the banking books economic value of parallel shifts of the yield curve by +/- 100 and +/- 200 basis points, on each of the main currencies:

(Thousands of Euros)

	'12			
Currency	- 200 bp	- 100 bp	+ 100 bp	+ 200 bp
CHF	(34)	(34)	(816)	(1,616)
EUR	180,661	74,446	(23,254)	(36,399)
PLN	13,944	6,900	(6,760)	(13,384)
USD	4,497	3,031	(8,329)	(16,349)
Total	**199,068**	**84,343**	**(39,159)**	**(67,748)**

(Thousands of Euros)

	'11			
Currency	- 200 bp	- 100 bp	+ 100 bp	+ 200 bp
CHF	1,290	847	(720)	(1,426)
EUR	195,255	79,202	(64,916)	(120,308)
PLN	11,866	5,872	(5,753)	(11,391)
USD	3,646	4,787	(6,753)	(13,237)
Total	**212,057**	**90,708**	**(78,142)**	**(146,362)**

The Bank regularly undertakes hedging operations on the market aiming to reduce the interest rate mismatch of the risk positions associated with the portfolio of transactions of the commercial and structural areas.

The Bank applies, to hedge the foreign exchange risk of the partial investment made in foreign currency in Bank Millennium (Poland), the fair value hedge accounting model.

The amount of the investment subject to hedging is PLN 1,941,433,000 (2011: PLN 1,941,433,000), with the equivalent amount of Euros 476,542,000 (2011: Euros 435,494,000), with the hedging instrument in the same amount.

It was not recognised any ineffectiveness generated in these hedging operations, as referred in the accounting policy 1 d).

Liquidity Risk

Evaluation of the Bank's liquidity risk is carried out using indicators defined by the supervisory authorities on a regular basis and other internal metrics for which exposure limits are also defined.

The evolution of the Bank's liquidity situation for short-term time horizons (up to 3 months) is reviewed daily on the basis of two indicators defined in-house, immediate liquidity and quarterly liquidity. These measure the maximum fund-taking requirements that could arise on a single day, considering the cash flow projections for periods of 3 days and of 3 months, respectively.

Calculation of these indicators involves adding to the liquidity position of the day under analysis the estimated future cash flows for each day of the respective time horizon (3 days or 3 months) for the transactions as a whole brokered by the markets areas, including the transactions with customers of the Corporate and Private networks that, for their dimension, have to be quoted by the Trading Room. The amount of assets in the Bank's securities portfolio considered highly liquid is added to the calculated value, leading to determination of the liquidity gap accumulated for each day of the period under review.

In parallel, the evolution of the Bank's liquidity position is calculated on a regular basis identifying all the factors that justify the variations that occur. This analysis is submitted to the Capital and Assets and Liabilities Committee (CALCO) for appraisal, in order to enable the decision making that leads to the maintenance of financing conditions adequate to the continuation of the business.

In addition, the Risks Commission is responsible for controlling the liquidity risk.

This control is reinforced with the monthly execution of stress tests, to characterize the Bank's risk profile and to ensure that the Group and each of its subsidiaries, fulfill its obligations in the event of a liquidity crisis. These tests are also used to support the liquidity contingency plan and management decisions.

In the current conjuncture, and given the continued prudent management of liquidity by the Group during the course of this whole situation, has been reinforced the buffer role provided by the liquidity asset portfolio discountable with the ECB or other Central Banks. In this line, the portfolio of discountable assets to the ECB increased Euros 3,136,770,000 during the year of 2012 finishing with a value of Euros 17,432,894,000.

The eligible pool of assets for funding operations in the European Central Bank, net of haircuts, is detailed as follows:

(Thousands of Euros)

	'12	'11
European Central Bank	**17,432,894**	14,296,124

As at 31 December 2012, the amount discounted in the European Central Bank amounted to Euros 12,000,000,000 (31 December 2011: Euros 12,100,000,000).

The main liquidity ratios of the Bank, according to the definitions of the Instruction no. 13/2009 of the Bank of Portugal, had the following evolution:

		'12	'11
Accumulated net cash flows up to 1 year as % of total accounting liabilities		**17.3%**	1.1%
Liquidity gap as a % of iliquid assets		**17.3%**	-4.9%
Coverage ratio of Wholesale funding by HLA (1)			
	(up to 1 Month)	**456.6%**	96.4%
	(up to 3 Months)	**329.2%**	104.5%
	(up to 1 Year)	**268.1%**	99.2%

(1)HLA- Highly Liquid Assets.

Operational Risk

The approach to operational risk management is based on the business and support end-to-end processes. Process management is the responsibility of the Process Owners, who are the first parties responsible for evaluation of the risks and for strengthening the performance within the scope of their processes. The Process Owners are responsible for keeping up to date all the relevant documentation concerning the processes, for ensuring the real adequacy of all the existing controls through direct supervision or by delegation on the departments responsible for the controls in question, for coordinating and taking part in the risk self-assessment exercises, and for detecting and implementing improvement opportunities, including mitigating measures for the more significant exposures.

In the operational risk model implemented in the Bank, there is a systematic process of gathering information on operational losses, that defines on a systematic form, the causes and the effects associated to an eventual detected loss. From the analysis of the historical information and its relationships, processes involving greater risk are identified and mitigation measures are launched to reduce the critical exposures.

Covenants

The contractual terms of instruments of wholesale funding encompass obligations assumed by the Bank as debtor or issuer, concerning general duties of societary conduct, maintenance of banking activity and the inexistence of certain credit privileges to other creditors (negative pledge). These terms reflect essentially the standards internationally adopted for each type of instrument.

The terms of the Bank's participation in securitization operations involving its own assets are subject to mandatory changes in case the Bank stops respecting certain rating criteria. The criteria established in each transaction results mainly from the existing risk analysis, at the moment that the transaction was set, being these methodologies usually applied by each rating agency in a standardised way to all the securitization transactions involving the same type of loans.

Considering that relevant impacts occurred with previous downgrades, reductions in the Bank's rating notations during 2012 had no significant additional implications with respect to the covenants included in the existing securitization transactions.

Regarding the Covered Bond Programs of Banco Comercial Português that are currently underway, there are no relevant covenants related to a possible downgrade of the Bank.

49. Solvency

Following the request submitted by Millennium bcp, the Bank of Portugal authorised the adoption of methodologies based on internal rating models (IRB) for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risk from the Bank's activity as from 31 December 2010. In the scope of the Roll-Out Plan for the calculation of the capital requirements for credit and counterparty risk under IRB approaches, the Bank of Portugal formally authorized the extension of this methodology to the subclasses of risk "Renewable Retail Positions" and "Other Retail Positions" with effect as from 31 December 2011. Afterwards, with effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors (CCF) for exposures of the class of risk "Corporates". In the 1st half of 2009, the Bank received authorization from the Bank of Portugal to adopt the advanced approaches (internal models) to the generic market risk and the standard method for the operational risk.

The own funds of Banco Comercial Português are determined according to the applicable regulatory rules, namely the Regulation no. 6/2010 from the Bank of Portugal. The own funds result from adding tier 1 with tier 2 and subtracting the component of Deductions. For the calculation of tier 1 are considered the core tier 1 elements, established in the Regulation no. 3/2011, and other relevant elements to the discharge of tier 1. The tier 1 and, in particular, core tier 1, comprises the steadiest components of the own funds.

As core tier 1 positive elements, the paid-up capital and the share premium, hybrid instruments eligible for this line item, fully subscribed by the Portuguese State in the scope of the Bank's capitalisation process, the reserves and the retained earnings and the deferred impacts related to the transition adjustments to the International Financial Reporting Standards, are considered. Net losses, own shares and intangible assets correspond to negative elements.

At the end of the 2011, the Bank decided for a change in the accounting policy related to the recognition of actuarial gains and losses of the Pension Fund. Accordingly, and following an analysis of the options permitted by the International Accounting Standard (IAS) 19 – Employee benefits, the Bank decided to recognize the actuarial gains and losses against reserves. Previously, the Bank used to defer actuarial gains and losses according to the corridor method, in which the unrecognised actuarial gains and losses that exceed 10% of the largest among between the current value of the liabilities and the fair value of the assets were recognised against the income statement according to the estimated remaining useful life of active employees.

Despite this change in accounting policy, the Bank of Portugal, for prudential purposes, allowed to continue to be used a corridor, corresponding to the higher value between: (i) 10% of liabilities from retirement and other pensions benefits, and (ii) 10% of the value of the Pension Fund, as defined in the Regulation no. 2/2012 from the Bank of Portugal. This corridor was enlarged by the Bank of Portugal to include the impacts that resulted from the change of mortality tables in 2005 and the actuarial losses of 2008, excluding the expected return of the fund's assets in the same year. This enlarged corridor is subject to a monthly amortization, which ended in December 2012.

Core tier 1 can also be influenced by the replacement of unrealised gains and losses which do not represent impairment on debt securities, loans and other receivables recorded in the available-for-sale portfolio, on cash flow hedge transactions and on financial liabilities at fair value through profits and losses, net of taxes, to the extent related to own credit risk, as well as by the reversal of unrealised gains on equity securities classified as available-for-sale and loans and other receivables from the trading portfolio or measured at fair value through profits and losses.

The Bank of Portugal established new rules since the second half of 2011, which have influenced the core tier 1 of the Bank:

– in November 2011, the Bank of Portugal issued a clarification regarding the Regulation no. 6/2010, determining a deduction to core tier 1 related to customers deposits contracted with yields above a certain threshold (Instruction no. 15/2012 from the Bank of Portugal).
– the Bank of Portugal has allowed the prudential neutralization, as from December 2011 and until June 2012, of the impacts related to the transfer of part of pension liabilities to the General Social Security Scheme and the Special Inspection Programme, carried out under the program of financial assistance to Portugal (Regulation no. 1/2012 from the Bank of Portugal).
– in June 2012, the Bank issue Euros 3,000 millions of core tier 1 capital instruments subscribed by the Portuguese State within the scope of the recapitalization process of the Goup and in accordance with Regulation no. 3/2011 from the Bank of Portugal. These instruments eligible until the maximum of 50% of core tier 1.

The additional elements that integrate the core tier I are hybrid instruments and even some deductions taken by 50%: (i) of interests held in financial institutions (more than 10%) and insurers (at least 20%) and (ii) the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts cleared under the IRB approach.

The tier 2 includes the subordinated debt and 45% of the unrealised gains on available for sale assets that have been deducted to core tier 1. These components are part of the upper tier 2, except the subordinated debt, that is split between upper tier 2 (perpetual debt) and lower tier 2 (the remaining). Subordinated debt can only be included in the own funds with the agreement of the Bank of Portugal and as long as their total amount complies with the following limits: a) the tier 2 cannot surpass the amount of the tier 1 and b) the lower tier 2 cannot surpass 50% of the tier 1. Additionally, non-perpetual subordinated loans should be amortised at a 20% annual rate, during the last five years to maturity. The tier 2 is also subject to the deduction of the remaining 50% not deducted to the tier 1: (i) of interests held in financial institutions (more than 10%) and insurers (at least 20%); and (ii) the shortfall of value adjustments and provisions to expected losses concerning risk-weighted exposure amounts cleared under the IRB approach. If the amount of tier 2 is not enough to accommodate this deduction, the excess should be subtracted to the tier 1.

In order to conclude the calculation of the regulatory capital, there are still some deductions to the own funds that need to be performed, namely the amount of real-estate assets resulting from recovered loans that have exceeded the regulatory period of permanence in the Bank's accounts, the impairment concerning securitization transactions that have not reached the regulatory definition of effective risk transfer, to the extent of the amounts not recognised in the Bank's accounts, and the potential excess of exposure to risk limits in the scope of Bank of Portugal published Regulation no, 7/2010.

Capital requirements have been determined in accordance with the Basel II framework since the beginning of 2008. Capital requirements for credit risk have been determined in accordance with the Regulation no. 5/2007 from the Bank of Portugal, using IRB approaches to calculate minimum capital requirements for a substantial part of the retail and corporate portfolios, and the standardised approach for the remaining portfolios.

Capital requirements for operational risk have been calculated following the standard approach described in the Regulation nº9/2007 from the Bank of Portugal, and capital requirements for the trading portfolio have been calculated according to the Regulation nº8/2007 from the Bank of Portugal, using the internal models approach to calculate capital requirements for the generic market risk of the trading portfolio related to debt instruments, capital instruments and foreign exchange risks, and the standardised approach to calculate capital requirements for the specific risk.

According to a recommendation released by the Bank of Portugal, the Bank's tier 1 and total capital ratios should not stand below 8%.

The own funds and the capital requirements determined according to the methodologies previously referred, for 31 December 2012 and 2011, are the following:

(Thousands of Euros)

	'12	'11
Core Own Funds		
Paid-up capital and share premium	**3,571,722**	6,136,722
Other capital instruments	**3,000,000**	-
Reserves and retained earnings (a)	**350,399**	(1,077,483)
Intangible assets	**(14,246)**	(10,875)
Net impact of accruals and deferrals (a)	**(253)**	556,113
Other regulatory adjustments	**(89,251)**	(10,776)
Core tier 1	**6,818,371**	5,593,701
Preference shares and other securities	**8,674**	9,853
Other regulatory adjustments	**(25,691)**	(117,651)
Total	**6,801,354**	5,485,903
Complementary own funds		
Upper tier 2	**219,842**	235,679
Lower tier 2	**972,956**	774,091
	1,192,798	1,009,770
Deductions to Total Own Funds	**(110,625)**	(103,694)
Total Own Funds	**7,883,527**	6,391,979
Own Funds Requirements		
Requirements from Regulation no. 5/2007	**3,658,780**	4,004,807
Trading portfolio	**36,869**	42,583
Operacional Risk	**171,401**	189,307
	3,867,050	4,236,697
Capital Ratios		
Core tier 1	**14.1%**	10.6%
Tier 1	**14.1%**	10.4%
Tier 2 (*)	**2.2%**	1.7%
Solvency Ratio	**16.3%**	12.1%

(*) Includes deductions to total own funds

a) Following the change in accounting policy related to the pension fund described above, all actuarial gains and losses were recognised in equity and, for prudential purposes, have been deferred.

50. Accounting standards recently issued

Accounting standards and interpretations recently issued

Recently Issued pronouncements already adopted by the Bank in the preparation of the financial Statements are the following:

IFRS 7 (amended) – Financial Instruments: Disclosures – Transfers of Financial Assets

The International Accounting Standards Board (IASB), issued on 7th October 2010, amendments to "IFRS 7 – Disclosures – Transfers of Financial Assets", effective for annual periods beginning on or after 1st July 2011. Those amendments were endorsed by EU Commission Regulation 1205/2011, 22nd November.

The amendment requires enhanced disclosures about transfers of financial assets that enable users of the financial statements:

– to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liability; and
– to evaluate the nature of, and risks associated with, the entity´s continuing involvement in derecognised financial asset.

The amendments also required additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

The adoption of this amendment by the Bank had no impact on its financial statements.

IAS 12 (Amended) – Deferred tax: recovery of underlying assets

The IASB, issued on 20 December 2010, amendments to "IAS 12 – Income Tax – Recovery of Underlying Assets" (and withdraw SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets), effective for annual periods beginning on or after 1st January 2012. Those amendments were endorsed by EU Commission Regulation 1255/2012, 11th December.

The amendments to IAS 12 provide that, the deferred taxes related to investment properties are measured with the presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. Before the amendment, entities were allowed to consider that the carrying amount of investment proprieties would be recovered either through use or sale, depending on management intention.

The adoption of this amendment by the Bank had no impact on its financial statements.

The Bank decided to opt for not having an early application of the following standards endorsed by EU but not yet mandatory effective

Presentation of Items of Other Comprehensive Income – Amendments to IAS 1 – Presentation of Financial Statements

The IASB, issued on 16th June 2011, amendments to "IAS 1 – Presentation of Financial Statements", effective (with retrospective application) for annual periods beginning on or after 1st January 2012. Those amendments were endorsed by EU Commission Regulation 475/2012, 5th June.

The changes retain the entity's option to present profit or loss and other comprehensive income in two statements, however requires:

– to present separately the items of other comprehensive income that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss; and
– an entity that presents items of other comprehensive income before related tax effects will also have to allocate the aggregated tax amount between the two subcategories;
– change the title to "statement of profit or loss and other comprehensive income" - although other titles could be used.

The amendments affect presentation only and have no impact on the Bank's financial position or performance.

IAS 19 (Revised) – Employee Benefits

The IASB, issued on 16th June 2011, amendments to "IAS 19 – Employee Benefits", effective (with retrospective application) for annual periods beginning on or after 1st January 2012. Those amendments were endorsed by EU Commission Regulation 475/2012, 5th June.

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor method and the concept of expected returns on plan assets to simple clarifications and re-wording. The Bank made, in 2011, a voluntary change in the accounting police related to actuarial gains and losses arising from its post employment benefits which from 2011 are charged to equity, under other comprehensive income.

However, the amended standard will impact the net benefit expenses as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. This change will also have no impact on the Bank financial statements.

IFRS 7 (Amended) – Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities

The IASB, issued on 16th December 2011, amendments to "IFRS 7 – Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

These amendments required an entity to disclose information about what amounts have been offset in the statement of financial position and the nature and extend of rights to set-off and related arrangements (e.g. collateral arrangements).

The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

The Bank expects that adoption of the amendments to IFRS 7 will require more extensive disclosures about rights of set-off.

IAS 32 (Amended) – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

The IASB, issued on 16th December 2011, amendments to "IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities", effective (with retrospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1256/2012, 11th December.

The IASB amended IAS 32 to add application guidance to address the inconsistent application of the standard in practice. The application guidance clarifies that the sentence "currently has a legal enforceable right of set-off" means that the right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default and in the event of insolvency or bankruptcy, of the entity and all of the counterparties.

The application guidance also specifies the characteristics of gross settlement systems in order to be considered equivalent to net settlement.

The Bank is not expecting a significant impact form the adoption of the amendment to IAS 32, taking into consideration the accounting police already adopted.

IAS 27 (Revised) – Separate Financial Statements

The IASB, issued on 12th May 2011, amendments to "IAS 27 – Separate Financial Statements", effective (with prospective application) for annual periods beginning on or after 1st January 2014. Those amendments were endorsed by EU Commission Regulation 1254/2012, 11th December.

Taking in consideration that IFRS 10 addresses the principles of controls and the requirements relating to the preparation of consolidated financial statements, IAS 27 was amended to cover exclusively separate financial statements.

The amendments aimed, on one hand, to clarify the disclosures required by an entity preparing separate financial statements so that the entity would be required to disclose the principal place of business (and country of incorporation, if different) of significant investments in subsidiaries, joint ventures and associates and, if applicable, of the parent.

The previous version required the disclosure of the country of incorporation or residence of such entities.

On the other hand, it was aligned the effective dates for all consolidated standards (IFRS10, IFRS11, IFRS12, IFRS13 and amendments to IAS 28).

The Bank expects no relevant impact from the adoption of this amendment on its financial statements.

IFRS 10 – Consolidated Financial Statements

The IASB, issued on 12th May 2011, "IFRS 10 Consolidated Financial Statements", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

IFRS 10, withdraw part of IAS 27 and SIC 12, and introduces a single control model to determine whether an investee should be consolidated.

The new concept of control involves the assessment of power, exposure to variability in returns and a linkage between the two. An investment controls an investee when it is exposed, or has rights, to variability returns from its involvement with the investee and is able to affect those returns through its power over the investee (facto control).

The investor considers whether it controls the relevant activities of the investee, taking into consideration the new concept. The assessment should be done at each reporting period because the relation between power and exposure variability in returns may change over the time.

Control is usually assessed over a legal entity, but also can be assessed over only specified assets and liabilities of an investee (referred to as silo).

The new standard also introduce other changes such as: (i) accounting requirements for subsidiaries in consolidation financial statements are carried forward from IAS 27 to this new standards and (ii) enhanced disclosures are requires, including specific disclosures for consolidated and unconsolidated structured entities.

The Bank still not proceed a complete analyze of the impacts of the applications of this standard. Considering the introduction of a new control model, it can have changes on the conclusions of consolidations of several investments.

Nevertheless, the Bank does not expect any significant impact on the application of this standard on its financial statements.

IFRS 11 – Joint Arrangements

The IASB, issued on 12th May 2011, "IFRS 11 Joint arrangements", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December that allows a delayed on mandatory application for 1st January 2014.

IFRS 11, withdraw IAS 31 and SIC 13, defines "joint control" by incorporating the same control model as defined in IFRS 10 and requires an entity that is part of a "join arrangement" to determine the nature of the joint arrangement ("joint operations" or "joint ventures") by assessing its rights and obligations.

IFRS 11 removes the option to account for joint ventures using the proportionate consolidation. Instead, joint arrangements that meet the definition of "joint venture" must be account for using the equity method (IAS 28).

The Bank has not carried out a thorough analysis of the impacts of the application of this standard. Nevertheless, the Bank does not expect any significant impact on the application of this standard on its financial statements.

IAS 28 (Revised) – Investments in Associates and Joint Ventures

The IASB, issued on 12th May 2011, "IAS 28 Investments in Associates and Joint Ventures", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed as IAS 28 Investments in Associates and Joint ventures, and describes the application of the entity method to investments in joint ventures and associates.

The Bank expects no impact from the adoption of this amendment on its financial statements.

IFRS 12 – Disclosures of Interest in Other Entities

The IASB, issued on 12th May 2011, "IFRS 12 Disclosures of Interests in Other Entities", effective (with retrospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1254/2012, 11th December, that allows a delayed on mandatory application for 1st January 2014.

The objective of this new standard is to require an entity to disclose information that enables users of its financial statements to evaluate: (a) the nature of, and risks associated with, its interests in other entities; and (b) the effects of those interests on its financial position, financial performance and cash flows.

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special vehicles and other off balance sheet vehicles.

The Bank is still assessing the full impact of the new IFRS 12 in line with IFRS 10 and IFRS 11.

IFRS 13 – Fair Value Measurement

The IASB, issued on 12th May 2011, "IFRS 13 fair value Measurement", effective (with prospective application) for annual periods beginning on or after 1st January 2013. These amendments were endorsed by EU Commission Regulation 1255/2012, 11th December.

IFRS 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements or disclosures are required or permitted by other IFRSs.

The Bank is currently reviewing its methodologies for determining fair values, to evaluate if this rule has any impact on its financial statements.

Although many of IFRS 13 disclosures requirements regarding financial assets and financial liabilities are already required, the adoption of IFRS 13 will require the Bank to provide additional disclosures. These include fair value hierarchy disclosures for non-financial assets/liabilities and disclosures on fair value measurements that are categorized in Level 3.

Recently Issued pronouncements that are not yet effective for the Bank

Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27 (issued by IASB on 31st October 2012)

The amendments apply to a particular class of business that qualifies as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organizations, venture capital organizations, pension funds, sovereign wealth funds and other investment funds.

The amendments provide an exception to the consolidation requirements in IFRS 10 and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities.

The amendments are effective from 1 January 2014 with early adoption permitted. This option allows investment entities to apply the Investment Entities amendments on the same date as the first application of the remaining IFRS 10.

The Bank expects no impact from the adoption of this amendment on its financial statements.

Improvements to IFRS (2009-2011)

The annual improvements cycle 2009-2011, issued by IASB on 17th May 2012, introduce amendments, with effective date on, or after, 1st January 2013, to the standards IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34 and IFRIC 2.

IAS 1 – Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is related with the previous period.

IAS 16 – Property Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 – Financial Instruments, Presentation and IFRIC 2

The improvements clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes, avoiding any interpretation that may mean any either application.

IAS 34 – Interim Financial Reporting

The amendments align the disclosure requirement for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures in relation to the changes of profit and loss account and other comprehensive income.

The Bank is not expecting any significant impacts from the adoption of these improvements, taking into consideration the accounting police already adopted.

IFRS 9 – Financial instruments (issued in 2009 and revised in 2010)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (2010) introduces additional requirements related to financial liabilities. The IASB currently has an active project to perform limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets and hedge accounting.

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables.

For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognized in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognized in profits or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment.

Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognized in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instruments is assessed in its entirety as to whether it should be amortized cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The IASB decided to consider making limited amendments to IFRS 9 to address practice and other issues.

The Bank has started the process of evaluating the potential effect of this standard but is waiting for finalization of the limited amendments before the evaluation can be completed. Given the nature of the Bank's operation, this standard is expected to have a pervasive impact on the Bank's financial statements.

51. Administrative proceedings

1. At the end of the year of 2007, the Bank received a formal notice dated of 27 December 2007 informing that administrative proceedings no. 24/07/CO were brought by the Bank of Portugal against the Bank and against seven former Directors and two Managers, "based in preliminary evidence of administrative offences foreseen in the General Framework of credit Institutions and Financial Companies (approved by Decree-Law no. 298/92, of December 31), in particular with respect to breach of accounting rules, provision of false or incomplete information to Bank of Portugal, in particular in what respects to the amount of own funds and breach of prudential obligations".

A press release issued by the Bank of Portugal on 28 December 2007 mentioned that such administrative proceedings were initiated "based in facts related with 17 off-shore entities, whose nature and activities were always hidden from Bank of Portugal, in particular in previous inspections carried out".

On 12 December 2008, the Bank was notified of an accusation under the administrative proceedings no. 24/07/CO instructed by the Bank of Portugal, in which this Authority charges the Bank and the other defendants, with the practice of six administrative offences regulated by paragraph g) and three administrative offences regulated by paragraph r) of article 211 of the Legal Framework for Credit Institutions and Financial Companies (LFCIFC).

The offences, should the charges be proven true, would be the following:

a) failure to comply with the applicable accounting rules, determined by law or by the Bank of Portugal, that do not cause serious damages to the knowledge of the company's assets and financial standing is an administrative offence regulated in article 210 (f) of the LFCIFC, whereby companies are punished by a fine between Euros 750 and Euros 750,000. However, if such conduct causes serious damages, it may become the offence regulated in article 211 (g) of the LFCIFC, whereby companies are punished by a fine between Euros 2,500 and Euros 2,494,000, and

b) the (i) omission of information and communications to the Bank of Portugal, within the due deadlines or (ii) the provision of incomplete information are offences regulated in article 210 (h – presently amended to i) of the LFCIFC, whereby companies are punished by a fine between Euros 750 and Euros 750,000. However, the (i) provision of false information or (ii) of incomplete information to the Bank of Portugal that may lead to wrongful conclusions with the same or similar effect as false information regarding that subject are offences regulated in article 211 (r) of the LFCIFC, whereby companies are punished by a fine between Euros 2,500 and Euros 2,494,000..

According to the charges, each offence is punishable by a fine between Euros 2,493.99 and Euros 2,493,989.49, and pursuant to the rules on accrued offences, defined in article 19 (1 and 2), of the Portuguese regime on administrative offences (*Regime Geral das Contraordenações*), in case of conviction for several offences, there shall be a single fine, the maximum amount of which cannot surpass twice the highest limit of the accrued offences.

On March 2009, the Bank did not accept the charges or accusations made and provided defence under these administrative proceedings within due term.

On 12 May 2010, the Bank was notified of the contents of the decision that, within the scope of the proceedings, was issued by the Board of Directors of the Bank of Portugal, applying to it, as primary sanction, a single fine of Euros 5,000,000.

Different fines were applied to the remaining defendants as primary sanctions, globally amounting to Euros 4,470,000. The Board of Directors of the Bank of Portugal decided to file the proceedings relating to a former Director and a Manager.

The Bank objected to this decision and has already been informed of the decision to accept the legal objections presented by all the defendants.

The trial hearing began in April 2011 and in September, the Court heard the witnesses so as to better appraise the validity of the documentation provided with the claims and their eventual nullity as evidence due to violation of banking secrecy.

After the hearing, the Court issued a decision dated of 7 October 2011 declaring that the evidence was null and therefore the entire process was annulled.

The Public Prosecutor and Banco of Portugal appealed this decision. The Bank and other defendants have already presented their counter-claim.

On 5 July 2012, the Bank was notified of the decision of the Tribunal da Relação de Lisboa (Lisbon court of appeals) which approved the appeals presented by Banco de Portugal and by the public prosecution, and revoked the decision appealed, determining that, "there being no other reason not to, the trial hearing shall be continued and at the appropriate moment, a decision will be made based on the evidence".

Several defendants (natural persons) presented an appeal to the Constitutional Court and the proceeding is waiting to be appraised.

2. On July 2009, the Bank was notified of the accusation deducted by Public Ministry in a criminal process against five former members of the Board of Directors of the Bank, related mainly to the above mentioned facts, and to present in this process a request for an indemnity.

Considering this notification, and although considering as reproduced the contents of the defence presented in the above mentioned administrative proceedings, the Bank decided, in order to avoid any risk of a future allegation of loss of the right to an indemnity that may occur if no recourse is presented in this process, to present legal documentation regarding: (i) the recognition of its right, in a later period namely following the final identification of the facts, present a separate process in civil courts requesting an indemnity and (ii) additionally and cautiously, if the right to the request of a separate indemnity process in civil courts is not recognised, a civil indemnity according to the facts and terms mentioned in the accusation, if they are proven.

On 19 July 2011 the Bank was notified of the decision of the 8.ª Vara Criminal de Lisboa (Lisbon criminal court section) to recognise that the Bank could present an eventual request for civil indemnity separately. One of the Defendants appealed this decision to the Court of Appeals, which was admitted by the first instance court but has a merely devolutive effect, being passed to the higher court only with the eventual appeal that ends the proceedings.

The debate and trial hearing is currently underway.

3. On 22 June 2012, three companies controlled by the same physical person, the Ring Development Corp., the Willow Securities Inc., and the Lisop Sociedade de Serviços Investimentos e Comercio de Imobiliários Lda. (the "Plaintiffs") brought forward a lawsuit in the courts of Lisbon against Banque Privée BCP (Suíça) S.A. and the Bank requesting: (i) compensation for an unspecified amount, but always above Euros 40 millions, for alleged damages and (ii) that certain loan agreements established between the Plaintiffs and Banque Privée BCP (Suisse) S.A. in 2008, amounting to a total of around Euros 80 millions be declared null but without the subsequent legal duty to return the funds borrowed. Notwithstanding the fact that the agreements are ruled by the Swiss law, the Plaintiffs based their request for the agreements to be declared null on an alleged violation of the provisos of the Portuguese Companies Code, stating that the loan agreements were made to enable the Plaintiffs to purchase shares of the Bank and on the fact that they had been forced to enter into the same. The Plaintiffs based their compensation request on alleged losses incurred due to the fact that Banque Privée BCP (Suisse) S.A. triggered the agreements' clause, selling the listed shares given as pledge at base prices, as foreseen in the loan agreements, and that the Plaintiffs were not given the possibility to continue to trade the pledged assets after the execution.

The loan agreements are ruled by the Swiss Law and subject to the jurisdiction of the Swiss courts and the Bank was informed that, according to the Swiss law, the Plaintiffs' request is not likely to be granted. Since the lawsuit was brought forward in the Portuguese courts, if the Portuguese courts decide to try the same, its outcome may be uncertain. Since the Bank believes that the Plaintiffs' request has no grounds, the Bank did not make any provisions regarding this litigation.

On 29 October 2012, the Bank presented its arguments. Banque Privée BCP (Suisse) S.A. requested that the citation be considered null; the request was accepted and an order was issued for the repetition of the citation, and the same was repeated on 08 January 2013, and Banque Privée now has 60 days to present its arguments.

52. Sovereign debt of European Union countries subject to bailout

As at 31 December 2012, the exposure of the Bank to sovereign debt of European Union countries subject to bailout is as follows:

	'12					
Issuer/Portfolio	Book value Euros '000	Fair value Euros '000	Fair value reserves Euros '000	Average interest rate %	Average maturity	Fair value measurement
Portugal						
Financial assets held for trading	179,840	179,840	-	4.31%	5.3	1
Financial assets available for sale	3,428,558	3,428,558	129,328	3.46%	2.8	1
Held to maturity financial assets	1,828,175	1,813,761	-	3.64%	3.6	n.a.
	5,436,573	**5,422,159**	**129,328**			
Greece						
Financial assets held for trading	1,024	1,024	-	-	-	-
	1,024	**1,024**	**-**			
Ireland						
Held to maturity financial assets	209,355	210,102	-	4.00%	1.0	n.a.
	209,355	**210,102**	**-**			
	5,646,952	**5,633,285**	**129,328**			

The value of the securities includes the respective accrued interest.

As at 31 December 2011, the exposure of the Bank to sovereign debt of European Union countries subject to bailout is as follows:

	'11					
Issuer/Portfolio	Book value Euros '000	Fair value Euros '000	Fair value reserves Euros '000	Average interest rate %	Average maturity	Fair value measurement
Portugal						
Financial assets held for trading	573,993	573,993	-	4.29%	1.6	1
Financial assets available for sale	2,103,706	2,103,706	(174,332)	3.35%	3.4	1
Held to maturity financial assets	2,026,266	1,514,824	-	4.80%	3.3	n.a.
	4,703,965	**4,192,523**	**(174,332)**			
Greece						
Held to maturity financial assets	119,102	119,102	-	4.04%	4.1	n.a.
	119,102	**119,102**	**-**			
Ireland						
Held to maturity financial assets	210,972	192,973	-	4.00%	2.0	n.a.
	210,972	**192,973**	**-**			
	5,034,039	**4,504,598**	**(174,332)**			

The value of the securities includes the respective accrued interest.

As at 31 December 2012 and 2011, the exposure registered in the balance Loans and advances to customers and Guarantees and future commitments, related to sovereign risk of the European Union countries subject to bailout is presented as follows:

(Thousands of Euros)

	'12		'11	
	Loans and advances to customers	**Guarantees and future commitments**	Loans and advances to customers	Guarantees and future commitments
Portugal	**460,551**	**13,117**	427,399	17,749

As at 31 December 2012 and 2011, other exposures to sovereign risk of European Union countries subject to bail out are presented as follows:

(Thousands of Euros)

	'12		'11	
	Notional amount	**Fair value**	Notional amount	Fair value
Greece				
Credit default swaps	-	-	148,250	(79,220)
Ireland				
Credit default swaps	**57,000**	**1,068**	57,000	(6,386)
	57,000	**1,068**	205,250	(85,606)

The value of derivatives includes the respective accrued interest.

The values for Credit Default Swaps identified in the tables above, are economically offset by other symmetrical Credit Default Swaps or Credit Linked Notes issued by the Group and for which is applied the Fair Value Option or are being detached embedded derivatives associated, so that, in net terms, the Group is not exposed to the risks underlying sovereign risks.

The European Union sovereign debt crisis and specifically the economic and political environment in Greece have contributed to the continuous deterioration of economic and financial situation of Greece and the incapacity to obtain funds from the international markets, which implies that the short term solvency of the country is dependent on the continuous support by EU and IMF.

Impairment was determined considering the terms of the agreement established between the Greek state and the private sector (PSI), related to the restructuring of the Greek sovereign debt ('GGBs'). For the purposes of determining impairment, the Group considered the terms and conditions of the PSI and also paragraph AG 84 of IAS 39 that considers reasonable that, for the portfolio of assets held to maturity when, for practical reasons, there are relevant uncertainties regarding the estimate of future cash-flows, impairment can be determined based on observable market prices.

Considering the available information regarding the bonds' characteristics, the fair value corresponded to approximately 23% of the book value of the portfolio. In light of the reestructuring of the Greek sovereign debt in the second quarter of 2012, the Bank charged off the impairment. The exchange offer occurred in 12 March 2012.

The PSI is part of an European Union Euros 130,000,000,000 bailout package for Greece.

After the exchange, the Bank sold all portfolio of Greek sovereign debt resulting from PSI.

53. Transfers of assets

The Bank performed a set of transactions of sale of financial assets (namely loans and advances to customers) for Funds specialized in the recovery of loans. These funds take the responsibility for management of the companies or assets received as collateral with the objective of ensuring a pro-active management through the implementation of plans to explore/increase the value of the companies/assets. The financial assets sold under these transactions are derecognized from the balance sheet of the Group, since the transactions result in the transfer to the Funds of a substantial portion of the risks and benefits associated with the assets as well as the control on the assets.

The specialized funds that acquire the financial assets are closed funds, in which the holders of the participation units have no possibility to request the reimbursement of its investment throughout the useful life of the fund.

These participation units are held by several banks, which are the sellers of the loans, in percentages that vary through the useful life of the Funds, ensuring however that, separately, none of the banks holds more than 50% of the capital of the fund.

The funds have a specific management structure (General Partner), fully independent from the banks and that is selected on the date of establishment of the fund.

The management structure of the Fund has as main responsibilities:

– determine the objective of the fund;
– manage exclusively the fund, determining the objectives and investment policy and the conduct in management and business of the fund.

The management structure is remunerated through management commissions charged to the Funds.

These funds, in the majority of the transactions (in which the Bank holds minority positions) establish companies under the Portuguese law in order to acquire the loans to the banks, which are financed through the issuance of senior and junior bonds. The value of the senior bonds fully subscribed by the Finds that hold the share capital of the companies match the fair value of the asset sold, determined in accordance with a negotiation based on valuations performed by both parties. These bonds are remunerated at an interest rate that reflects the risk of the company that holds the assets.

The value of the junior bonds is equivalent to the difference between the fair value based on the valuation of the senior bonds and the sale value. These junior bonds, when subscribed by the Bank, provide the right to a contingent positive value if the recovered amount for the assets transferred is above the nominal value amount of senior bonds plus it related interest.

However, considering that these junior bonds reflect a difference between the valuations of the assets sold based on the appraisals performed by independent entities and the negotiation between the parties, the junior bonds are fully provided.

Therefore, following the transactions, the Bank subscribed:

– participation units of the Funds, for which the cash flows that allow the recovery arise mainly from a set of assets transferred from the participant banks (where the Bank has clearly a minority interest). These securities are booked in the available for sale portfolio and are accounted for at fair value based on the market value, as disclosed by the funds and audited at year end.
– junior bonds (with higher subordination degree) issued by the companies held by the funds and which are fully provided to reflect the best estimate of impairment of the financial assets transferred.

Within this context, not withholding control but maintaining an exposure to certain risks and rewards, the Bank, in accordance with IAS 39.21 performed an analysis of the exposure to the variability of risks and rewards in the assets transferred, before and after the transaction, having concluded that it doesn't hold substantially all the risks and rewards.

Considering that it doesn't hold control and doesn't exercise significant influence on the funds or companies management, the Bank performed the derecognition of the assets transferred under the scope of IAS 39.20 c (i) and the recognition of the assets received as follows:

(Thousands of Euros)

	Values associated to credit tranfers		
	Net assets transferred	Received value	Income/(loss) resulting from the transfer
Fundo Recuperação Turismo FCR	209,302	290,984	81,682
FLIT	185,794	263,039	77,244
Vallis Construction Sector Fund	220,512	220,764	252
Fundo Recuperação FCR	284,199	202,173	(82,025)
Discovery Real Estate Fund	68,208	62,538	(5,670)
	968,015	**1,039,498**	**71,483**

(Thousands of Euros)

	Senior securities	Junior securities	Total	Impairment for juniors	Impairment for seniors	Net value
Fundo Recuperação Turismo FCR	273,315	-	273,315	-	-	273,315
FLIT	173,813	59,508	233,321	(59,508)	-	173,813
Vallis Construction Sector Fund	165,531	32,161	197,692	(32,161)	-	165,531
Fundo Recuperação FCR	164,038	68,553	232,591	(68,553)	(8,522)	155,516
Discovery Real Estate Fund	45,683	-	45,683	-	-	45,683
	822,380	**160,222**	**982,602**	**(160,222)**	**(8,522)**	**813,858**

The junior securities correspond to supplementary capital in the amount of Euros 128,061,000, as referred in note 29 and Participation units in the amount of Euros 32,161,000 as referred in note 21.

Additionally there is an amount of Euros 27,455,000, booked in the loans and advances to customer's portfolio that is fully provided.

Within the scope of the transfer of assets, the junior securities subscribed, which carry a subordinated nature and are directly linked to the transferred assets, are fully provided for.

Although the junior bonds are fully provided, the Bank still holds an indirect exposure to financial assets transferred, under the minority investment that holds in the pool of assets transferred by all financial institutions involved, through the holding of participation units of the funds (denominated in the table as senior bonds).

54. BCP list of subsidiary and associated companies

As at 31 December 2012, the Banco Comercial Português S.A. subsidiary companies are as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	% held
Bank Millennium, S.A.	Warsaw	1,213,116,777	PLN	Banking	65.5
Banco Millennium Angola, S.A.	Luanda	4,009,893,495	AOA	Banking	50.1
Banco de Investimento Imobiliário, S.A.	Lisbon	217,000,000	EUR	Banking	100.0
BCP Capital – Sociedade de Capital de Risco, S.A.	Lisbon	28,500,000	EUR	Venture capital	100.0
BCP Investment B.V.	Amsterdam	620,774,050	EUR	Holding company	100.0
Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.	Funchal	25,000	EUR	Holding company	100.0
Bitalpart, B.V.	Rotherdam	19,370	EUR	Holding company	100.0
Caracas Financial Services, Limited	George Town	25,000	USD	Financial Services	100.0
Interfundos – Gestão de Fundos de Investimento Imobiliários, S.A.	Lisbon	1,500,000	EUR	Investment fund m anagement	100.0
Millennium BCP – Escritório de Representações e Serviços, Ltda.	Sao Paulo	40,596,536	BRL	Financial Services	100.0
Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.	Oeiras	6,720,691	EUR	Investment fund management	100.0
Millennium bcp – Prestação de Serviços, A.C.E.	Lisbon	331,000	EUR	Services	75.8
Millennium bcp Teleserviços – Serviços de Comércio Electrónico, S.A.	Lisbon	50,004	EUR	Videotex services	100.0
Servitrust – Trust Management Services S.A.	Funchal	100,000	EUR	Trust services	100.0
Millennium bcp Imobiliária, S.A.	Lisbon	50,000	EUR	Real estate management	99.9
Imábida – Imobiliária da Arrábida, S.A.	Oeiras	1,750,000	EUR	Real estate management	100.0
QPR Investimentos, S.A.	Lisbon	50,000	EUR	Services	100.0
Propaço – Sociedade Imobiliária de Paço d'Arcos, Lda.	Oeiras	5,000	EUR	Real estate company	52.7

As at 31 December 2012, the Banco Comercial Português S.A. associated companies are as follows:

Associated companies	Head office	Share capital	Currency	Activity	% held
ACT-C-Indústria de Cortiças, S.A.	Sta.Maria Feira	17,923,625	EUR	Extractive industry	20.0
Banque BCP, S.A.S.	Paris	84,164,803	EUR	Banking	19.9
Nanium, S.A.	Vila do Conde	15,000,000	EUR	Electronic equipments	41.1
SIBS, S.G.P.S. , S.A.	Lisbon	24,642,300	EUR	Banking services	21.5
Sicit – Sociedade de Investimentos e Consultoria em Infra-Estruturas de Transportes, S.A.	Oeiras	50,000	EUR	Consulting services	25.0
UNICRE – Instituição Financeira de Crédito, S.A.	Lisbon	10,000,000	EUR	Credit cards	31.7
Quinta do Furão – Sociedade de Animação Turística e Agrícola de Santana, Lda.	Funchal	1,870,492	EUR	Tourism	31.3

As at 31 December 2012, the Banco Comercial Português S.A. subsidiary insurance companies are as follows:

Subsidiary companies	Head office	Share capital	Currency	Activity	% held
S&P Reinsurance Limited	Dublin	1,500,000	EUR	Life reinsurance	100.0

DECLARATION OF COMPLIANCE

Millennium bcp

Administração

DECLARATION OF COMPLIANCE

It is declared, that in the extent of the knowledge of the below signed, the individual and consolidated financial statements of Banco Comercial Português, S.A. ("BCP" or "Bank"), which comprehend (i) the individual and consolidated balance sheet as at 31 December 2012, (ii) the individual and consolidated income statements for the year ended 31 December, 2012, (iii) the changes in equity and the cash flow statement for the year ended 31 December 2012, (iv) a summary of the significant accounting policies and (v) the notes to individual and consolidated accounts, give a true and appropriate image of the individual and consolidated financial position of the Bank as at 31 December 2012 and of the individual and consolidated income of their operations and changes in the equity and of their individual and consolidated cash flow statements for the year ended in that date according to the Adjusted Accounting Standards (NCA) as defined by the Bank of Portugal and International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The individual and consolidated financial statements of the Bank for the year ended 31 December 2012 were approved by the Board of Directors on 22 April 2013.

It is also declared that the 2012 management report of BCP truly describes the evolution of the businesses, of the performance and position of the Bank and its subsidiaries included in the consolidation perimeter, and contains a description of the main risks and uncertainties that they face. The management report was approved by the Board of Directors on 22 April 2013.

Porto Salvo, 22 April 2013

António Vítor Martins Monteiro
(Chairman)

Carlos José da Silva
(Vice-Chairman)

Nuno Manuel da Silva Amado
(Vice-Chairman)

Pedro Maria Calaínho Teixeira Duarte
(Vice-Chairman)

Álvaro Roque de Pinho Bissaia Barreto
(Member)

André Luiz Gomes
(Member)

António Henriques de Pinho Cardão
(Member)

António Luís Guerra Nunes Mexia
(Member)

Novo Capital Social 3.500.000.000 Euros

BANCO COMERCIAL PORTUGUÊS, S.A. Sociedade Aberta, com sede na Praça D. João I, 28, Porto, com o Capital Social de 4.694.600.000 Euros, matriculada na Conservatória do Registo Comercial do Porto, com o número único de matrícula e de identificação fiscal 501 525 882

Praça D. João, I, 28 - 4000-295 PORTO
Av. Prof. Dr. Cavaco Silva, Edifício 1, Piso 0, Ala B
2744-002 PORTO SALVO

António Manuel Costeira Faustino
(Member)

Bernardo de Sá Braamcamp Sobral SottoMayor
(Member)

César Paxi Manuel João Pedro
(Member)

Jaime de Macedo Santos Bastos
(Member)

João Bernardo Bastos Mendes Resende
(Member)

João Manuel de Matos Loureiro
(Member)

José Guilherme Xavier de Basto
(Member)

José Jacinto Iglésias Soares
(Member)

José Rodrigues Jesus
(Member)

Luís Maria França de Castro Pereira Coutinho
(Member)

Maria da Conceição Mota Soares de Oliveira Callé Lucas
(Member)

Miguel de Campos Pereira de Bragança
(Member)

Miguel Maya Dias Pinheiro
(Member)

Rui Manuel da Silva Teixeira
(Member)

EXTERNAL AUDITOR'S REPORT

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CONSOLIDATED AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

(This Report is a free translation to English from the Portuguese version)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report, on the consolidated financial information included in the Annual Report of the Board of Directors and in the accompanying consolidated financial statements as at and for the year ended 31 December, 2012 of **Banco Comercial Português Group** which comprise the consolidated balance sheet as at 31 December, 2012 (showing total assets of 89,744,039 thousand Euros and total equity attributable to the equity holders of the Bank of 3,372,174 thousand Euros, including a net loss attributable to the equity holders of the Bank of 1,219,053 thousand Euros), the consolidated statement of income, the consolidated statement cash flows, the consolidated statement of changes in equity and the consolidated statement of comprehensive income for the year then ended and the corresponding notes to the financial statements.

Responsibilities

2 The Board of Directors is responsible for:

a) the preparation of consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union which presents fairly, in all material respects, the financial position of the group of companies included in the consolidation, the consolidated results of its operations, the consolidated cash flows, the consolidated changes in equity and the consolidated comprehensive income;

b) the preparation of historical financial information in accordance with the IFRS that is complete, true, current, clear, objective and lawful as established by the Stock Exchange Code ('CVM');

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant matter that may have influenced the activity of the companies included in the consolidation, their financial position or results.

KPMG

3 Our responsibility is to verify the financial information included in the documents referred above, namely if the information is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent opinion based on our audit.

Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Accordingly, our audit included:

- verification that the financial statements of the companies included in the consolidation have been properly audited and verification, on a sample basis, of the documents underlying the figures and disclosures contained therein, and an assessment of the estimates made, based on judgments and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;

- verification of the consolidation procedures and of the application of the equity method;

- evaluation of the appropriateness of the accounting policies used and of their disclosure, taking into account the applicable circumstances;

- assessing the applicability of the going concern principle;

- assessing the overall adequacy of the consolidated financial statements' presentation; and

- the assessment of whether the consolidated financial information is complete, true, current, clear, objective and lawful.

5 Our audit also included the verification that the consolidated financial information included in the Board of Directors report is consistent with the consolidated financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code ("Código das Sociedades Comerciais").

6 We believe that our audit provides a reasonable basis for our opinion.

KPMG

Opinion

7 In our opinion, the referred consolidated financial statements present fairly, in all material respects, the consolidated financial position of **Banco Comercial Português Group**, as at 31 December, 2012, the consolidated results of its operations, the consolidated cash flows, the consolidated changes in equity and the consolidated comprehensive income for the year then ended, in accordance with IFRS as adopted by the European Union and the information contained therein is complete, true, current, clear, objective and lawful.

Report on Other Legal Requirements

8 It is also our opinion that the consolidated financial information included in the Board of Directors report is consistent with the consolidated financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 22 April, 2013

Ana Cristina Dourado

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nº 189)
represented by
Ana Cristina Soares Valente Dourado (ROC n.º 1011)

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AUDITORS' REPORT

(ISSUED BY THE STATUTORY AUDITOR, A CMVM REGISTERED AUDITOR)

(This Report is a free translation to English from the Portuguese version)

Introduction

1 In accordance with the applicable legislation, we present our Auditors' Report, on the financial information included in the Annual Report of the Board of Directors and in the accompanying financial statements as at and for the year ended 31 December, 2012 of **Banco Comercial Português, S.A.** which comprise the balance sheet as at 31 December, 2012 (showing total assets of 85,587,854 thousand Euros and total equity of 3,765,167 thousand Euros, including a net loss of 1,483,362 thousand Euros) the statement of income, the statement of cash flows, the statement of changes in equity and the statement of comprehensive income for the year then ended and the corresponding notes to the financial statements.

Responsibilities

2 The Board of Directors is responsible for:

a) the preparation of financial statements in accordance with the Adjusted Accounting Standards ("NCA's") issued by the Bank of Portugal, that present fairly, in all material respects, the financial position of the Bank, the results of its operations, the cash flows, the changes in equity and the comprehensive income;

b) the preparation of historical financial information in accordance with the NCA's that is complete, true, current, clear, objective and lawful as required by the Stock Exchange Code ('CVM');

c) the adoption of adequate accounting policies and criteria;

d) the maintenance of an appropriate internal control system; and

e) the communication of any relevant matter that may have influenced the activity of the Bank, its financial position or results.

KPMG

3 Our responsibility is to verify the financial information included in the documents referred above, namely if the information is complete, true, current, clear, objective and lawful as required by the CVM in order to issue a professional and independent opinion based on our audit.

Scope

4 We conducted our audit in accordance with the Technical Standards and Guidelines issued by the Portuguese Institute of Statutory Auditors ('Ordem dos Revisores Oficiais de Contas'), which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. Accordingly, our audit included:

- the verification, on a sample basis, of the documents underlying the figures and disclosures contained therein, and an assessment of the estimates made, based on the judgments and criteria defined by the Board of Directors, used in the preparation of the referred financial statements;

- evaluating the appropriateness of the accounting principles used and of their disclosure, taking into account the applicable circumstances;

- assessing the applicability of the going concern principle;

- assessing the overall adequacy of the financial statements' presentation; and

- the assessment of whether the financial information is complete, true, current, clear, objective and lawful.

5 Our audit also included the verification that the financial information included in the Board of Directors report is consistent with the financial statements, as well as the verification of the disclosures required by numbers 4 and 5 of the article 451, of the Portuguese Companies Code ("Código das Sociedades Comerciais").

6 We believe that our audit provides a reasonable basis for our opinion.

Opinion

7 In our opinion, the referred financial statements present fairly, in all material respects, the financial position of **Banco Comercial Português, S.A.**, as at 31 December, 2012, the results of its operations, the cash flows, the changes in equity and the comprehensive income for the year then ended, in accordance with NCA's as defined by the Bank of Portugal and the information contained therein is complete, true, current, clear, objective and lawful.

2

Report on Other Legal Requirements

8 It is also our opinion that the financial information included in the Board of Directors report is consistent with the financial statements and that the Report on Corporate Governance includes the information required by the article 245.º-A of the Portuguese Securities Market Code ('CVM').

Lisbon, 22 April, 2013

Ana Cristina Dourado

KPMG & Associados
Sociedade de Revisores Oficiais de Contas, S.A. (nº 189)
represented by
Ana Cristina Soares Valente Dourado (ROC n.º 1011)

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Independent Limited Assurance Report

(This Report is a free translation to English from the Portuguese version In case of doubt or misinterpretation the Portuguese version will prevail)

To the Board of Directors of
Banco Comercial Português S.A.

Introduction

1. We were engaged by the 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 2012.

Responsibilities

2. The 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 (G3.1) 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 2012, is not free of material misstatement.

KPMG

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;
   - 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 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 2012 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 (G3.1) of the Global Reporting Initiative (GRI) as described in "Methodology notes" in the "Annexes" of the Report.

2

KPMG

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, 22 April 2013

KPMG & Associados,
Sociedade de Revisores Oficiais de Contas, S.A. (n.º 189)
representada por
Ana Cristina Soares Valente Dourado (ROC n.º 1011)

3

ANNUAL REPORT 2012

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

INTRODUCTION

Banco Comercial Português, S.A., (hereinafter "Company, Banco, BCP, Millennium bcp") draws up its Corporate Governance Report aimed at disclosing, in a clear and transparent manner, the regulatory practices adopted on the subject of Corporate Governance, in accordance with the legal and regulatory rules in force, with emphasis on the Companies Code, the Securities Market Code, namely article 245-A and complies with the model in Securities Market Commission (CMVM) Regulation number 1/2010 – Governance of Listed Companies, published on 1 February 2010 and with the recommendations in the Corporate Governance Code of the CMVM/2010, of January 2010.

This Report was also prepared in compliance with Bank of Portugal Notice nr. 10/2011 and taking into consideration the Individual information on the Level of Compliance with Recommendations on Corporate Governance based on the study conducted by Universidade Católica for AEM (Association of Companies Issuing Listed Securities), under which the Bank was attributed a compliance level index of 9,763.2 on a scale of 5,000 to 10,000 and an AAA rating.

Within the scope of strengthening the recapitalisation mechanisms of financial institutions, the Bank complied with and took into account the Law nr. 150-A/2012 of 17 May and the Ordinance nr. 8840-B/2012 of 3 July.

In the General Meeting of Shareholders held on 28 February 2012, Banco Comercial Português, S.A. approved an amendment of the articles of association including a change in the corporate governance model, resulting in a one-tier structure with a Board of Directors that includes an Executive Committee and Audit Committee, Remuneration Board and Board for International Strategy.

INDEX

CHAPTER 0 – STATEMENT OF COMPLIANCE

0.1. Indication of the location where the texts on corporate governance codes to which the issuer is subject and, if applicable, those which it has voluntarily chosen to subject itself, are available to the public

In pursuing their corporate object, the Bank and all other companies of BCP Group (hereinafter "Group") observe the applicable legal and regulatory rules, namely those in the Companies Code and in the Securities Code, those issued by the Bank of Portugal and Securities Market Commission (CMVM), and also adopt statutory and internal rules of procedure and of ethical nature, underlying management bound to the principles of diversification of risks, safety of investments and creation of value based on responsible governance in respect of the interests of the depositors, investors and other stakeholders, which can be consulted on the Bank's Internet page with the following address:
http://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx

In the preparation of the present Report, the Group voluntarily adopted the recommendations in the Corporate Governance Code of the Securities Market Commission (CMVM) of 2010, under article 245-A of the Securities Code and of CMVM Regulation nr. 1/2010, of 1 February, which can be consulted at the following address:
http://www.cmvm.pt/CMVM/Legislacao_Regulamentos/Legislacao%20Complementar/Pages/default.aspx.

The Regulations of the Board of Directors, the Executive Committee and the Audit Committee establish their respective competences and scope of action, and regulate the functioning of these bodies in accordance with the Bank's Articles of Association. These documents are provided to the members of each of these governing bodies, on the occasion of their election or appointment and are available on the internal portal, on the Bank's Internet page with the following address:
http://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx

The Codes of the Group, such as the Information Security Policy, the Code of Conduct, the Internal Regulations for Financial Intermediation Activities, and the Compliance Manual describe the duties and obligations applicable not only to the activities of Banco Comercial Português, as a cohesive and institutional entity, but also to the individual behaviour of each employee and member of the management bodies of the Bank and Group, in the performance of their respective duties.

The Group Code on Information Security Policy forms the basis of all internal standards associated to information security and defines in line with the Code of Conduct, the duties of suitable conduct for the positions held by all employees and external service providers that have access to the information or the respective systems that support it, regardless of their level of responsibility. The document is available to all employees on the internal portal.

The Code of Conduct aggregates the ethical pillars underpinning the banking and financial practice, and regarding securities or derivatives traded in organised markets, namely with respect to matters of conflict of interests, secrecy, incompatibilities, internal control system and cooperation with the supervisory authorities. The Code of Conduct is available to all employees on the internal portal, and on the Bank's Internet page with the following address:
http://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx

The Internal Regulations for Financial Intermediation Activities institute the fundamental rules and procedures, in addition to the general rules of conduct to be observed in the activity pursued by the Bank as a financial intermediary, and are available to all employees on the internal portal and on the Bank's Internet page with the following address:
http://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/normas_regulamentos.aspx

The Compliance Policies include a series of sectorial documents addressing different matters with an impact on the services provided by the Bank, for the purpose of ensuring that all the levels and activities of the Group achieve the highest standards of quality, adequacy, proficiency and suitability, on the part of the members of the management and supervisory bodies, of other directors and all other employees and, to the extent applicable, relative to shareholders, customers and the market in general.

The following documents are also part of the Compliance Policies: Customer Acceptance Policy; Customer Due Diligence Policy; Assessing and Monitoring High Risk Entities Policy; AML/CTF Policy; Order Execution Policy; Conflicts of Interest Policy; and the New Products Approval Policy (General Principles).

The documents above are available to all employees on the internal portal and on the Bank's Internet page with the following address:
http://ind.millenniumbcp.pt/en/Institucional/governacao/Pages/compliance_policies.aspx

0.2. List of the recommendations, adopted and not adopted, contained in the Corporate Governance Code of the CMVM or other that the Company has decided to adopt, under the terms of the Regulation of which the present Annex is an integral part. For this effect, recommendations that have not been fully complied with are herein described as not adopted

The following table lists the recommendations in the Corporate Governance Code disclosed by the CMVM, indicating which ones were adopted by BCP and which ones were not, even if only partially. When a recommendation is not fully adopted and is composed of sub-recommendations, the reasons for its non-partial adoption are set out in notes to the recommendations.

Recommendations of the CMVM	Statement of adoption	Information with reference to notes or to the Corporate Governance Report
I. GENERAL MEETING		
I.1. BOARD OF THE GENERAL MEETING		
I.1.1. The Chairman of the Board of the General Meeting must be provided with the supporting human and logistic resources appropriate to his needs, considering the economic situation of the company.	Adopted	Chapter I – General Meeting
I.1.2. The remuneration of the Chairman of the Board of the General Meeting must be disclosed in the annual report on Corporate Governance.	Adopted	Chapter I – I.3.
I.2. PARTICIPATION IN THE MEETING		
I.2.1. The period of time in advance imposed for the receipt, by the board, of the statements of deposit or blocking of shares for participation in the general meeting must not exceed five business days.	Derogated by Dec. Law nr. 49/2010, of 19 May	
I.2.2. In the case of the suspension of the general meeting, the company should not force the blocking to remain during the intermediate period until the session is resumed, with the period of time in advance required in the first session being sufficient.	Derogated by Dec. Law nr. 49/2010, of 19 May	Chapter I – I.5.
I.3. VOTING AND THE EXERCISE OF VOTING RIGHTS		
I.3.1. Companies must not establish any statutory restriction on voting by correspondence and, when adopted and admissible, on voting by electronic correspondence.	Adopted	Chapter I – I.9.
I.3.2. The statutory period of time in advance for the receipt of votes issued by correspondence must not be greater than three business days.	Adopted	Chapter I – I.II.
I.3.3. Companies must ensure proportionality between voting rights and shareholder participation, preferably through statutory provisions ensuring the correspondence of one vote to each share. Companies do not comply with proportionality when, namely, they: i) have shares that do not confer the right to vote; ii) establish that rights to vote above a certain number should not be counted, when cast by a single shareholder or by shareholders related to the former.	Partially Adopted	See Note 1 to the present table.

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Recommendations of the CMVM	Statement of adoption	Information with reference to notes or to the Corporate Governance Report
I.4. DELIBERATIVE QUORUM		
I.4.1. Companies must not establish a deliberative quorum higher than that established by law.	Not Adopted	See Note 2 to the present table.
I.5. MINUTES AND INFORMATION ON THE ADOPTED DELIBERATIONS		
I.5.1. Extracts of minutes of general meetings or equivalent documents should be made available to the shareholders on the company's Internet site within the period of five days, after the date of the general meeting, even if they do not constitute privileged information. The disclosed information should cover the deliberations taken, the share capital represented and the results of the voting. This information should be kept on the company's Internet site for at least three years.	Adopted	Chapter I – I.1. and I.13.
I.6. MEASURES RELATIVE TO CORPORATE CONTROL		
I.6.1. Any measures adopted with a view to preventing the success of public takeover offers should respect the interests of the company and its shareholders. Any articles of association of companies which, respecting that principle, establish the limitation of the number of votes which may be held or exercised by a single shareholder, individually or in combination with other shareholders, must also establish that every five years the maintenance of this statutory provision will be subject to a resolution by the General Meeting – without the requisites of a quorum larger than that legally established – and that in this resolution all the votes issued will count, without the application of that limitation.	Not Adopted	Chapter I – I.8. and I.19. See Note 3 to the present table
I.6.2. Defensive measures must not be adopted if they cause an automatic and serious erosion of company assets in the event of the transfer of control or change of the composition of the management body, thus being detrimental to the free transferability of shares and the free assessment by the shareholders of the performance of members of the management body.	Adopted	Chapter I – 1.20. and 1.21.
II. MANAGEMENT AND SUPERVISORY BODIES		
II.1. GENERAL SUBJECTS		
II.1.1. Structure and competence		
II.1.1.1. The management body must assess the adopted model in its annual Corporate Governance Report, identifying any constraints to its functioning and proposing measures of action that, in its judgement, are suitable to overcome them.	Adopted	Chapter II – Management and Supervisory Bodies
II.1.1.2. Companies should create internal risk control and management systems, so as to safeguard their assets and benefit the transparency of their corporate governance, enabling the detection and management of risks. These systems should include, at least, the following components: i) establishment of the strategic objectives of the company on matters of risk-taking; ii) identification of the main risks linked to the specific activity performed and events which might lead to risks: iii) analysis and measurement of the impact and probability of occurrence of each potential risk; iv) risk management with a view to the alignment of the risks effectively incurred through the strategic decision of the company regarding risk-taking; v) control mechanisms for the execution of the adopted risk management measures and their effectiveness; vi) adoption of internal training and communication mechanisms for the different components of the system and notification of risks; vii) periodic assessment of the implemented system and adoption of any modifications deemed necessary.	Adopted	Chapter II – II.5.
II.1.1.3. The management body should ensure the creation and operation of the internal control and risk management systems, with the supervisory body being responsible for the assessment of the operation of these systems and proposing their respective adjustment to the company's needs.	Adopted	Chapter II – II.6.
II.1.1.4. Companies should, in their Annual Corporate Governance Report: i) identify the main economic, financial and legal risks to which the company is exposed during the exercise of its activity; ii) describe the action and efficacy of the risk management system.	Adopted	Chapter II – II.5.
II.1.1.5. The management and supervisory bodies must have operating regulations, which should be disclosed on the company's Internet site.	Adopted	Chapter II – II.7.

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Recommendations of the CMVM	Statement of adoption	Information with reference to notes or to the Corporate Governance Report
II.1.2. INCOMPATIBILITIES AND INDEPENDENCE		
II.1.2.1. The board of directors must include a sufficient number of non-executive members so as to guarantee effective capacity to manage, supervise and assess the activities of the executive members.	Adopted	Chapter II – II.1. and II.14.
II.1.2.2. Amongst the non-executive directors, there should be an adequate number of independent directors, taking into consideration the size of the company and its shareholder structure, which cannot under any circumstances, be less than one quarter of the total number of directors.	Adopted	Chapter II – II.1. and II.14.
II.1.2.3. The assessment of the independence of its non-executive members made by the management body should take into account the legal and regulatory rules in force on independence requirements and the incompatibilities system applicable to the members of the governing bodies, ensuring systematic coherence over time in the application of the independence criteria to the entire company. A director should not be considered independent if, in another governing body, he could not assume this capacity through force of the applicable rules.	Adopted	Chapter II – II.14. and II.15.
II.1.3. ELIGIBILITY AND APPOINTMENT		
II.1.3.1. According to the applicable model, the chairman of the supervisory board, audit committee or financial matters committee must be independent and possess adequate competences to perform the respective duties.	Adopted	Chapter II – II.2. e Annex II
II.1.3.2. The process of selection of candidates for non-executive directors should be designed so as to ensure the non-interference of the executive directors.	Adopted	Chapter II – II.16.
II.1.4. POLICY ON COMMUNICATION OF IRREGULARITIES		
II.1.4.1. The company must adopt a policy of communication of any alleged internal irregularities which might have occurred, with the following elements: i) indication of the means which may be used for the internal communication of irregular practices, including the persons with legitimacy to receive the communications; ii) indication of the treatment to be given to the communications, including confidential treatment, if this is wished by the declarant.	Adopted	Chapter II – II.35.
II.1.5. REMUNERATION		
II.1.5.1. The remuneration of the members of the management body should be structured in order to enable the alignment of their interests with the company's long term interests, based on performance assessment and discourage excessive risk-taking. For this purpose, the remunerations should be structured, namely, as follows: i) The remuneration of directors with executive duties should include a variable component whose determination depends on performance assessment, carried out by the competent bodies of the company, pursuant to predefined measurable criteria, which considers the real growth of the company and the wealth effectively created for the shareholders, its long term sustainability and the risks taken, as well as compliance with the rules applicable to the company's activity. ii) The variable component of the remuneration should be reasonable, as a whole, in relation to the fixed component of the remuneration, and maximum limits should be established for all components. iii) A significant portion of the variable remuneration should be deferred for a period of not less than three years, and its payment should be dependent on the continuation of the positive performance of the company over this period. iv) The members of the management body should not sign contracts, either with the company or with third parties, which have the effect of mitigating the risk inherent to the variability of their remuneration established by the company. v) Until the end of their term of office, executive directors must keep any company shares which have been acquired through variable remuneration schemes, up to the limit of twice the value of the annual total remuneration, with the exception of shares which need to be sold for the purpose of payment of taxes arising from the benefit of these same shares.	Adopted	Chapter II – II.29. to II.34., inclusively.

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Recommendations of the CMVM	Statement of adoption	Information with reference to notes or to the Corporate Governance Report
vi) When the variable remuneration includes the attribution of options, the beginning of the period of exercise should be deferred for a period of no less than three years. vii) Suitable legal instruments should be established so as to ensure that the compensation stipulated for any form of unfair dismissal of a director is not paid if the dismissal or termination through agreement is due to the inadequate performance of the director. viii) The remuneration of the non-executive members of the management board should not include any component whose value depends on the performance or value of the company.		
II.1.5.2.The statement on the remuneration policy of the management and supervisory bodies referred to in article 2 of Law nr. 28/2009, of 19 June, should, in addition to the content stipulated therein, contain sufficient information: i) on the groups of companies whose remunerative policy and practices were taken as benchmarks for the establishment of remuneration; ii) on payments relative to the dismissal or termination through agreement of directorship duties.	Adopted	Chapter II – II.29., II.33. l)
II.1.5.3. The statement on the remuneration policy referred to in article 2 of Law nr. 28/2009, should also cover the remunerations of the directors in observance of number 3 of article 248-B of the Securities Market Code and where this remuneration contains an important variable component. The statement should be detailed and the presented policy should take into account, namely, the long term performance of the company, compliance with the rules applicable to the company's activity and containment in risk-taking.	Adopted	Chapter II – II.29.
II.1.5.4. The proposal regarding the approval of plans to allocate shares and/or share purchase options, or based on share price variations, to members of the management and supervisory bodies and other directors should be submitted to the general meeting, in observance of number 3 of article 248-B of the Securities Market Code. The proposal should contain all the elements necessary for a correct assessment of the plan. The proposal should be accompanied by the regulations of the plan or, if these have not yet been prepared, of the general conditions with which it must comply. Likewise, the main characteristics of the retirement benefits system established in favour of the members of the management and supervisory bodies and other directors must be approved in the general meeting, in observance of nr. 3 of article 248-B of the Securities Market Code.	Adopted	Chapter I – I.17.
II.1.5.6. At least one representative of the remuneration committee must attend the annual general meetings of shareholders.	Adopted	Chapter I – I.15.
II.1.5.7. The annual Corporate Governance Report must disclose the value of the remuneration received, as a whole and individually, from other companies of the group and the pension rights acquired during the financial year in question.	Adopted	Chapter II – 31.
II.2. BOARD OF DIRECTORS		
II.2.1. Within the limits established by the law for each management and supervisory structure, and unless as a result of the small size of the company, the board of directors must delegate the daily management of the company, with the delegated duties being identified in the annual Corporate Governance Report.	Adopted	Chapter II – II.3.
II.2.2. The board of directors must ensure that the company acts in accordance with its objectives, and must not delegate its competence, namely, with respect to: i) the definition of the strategy and general policies of the company; ii) the definition of the group's business structure and iii) decisions which should be considered strategic due to their amount, risk or special characteristics.	Adopted	Chapter II – II.9. and II.10.

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Recommendations of the CMVM	Statement of adoption	Information with reference to notes or to the Corporate Governance Report
II.2.3. Should the chairman of the board of directors perform executive functions, the board of directors must find efficient mechanisms to coordinate the work of the non-executive members, which ensure, in particular, that they can make decisions in an independent and informed manner. The chairman should duly explain these mechanisms to the shareholders in the Corporate Governance Report.	Not Applicable	Chapter II – II.8.
II.2.4. The annual management report should include a description of the activity developed by the non-executive directors referring, namely, to any constraints that have been encountered.	Adopted	Chapter II – II.17.
II.2.5. The company should explain its policy on rotation of the areas of responsibility under the Board of Directors, namely of the chief financial officer, and provide information on this in the annual Corporate Governance Report.	Adopted	Chapter II – II.11 and note 4 to the present table
II.3. CHIEF EXECUTIVE OFFICER, EXECUTIVE COMMITTEE AND EXECUTIVE BOARD OF DIRECTORS		
II.3.1. When requested by other members of the governing bodies, the directors performing executive duties should provide, in due time and in a form appropriate to the request, any information requested by them.	Adopted	Chapter II.2.– A)
II.3.2. The chairman of the executive committee should send, respectively, to the chairman of the board of directors and, when applicable, the chairman of the audit board or audit committee, the call notices and minutes of the respective meetings.	Adopted	Chapter II – II.13.
II.3.3. The chairman of the executive board of directors should send to the chairman of the general and supervisory board and to the chairman of the financial matters committee, the call notices and minutes of the respective meetings.	Adopted	Chapter II – II.1.
II.4. GENERAL AND SUPERVISORY BOARD, FINANCIAL MATTERS COMMITTEE, AUDIT COMMITTEE AND AUDIT BOARD		
II.4.1. The general and supervisory board, in addition to the exercise of the supervisory duties entrusted to it, should also play an advisory role and ensure the follow-up and continuous assessment of the company's management by the executive board of directors. Amongst the matters on which the general and supervisory board should issue opinions, the following are included: i) the definition of the strategy and general policies of the company; ii) the group's business structure; and iii) decisions which should be considered strategic due to their amount, risk or special characteristics.	Not Applicable	
II.4.2. The annual reports on the activity developed by the general and supervisory board, financial matters committee, audit committee and audit board should be disclosed on the company's Internet site, together with the financial statements.	Adopted	Chapter II – II.1.
II.4.3. The annual reports on the activity developed by the general and supervisory board, financial matters committee, audit committee and audit board should include the description of the supervisory activities developed referring, namely, to any constraints which have been encountered.	Adopted	Chapter II.2. -B)
II.4.4. The general and supervisory board, audit committee and audit board, according to the applicable model, should represent the company, for all effects, before the external auditor, being responsible, namely, for proposing the provider of these services and respective remuneration, ensuring the existence of the appropriate conditions for the provision of the services within the company, as well as being the interlocutor of the company and first receiver of the respective reports.	Adopted	Chapter II – II.2.
II.4.5. The general and supervisory board, audit committee and audit board, according to the applicable model, should assess the external auditor on an annual basis and propose his dismissal to the general meeting whenever there are fair grounds for the effect.	Adopted	Chapter II.2. -B)
II.4.6. The internal audit services and others striving for compliance with the rules applied to the company (compliance services), should report functionally to the audit committee, to the general and supervisory board.	Adopted	Chapter II – II.3.

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Recommendations of the CMVM	Statement of adoption	Information with reference to notes or to the Corporate Governance Report
II.5. SPECIALISED COMMISSIONS		
II.5.1. Unless as a result of the small size of the company, the board of directors and general and supervisory board, according to the adopted model, should create the commissions which prove necessary for: i) ensuring a competent and independent assessment of the performance of the executive directors and for the assessment of their own overall performance, as well as that of the different existing commissions; ii) reflecting on the adopted governance system, verifying its efficacy and proposing to the competent bodies any measures to be taken with a view to their improvement; iii) identifying in due time potential candidates with the high profile required for the performance of directorship duties.	Adopted	Chapter II – II.2.
II.5.2. The members of the remuneration committee or equivalent should be independent from the members of the management body and include at least one member with knowledge and experience in matters of remuneration policy.	Adopted	Chapter II – II.1.
II.5.3. No natural or legal person who provides or has provided, over the last three years, services to any structure dependent on the board of directors, to the actual board of directors of the company or who has a current relationship with a consultant of the company should be contracted to support the remuneration committee in the performance of their duties. This recommendation is equally applicable to any natural or legal person related to the above through work or service contract.	Adopted	Chapter II – II.39.
II.5.4. All the commissions should prepare minutes of the meetings they hold.	Adopted	Chapter II – II.7.
III. INFORMATION AND AUDITS		
III.1. GENERAL INFORMATION DUTIES		
III.1.1. Companies should ensure the existence of permanent contact with the market, respecting the principle of shareholder equality and taking precautions against asymmetries in access to information on the part of investors. For this purpose, the company should maintain an investor support office.	Adopted	Chapter III – III.16.
IIII.1.2. The following information available on the company's Internet site should be disclosed in English: a) the firm, its status as a public company and the other elements mentioned in article 171 of the Companies Code; b) Articles of Association; c) identity of the members of the governing bodies and of the representative for market relations; d) Investor Support Office, respective functions and means of access; and) Documents presenting the accounts; f) six-monthly calendar of corporate events; g) proposals presented for discussion and vote at the general meeting; h) call notices for the holding of the general meeting.	Adopted	See Note 5 to the present table
III.1.3. Companies should promote the rotation of the auditor at the end of two or three terms of office, according to whether they are of four or three years. The auditor's maintenance beyond this period should be based on the grounds produced in a specific opinion issued by the supervisory body which explicitly weighs up the conditions of independence of the auditor and the advantages and costs of his replacement.	Adopted	Chapter III – III.18.
III.1.4. The external auditor should, under his duties, verify the application of the remuneration policies and systems, the efficacy and operation of the internal control mechanisms and report any failings to the supervisory body of the company.	Adopted	See the Auditors' Report.
III.1.5. The company should not contract from the external auditor, or from any entities which are in a holding relationship with it or are part of the same network, services other than audit services. Where there are motives for the contracting of such services – which should be approved by the supervisory body and explained in its annual Corporate Governance Report – they cannot represent a figure above 30% of the total value of the services provided to the company.	Adopted	Chapter III – III.17.

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Recommendations of the CMVM	Statement of adoption	Information with reference to notes or to the Corporate Governance Report
IV. CONFLICT OF INTEREST		
IV. 1. RELATIONS WITH SHAREHOLDERS		
IV.1. Company business with shareholders owning qualifying holdings or entities that are in any relationship with them, under the terms of article 20 of the Securities Market Code, should be carried out under normal market conditions	Adopted	Chapter III – III.14.
IV.1.2. Any business of significant importance with shareholders owning qualifying holdings or entities that are in any relationship with them, under the terms of article 20 of the Securities Market Code, should be submitted to the prior opinion of the supervisory body. This board should establish the necessary procedures and criteria for the definition of the level of significant importance of this business and other terms of its intervention.	Adopted	Chapter III – III.14.

NOTES TO THE RECOMMENDATIONS

NOTE 1

On 18 April 2011, an amendment of the Bank's Articles of Association was approved which accepted the principle of one vote for each share.

The Bank's Articles of Association do not lay down any rules with a view to preventing the success of public takeover offers. There is also no rule with the content expressed in the second part of the abovementioned recommendation, and its inclusion has never been requested either by shareholders or members of the governing bodies. Under the terms of the law, any shareholder or Group of Shareholders holding 2% or more of the share capital may request, at any time, that the suppression of the limit on the counting of the voting rights when issued by a single shareholder or by an economic group, in accordance with article 26 of the Bank's Articles of Association, should be voted on at the General Meeting. However, at the present date, as far as the Bank is aware, there are no shareholders covered by the abovementioned statutory provision. At the General Meeting held on 28 February 2012, during which a profound amendment of the Bank's Articles of Association was approved, this theme was not discussed, which may be interpreted as meaning that the shareholders upheld in 2012 the content of the limit stipulated in article 26 of the Bank's Articles of Association.

NOTE 2

This recommendation establishes a formal reference to the Companies Code, by imposing on companies the duty of not establishing a deliberative quorum higher than that established by law. The Bank's Articles of Association, however, require majorities higher than those legally established in three circumstances:

The first, relative to the requirement of a constitutive quorum of two thirds of the share capital to enable the Meeting to be held on first call, while the law requires this quorum only for Meetings deliberating on amendment of the memorandum of association, merger, demerger, transformation, dissolution of the company or other affairs for which the law requires a qualified majority, without specifying.

The Bank and shareholders who approved the articles of association in force deemed that, since Banco Comercial Português is one of the companies with the largest free float of the Portuguese Stock Exchange, it is important to ensure that, whatever the circumstances, and not only for the cases identified in the law, the shareholders, independently of their respective representativeness, are certain that, on first call, the affairs taken to the General Meeting may only be decided if the share capital is minimally represented.

For a company which, during 2012, saw 180% of the shares representative of its share capital involved in transactions on the Stock Exchange, the guarantee of a minimum representativeness of the shareholders is an essential condition for the defence of the interests of the actual company, as well as its customers, employees and other stakeholders.

The second and third is related to the majority required for the approval of operations concerning the merger, demerger or transformation of the Bank, for which the law requires two thirds of the votes cast and the Bank's Articles of association require three quarters of the votes cast, as well as for deliberation on the dissolution of the company where, under the terms of the Articles of Association, a majority corresponding to three quarters of the paid-up share capital is required.

Also in this case, and in view of the importance of the matters in question, the arguments extended in the previous case are considered valid, with emphasis on the last paragraph.

NOTE 3

Refers to note 1.

NOTE 4

There is no rigid policy on rotation of areas of responsibility under the Board of Directors but the distribution of positions between the executive members of the Board of Directors, as described in Recommendation II.3. – Board of Directors, points to the existence of a structured mechanism of rotation of areas of responsibility. Nonetheless and during 2012, until 28 February the Chief Financial Officer was member and Vice-Chairman of the Executive Board of Directors and on 29 February, the new member of the Board of Directors and also Vice-Chairman of the Executive Committee was appointed to these positions

NOTE 5

http://www.millenniumbcp.pt/site/conteúdos/en/

0.3. Without prejudice to the provisions in the previous number, the company can also make an overall assessment, provided that there are reasonable grounds to do so, of the degree of adoption of groups of recommendations of interrelated subjects

The recommendations described in the table above and the detailed manner in which the issues are addressed in the following chapters, are in conformity with the guiding principles of the Group's corporate governance policy, where the degree of observance of the recommendations is considered to be very comprehensive and complete, in particular according to their effective relevance and interests they seek to protect. In those situations in which there are deviations from the accepted recommendations, the grounds for non-acceptance are explained.

0.4. When the corporate governance structure or practices differ from the recommendations of the CMVM or other codes to which the company subscribes or has voluntarily adhered, the parts of each code which are not complied with or which the company considers are not applicable should be explained, as well as the respective grounds and other relevant observations, in addition to clear indication of the part of the Report where the description of this situation can be found

The answer required for this point is presented in the explanations given in the replies to the three preceding points. Notwithstanding this, the relevance of the issue requires a broader reference.

In fact, experience shows – not only in Portugal – that the alternative "comply or explain" formula has not been successful, in practice, in conveying its underlying and indeed, indispensable, equivalence. Hence, the compliance (or mere submission) has been more used and recognised than the legitimate alternative explanation, which has also unbalanced the respective compliance cost, making formal compliance simpler and more convenient (with or without concordance) than the effort of explaining, which is more cumbersome and less useful.

This situation – worsened by the more or less mechanical surveys, indices, scorings and rankings, deciding which companies comply more or simply do not comply – deeply jeopardises the essence of the comply or explain principle upon which the Corporate Governance Code is based and tends to eliminate the creativity and flexibility that it needs, tending to crystallise the recommendations, making them more rigid (regardless of their merit), more "common place", depriving them of their real meaning.

Anyone wishing to base a group of recommendations upon the fundamental principle of comply or explain – as is, we repeat, the goal of the cited Directive 2006/46/EC and also predominant in most corporate governance codes of international companies – can no longer just state the principle without seeking to contribute to preserve its real meaning. On the other hand, the high number of recommendations without international correspondence which constitutes a phenomenon of excessive national over-regulation is noteworthy.

It is, therefore, crucial to stress the importance of a firm application of the comply or explain principle in all its aspects, strongly underlining the real exchangeability of both possibilities.

CHAPTER I – GENERAL MEETING

The operation of the General Meeting of Banco Comercial Português, S.A., a public company, issuer of shares listed for trading on regulated markets, is ruled by the respective statutory rules and specific provisions of the Companies Code (CSC) and Securities Market Code (CVM).

The General Meeting, the highest governing body of the company, representing the entirety of the shareholders, is especially responsible for: electing and dissolving its own Board, as well as the members of the management bodies, its chairman and deputy chairmen, the members of the Remunerations and Welfare Board and elect, following a proposal of the Audit Committee, the Statutory Auditor; approving amendments to the articles of association; resolving, following a proposal of the Audit Committee, on the choice of the External Auditor, the management report and accounts, proposals for the appropriation of profits and any matters submitted at the request of the Board of Directors and, in general, resolving on all matters specifically attributed by the law or articles of association, or which are not included in the attributions of other corporate bodies.

The Chairman of the Board of the general meeting must be provided with the supporting human and logistic resources appropriate to the preparation and calling of the General Meeting, and shall have the support of the Company Secretary and respective services over the entire year. The whole process of preparation and holding of the three General Meetings in 2012 was supported by a vast multidisciplinary team composed of senior staff and employees of the Operations, Information Technology, Direct Banking and Audit Departments as well as the representative for Market Relations.

It should be noted that an international Audit firm has always been contracted to certify the voting and shareholder accreditation procedures.

I.1. Identification of the members of the board of the general meeting

The Board of the General Meeting is composed of:

Chairman: António Manuel da Rocha e Menezes Cordeiro (Independent)

- Licentiate Degree and PhD in Law by the Faculty of Law of the Universidade de Lisboa and professor at the Universidade de Lisboa and the Universidade Católica Portuguesa

- Intervened in the preparation of various legislative texts, in the areas of Banking Law, Civil Law, Commercial Law and Economic Law

- Founding partner of the law firm António Menezes Cordeiro e Associados, Sociedade de Advogados

Vice-Chairman: Manuel António de Castro Portugal Carneiro da Frada (Independent)

- Licentiate degree in Law of the Universidade Católica do Porto and PhD from the Faculty of Law of the Universidade de Lisboa

- Professor at the Faculty of Law of the Universidade do Porto and visiting professor at the Faculty of Law of the Universidade Católica de Lisboa

- Author of various works, such as monographs, studies, essays, articles and scientific texts, in the areas of Civil Law, Corporate Law, Commercial Law and Case Law

Inherent to the position, the Board is supported by secretarial services administered by the Corporate Secretary, Ana Isabel dos Santos de Pina Cabral.

The members of the Board of the General Meeting may or may not be shareholders.

On its Internet site the Bank keeps the historical record, in Portuguese and English, of the relevant information relative to the General Meetings held in the last five years, disclosing, namely: the total number of votes cast, the percentage share capital represented corresponding to the total number of votes cast, the number of shares corresponding to the total number of votes cast, the company's identification, the name of the Chairman and Vice-Chairman of the Board, copy of the call notices, agendas, proposals and any other documents voted on.

The publication is available on the Bank's Internet site, on the page with the following address:
http://www.millenniumbcp.pt/pubs/pt/grupobcp/quemsomos/orgaossociais/

Likewise, and independently of the number of shares owned, the Bank sends the minutes to shareholders who have participated in the General Meetings and request them, providing access to the attendance lists to shareholders who wish to validate their own registration on these lists.

I.2. Indication of the starting and ending date of the respective mandates

The Chairman and the Deputy Chairman of the Board were elected at the General Meeting held on 18 April 2011, for the three-year period 2011/2013, and are holding a second term of office, continuously.

I.3. Indication of the remuneration of the chairman of the board of the general meeting

The annual remuneration earned by the Chairman of the Board of the General Meeting amounts to 150,000 Euros and was established on 28 May 2007 by the Remuneration and Welfare Board elected by the General Meeting, with this value having remained unaltered since then.

During the holding of office and in observance of the rules of independence, the Chairman of the Board, with his considerable and recognised technical knowledge and legal strictness, supported the different Corporate Boards and Bodies of the Bank in all matters of corporate governance on which he was consulted.

I.4. Indication of the time in advance required for the blocking of shares for participation in the general meeting

The Bank's Articles of Association include the amendments to the Securities Market Code approved by Decree--Law nr. 49/2010, which imposed on the Portuguese legal system and for companies issuing shares listed for trading on regulated market, the rule of the "date of registration".

This rule determines that the capacity to participate and vote in the General Meeting is assessed according to presentation of evidence of shareholder capacity at 0 hours GMT on the fifth trading day prior to the date of the meeting and the issue of a written statement, to the Chairman of the Board and the financial intermediary with which the individualised registry account is opened, until – at the very latest – the 6th trading day prior to the meeting, declaring the intention to participate in said meeting.

In the event of shares being sold by a shareholder during the period between the "date of registration" and date of the Meeting and the shareholder wishes to participate therein, the shareholder must inform the CMVM and Chairman of the Board of the Meeting of this fact.

I.5. Indication of the rules applicable to the blocking of shares in the case of suspension of the general meeting

As provided in the above paragraph, this recommendation should be considered derogated.

I.6. Number of shares corresponding to one vote

Under the Bank's articles of association, each share corresponds to one vote.

I.7. Indication of the statutory rules establishing the existence of shares which do not confer the right to vote or which establish that rights to vote above a certain number should not be counted, when issued by a single shareholder or by related shareholders

Within the legal framework applicable to companies in general, and to credit institutions in particular, it is not possible to issue preferred shares without voting rights, if these do not confer to their holders, namely, priority minimum dividends from the distributable profit for the financial year.

Banco Comercial Português has never issued preferred shares without voting rights, in spite of enshrining this possibility in nr. 2 of article 4 of its Articles of Association, pursuant to the regulatory framework of the Companies Code on this matter.

The preferred shares with such features of preferred shares without voting rights allow financial investors to abdicate from actively intervening in the management of corporate business, against a guaranteed (minimum) return on their investment. Therefore, these shares cannot be freely compared with other ordinary shares, which bear voting rights that are indispensable and necessary for effective control of the company.

Hence, with respect to this category of shares (or type of securities), the fact that they do not grant voting rights does not affect the proportionality of the voting rights. Besides, under the terms of the law, if their preferred dividend is not paid for two consecutive financial years, these shares will gain voting rights, restoring the corporate balance and allowing their holders to actively participate in the company's life.

If, by any chance, it were to be interpreted as countering the possibility of issuing preferred shares without voting rights, the recommendation of the CMVM would, in fact, collide with the provisions established in Section V of Chapter II of the Companies Code, namely with the provisions in nr. 1 of article 341 and would ignore the content of article 384 of the same Code.

Regarding the provisions in article 26 of the Articles of Association of Banco Comercial Português, which determine that votes corresponding to more than 20% of the total share capital should not be counted when imputable to a single shareholder or in relation to shareholders connected to the former, Banco Comercial Português considers that this article was created to ensure that small and medium-sized shareholders have greater influence on any decisions that might be submitted to the General Meeting. The limits to voting rights stipulated in the Articles of Association, reflected in the adoption of a maximum statutory voting ceiling, sought to restrict the rights of the largest shareholders, thus defending the interests of small and medium-sized shareholders, whose vote thus achieves greater weight and representativeness relative to the most significant.

This statutory provision may be freely modified by the shareholders, at any time. It was renewed when amendments to the articles of association were approved by the General Meeting held on 28 February 2012 and, to the best of the company's knowledge, there are no shareholders to whom this limit is applicable.

I.8. Existence of statutory rights on the exercise of voting rights, including constitutive and deliberative quorums or systems emphasising rights related to assets

The Bank's Articles of Association clearly and objectively enshrine the rules for the exercise of voting rights.

Article 24 of the Bank's Articles of Association establishes the requirement of a constitutive quorum of over one third of the share capital for the meeting to be able to deliberate on first call.

Regarding the deliberative quorum, the Articles of Association only diverge from the law with respect to deliberations on the merger, demerger and transformation of the company, which require approval by three quarters of the votes cast, and dissolution of the company where, under the terms of article 49 of the Articles of Association, a majority corresponding to three quarters of the paid-up share capital is required.

With the exception noted above in I.7., the Articles of Association do not establish limitations to the exercise of voting rights, nor do they stipulate any special voting or other rights.

I.9. Existence of statutory rules on the exercise of the right to vote by correspondence

The Bank ensures the effective exercise of corporate rights by its shareholders who choose to exercise their vote by correspondence.

For such, and for each General Meeting, the Bank discloses this possibility widely and in due time.

As of the publication of the call notice, a specific page of the General Meeting is created on the Bank's institutional Internet site, where, complying with the legal deadlines, it is not only possible to consult and print all the documentation which, being known to the company, is prepared for appraisal by the shareholders, but also an explanatory note is also provided on how to participate, indicating the steps which must be taken to ensure the shareholder's presence at the Meeting and exercise of the right to vote, namely by correspondence.

http://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/AG.aspx

I.10. Provision of a model for the exercise of the right to vote by correspondence

The methodology to be adopted for the exercise of the right to vote by correspondence is published both on the call notice of the General Meeting as well as on the Bank's Internet site.

The ballot papers for postal correspondence and correspondence using electronic means are placed at the disposal of the shareholders on the Bank's Internet site from the moment the General Meeting is called, being updated in accordance with the proposals received and any alteration to the agenda.

The instructions for voting through electronic means are published at the same time as the call notice of the General Meeting on the Bank's Internet site, on the page with the following address:

http://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/AG.aspx

I.11. Requirement of a period of time between the receipt of votes issued by correspondence and the date of the general meeting

The Bank has established, as the deadline for the receipt of votes cast by correspondence, 17:00 hours of the penultimate business day before the date scheduled for the General Meeting, with this deadline coinciding with that established for the receipt of the rest of the documentation for the meeting, thus observing the rules in CMVM Regulation nr. 1/2010 – Governance of Listed Companies.

I.12. Exercise of the right to vote through electronic means

Under the terms of article 27 of the Bank's Articles of Association, the exercise of the right to vote through electronic means covers all the matters presented on the call notice, with the Chairman of the Board of the General Meeting being responsible for verifying the existence of the means to ensure the security and confidentiality of votes cast in this manner.

As defined by the Bank, voting by correspondence through electronic means may be exercised by shareholders who have requested the respective code in due time.

The instructions for voting through electronic means are published at the same time as the call notice of the General Meeting on the Bank's Internet site, on the page with the following address:

http://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/AG.aspx

I.13. Possibility of the shareholders accessing extracts of the minutes of the general meetings on the company's Internet site five days after the general meeting

The Bank publishes, within a period of less than the recommended five days, the constitutive quorum, agenda, proposals and reports submitted to the Meeting, content of the deliberations taken and results of the voting, indicating the number of shareholders present at each voting session, number of shares and number of votes to which they correspond, sense of each of the votes exercised and result of the voting.

The abovementioned publication is available on the Bank's Internet site, on the page with the following address: http://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/AG.aspx

I.14. Existence of an historical record on the company's Internet site, with the resolutions adopted in the company's general meetings, the share capital represented and the results of the voting, relative to the last three years

On its Internet site, the Bank provides the historical record of the attendance, agendas, deliberations adopted and percentage of the votes cast at the General Meetings over the last five years, as well as all the other information referred to in the preceding number.

The abovementioned publication is available on the Bank's Internet site, on the page with the following address: http://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/AG.aspx

I.15. Indication of the representative(s) of the remuneration committee present at the general meetings

Members of the Remuneration and Welfare Board were present at the General Meetings held during 2012.

I.16. Information on the intervention of the general meeting relative to the Company's remuneration policy and assessment of the performance of the management board members and other senior executives

The General Meeting held on 31 May 2012 deliberated, with a binding character, on the remuneration policies of the Board of Directors, including the Executive Comittee and functional directors, senior staff and other employees, where the respective proposals were approved by 99.94% of the votes cast, and where the meeting was attended by shareholders or their representatives holding 41.60% of the share capital.

The approved proposals are available on the Bank's Internet site, on the page with the following address: http://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/AG.aspx

During 2012, the Head of the Chairman's Office, the Compliance Officer, Group Treasurer, Representative for Investor Relations, Risk Officer, Company Secretary as well as the Head of Internal Audit, Head of Research, Planning and ALM Department and Head of the Board of Directors' Support Office were qualified as Directors of the Bank. Their respective remuneration does not contain any variable component, and is attributed casuistically by the Board of Directors on an annual basis, and is not considered an acquired right. During the financial year to which this report refers, no sum was attributed as variable remuneration to the directors in observance of nr. 3 of article 248-B of the Securities Market Code.

The policy of establishment of remuneration of these Directors is precisely the same as that for all other Coordinating Directors of the Bank and Group, whose competence the Board of Directors has delegated to the Commission for Nominations and Evaluations (Talent Management).

In line with the Bank's recapitalisation plan involving public investment, regulated in article 9 of Law nr. 63-A/2008, of 24 November, amended and republished by Law nr. 4/2012 of 11 January, Banco Comercial Português is bound, during the duration of the public investment, by article 12 of Regulation nr. 150-A/2012, regardless of the remuneration policy of its management bodies approved by the General Meeting held on 31 May 2012, to establish for the set of members of the management and supervisory bodies a remuneration that, for the purpose of calculating its fixed and variable component, does not exceed 50% of the respective average remuneration of the two previous years, which became effective as of July 2012.

I.17. Information on the intervention of the general meeting with respect to the proposal regarding the approval of plans to allocate shares and/or share purchase options, or based on share price variations, to members of the management and supervisory boards and other directors, in observance of nr. 3 of article 248-B of the Securities Code, as well as on the elements provided to the general meeting with a view to a correct assessment of these plans

There are no valid plans to allocate shares and/or share purchase options or based on share price variations.

I.18. Information on the intervention of the general meeting regarding the approval of the main characteristics of the retirement benefits system extended to the members of the management and supervisory bodies and other senior executives, complying with nr. 3 of article 248-B of the Securities Code

The retirement or disability benefit system of the members of the management board is stipulated in article 17 of the Bank's Articles of Association and in the Retirement Regulations of the Members of the Executive Board of Directors, approved by the Remuneration and Welfare Board and Annual General Meeting held on 31 May 2012, where the Remuneration and Welfare Board, on this issue and relative to the financial year of 2012, took the deliberation described in the table presented in paragraph II.33.o) of this Report, whose financial impact cannot be altered.

I.19. Existence of a statutory rule establishing the duty to subject, at least every five years, to the general meeting, the maintenance or elimination of the statutory rule establishing the limitation of the number of votes which can be held or exercised by a single shareholder individually or in a concerted manner with other shareholders

There is no rule in the Bank's Articles of Association with the content expressed in the present recommendation, and its inclusion has never been requested either by shareholders or members of the governing bodies.

I.20. Indication of defensive measures which have the effect of automatically leading to a serious erosion of company assets in the event of the transfer of control or change of the composition of the management body

The company's Articles of Association stipulate no measures with these characteristics.

I.21. Significant agreements of which the company is a party and which enter into force, able of being altered or that cease to be in force in the case of the change of control of the company, as well as the respective effects, unless, due to their nature, their disclosure would be seriously harm the company, except if the company is specifically obliged to disclose this information due to other legal requirements

There are no agreements with these characteristics.

I.22. Agreements between the company and members of the management body and directors, in observance of nr. 3 of article 248-B of the Securities Market Code which establish compensation in the case of resignation, dismissal without fair grounds or termination of the work relation following a change in the control of the company

The Company has undersigned no agreements with these characteristics.

CHAPTER II – MANAGEMENT AND SUPERVISORY BODIES

Banco Comercial Português has developed permanent efforts to incorporate the criteria of the assessment of Good Corporate Governance – equity, accountability, transparency, diligence, technical and professional competence and internal alignment and loyalty and responsibility duties – simultaneously with the adoption of practices to ensure the achievement of the objectives of the best models of Corporate Governance – separation of duties, specialisation of supervision, financial and management control, risk control and monitoring, minimisation of conflicts of interests and orientation towards sustainability.

The awareness that confidence in the institution is a fundamental pillar towards achieving the objectives set forth, resulted in a profound and constant reflection on the best form of organising the company and of creating monitoring and control mechanisms regardless of their implementation that allow its credibility, solidity and sustainability, as well as the effective and informed participation of shareholders in the life of the company to improve.

On matters of corporate governance, the Anglo-saxonic model, namely through the so called one-tier sub-model is considered the preferred model from among the admissible models and is currently more suitable to a Group with the scale, characteristics and object of the BCP Group, enabling greater proximity, identity and organic responsibility which under the current circumstances best defends the interests of the company such as the capitalisation efforts and the development of the multi-domestic expansion strategy.

In that regard, in the General Meeting of Shareholders held on 28 February 2012, the shareholders approved, by a majority of 99.21% of the votes cast, the amendment and restructuring of the Articles of Association of Banco Comercial Português, with a view to adopting a one-tier model. Consequently, the management and supervisory structure began to include a board of directors, within the scope of which there is an audit committee, composed solely by non-executive directors and an executive committee. There is also a statutory auditor.

With the objective of ensuring the development of the international expansion strategy of the Bank and Group, a Board for International Strategy was also elected at the abovementioned General Meeting, entrusted with the analysis and reflection on this strategy, and supervision of its evolution and implementation.

SECTION I – GENERAL ISSUES

II.1. Identification and composition of the governing bodies

In accordance with the said corporate governance model adopted by Banco Comercial Português during 2012, its management and supervision was structured as follows:

- Board of Directors which includes an Audit Committee (only with non-executive members) and an Executive Committee (the Bank's current management body);
- Board for International Strategy;
- Statutory Auditor;
- Remuneration and Welfare Board.

The Group also uses a company of external auditors to carry out the audits of the individual and consolidated accounts of Banco Comercial Português and of the different companies controlled by it, whose appointment was deliberated at the General Meeting.

A. Board of Directors

The Board of Directors (BoD) is the governing body of the Bank charged with, in accordance with the law and the articles of association, the most ample powers of management and representation of the Company.

The BoD currently in office was elected by the General Meeting held on 28 February 2012 for the three-year period 2012/2014.

Under the terms of the Articles of Association in force, the Board of Directors is composed of a minimum of seventeen and a maximum of twenty-five members with and without executive functions, elected by the General Meeting for a period of three years, who may be re-elected one or more times. The Chairman or whoever is replacing him at any given time has the casting vote. The Board of Directors has been ensured the broadest competence established in the law and Articles of Association of the Company, which covers, amongst others, the following duties:

- To resolve upon the change of head office and share capital increases, in accordance with the law and the articles of association;

- Approve mergers, demergers and other changes to the Company;

- Decide upon, in accordance with the law and the articles of association, the issuance of shares or other securities that imply or may imply a share capital increase by the Bank, establishing the conditions and carrying out, with them, all the operations permitted by law, abiding by any limits set by the General Meeting;

- Delegate on an Executive Committee composed of a minimum of six and a maximum of nine of its members the day-to-day management of the Bank, under the terms and with the scope of the resolution that delegates such powers, whether this scope is increased or decreased;

- Appoint the Company Secretary and the respective Alternate;

- Resolve upon the granting or termination of functions of all the employees who are managers and report directly to the Board of Directors or to any of its committees or commissions, including the Executive Committee, as well as of any members of corporate bodies appointed by the Bank, approve their salaries, social benefits and other payments;

- Approve the Annual Reports and the proposals to be submitted to the General Meeting that the management body is responsible for, namely the proposal for distribution of results;

- Define the general policies and strategy for the Bank and the Group;

- Approve the annual and pluriannual budgets and monitor their execution;

- Through its Audit Committee, ensure the issue of an opinion on credit concession operations or the engagement of services to members of governing bodies, holders of stakes above 2% of the Bank's share capital, computed according to article 20 of the Securities Code, as well as individuals or companies related to them;

- Hire and replace, under proposal of the Audit Committee, the external auditor appointed pursuant to article 23 (e) of the articles of association;

- Appointment of attorneys to carry out specific acts;

- Define and resolve on eventual changes to the group's corporate structure;

- Annually assess the Bank's governance model;

- Ensure that the Bank has efficient systems for internal control, risk management and internal audit;

- Appoint the members of the Board for International Strategy, an advisory body of the Bank composed of individuals with recognised merit and related with the countries where the Bank operates or intends to invest;

- Ensure the continuous follow-up of the financial reporting and risk management systems and process and of the activity of the Statutory Auditor and external auditor of the Company, propose their election and appointment, respectively, at the General Meeting, issue opinions on independence requirements and other relations with the company, as well as their respective exoneration, a decision which, to the extent permitted by the law, will be binding, implying that the governing bodies must proceed in conformity;

- Assess and monitor the internal procedures relative to accounting matters, the effectiveness of the risk management system, of the internal control system and of the internal audit system, including the receipt and processing of related complaints and doubts, whether derived from employees or not;

The Bank's Board of Directors was elected on 28 February 2012 and on 31 December 2012 it was composed of the following members:

Chairman:	António Vítor Martins Monteiro (Independent)
Vice-Chairmen:	Carlos José da Silva (Not Independent, due to being bound to an entity owning a qualifying holding) Nuno Manuel da Silva Amado (Executive) Pedro Maria Calaínho Teixeira Duarte (Not Independent, due to being bound to an entity owning a qualifying holding)
Members:	Álvaro Roque de Pinho Bissaia Barreto (Independent) André Luiz Gomes (Independente) António Henriques de Pinho Cardão (Independent) António Luís Guerra Nunes Mexia (Not Independent, due to being bound to an entity owning a qualifying holding) António Manuel Costeira Faustino (Independent) Bernardo de Sá Braamcamp Sobral Sottomayor (Not Independent) (Appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds.) César Paxi Manuel João Pedro (Not Independent, due to being bound to an entity owning a qualifying holding) Jaime de Macedo Santos Bastos (Independent) João Bernardo Bastos Mendes Resende (Not Independent, due to being bound to an entity owning a qualifying holding) João Manuel de Matos Loureiro (Independent) José Guilherme Xavier de Basto (Independent) José Jacinto Iglésias Soares (Executive) José Rodrigues de Jesus (Not Independent) (Appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds.) Luís Maria França de Castro Pereira Coutinho (Executive) Maria da Conceição Mota Soares de Oliveira Callé Lucas (Executive) Miguel de Campos Pereira de Bragança (Executive) Miguel Maya Dias Pinheiro (Executive) Rui Manuel da Silva Teixeira (Executive)

Within the scope of the Bank's recapitalisation operation, and in conformity with the provisions in article 14, nr. 2, of Law nr. 63-A/2008 of 24 November (amended and republished by Law nr. 4/2012 of 11 January) and in nr. 2 of the Annex to the Ordinance nr. 8840-B/2012, of 28 June, the Government appointed, on 4 December 2012, as its representatives in the Bank's Board of Directors, Bernardo de Sá Braamcamp Sobral Sottomayor as non-executive director to the Commission for Nominations and Evaluations and José Rodrigues Jesus as second non-executive director to the Audit Committee.

The Board of Directors in office as at 31 December 2012 was composed of twenty-two permanent members, fifteen of its members are non-executive and seven are executive, the majority of directors was qualified as independent, only seven of its members do not meet the requisites of independence, five due to being related to entities with holdings greater than 2% of the Bank's capital and two due to having been appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds. All the members complied with the rules on incompatibility established in nr. 1 of article 414-A, by virtue of article 423-B (3) of the Companies Code, regarding the members of the Audit Committee.

The directors perform their duties observing and following the duties of zeal, care and loyalty, pursuant to the high standards of professional diligence inherent to a careful and orderly manager and in the interests of the company. The directors are bound to secrecy in respect of any matters dealt with at the board meetings or that they become aware of due to the exercise of their functions, except when the Board of Directors sees the need to internally or publicly disclose its resolutions, or when such disclosure is imposed by law or by a decision of an administrative authority or of a court of law.

The Board of Directors delegated the day-to-day management of the Bank on an Executive Committee composed of seven of its members.

The Board of Directors approved regulations allowing the receipt of communications of irregularities submitted by shareholders, employees or others which are available on the Bank's Internet site, on the page with the following address:
http://corpservices.pt.millenniumnet.net/pt/CI/Pages/welcome.aspx

During 2012, the Board of Directors met 17 times and was supported by secretarial services administered by the Company Secretary.

B. Board for International Strategy

Aiming to ensure the development of the international expansion strategy for BCP and for the Group, the Bank's articles of association provide for the existence of the Board for International Strategy (BIS), an advisory body composed of individuals with recognised merit and related with the countries where the Bank operates or intends to invest.

The Chairman and Vice-Chairmen of the Board of Directors and the Chief Executive Officer are also part of this Board, due to their functions.

The Board for International Strategy is responsible for, namely:

- Assessing and pondering on the Group's global strategy and on the strategy for each country, issuing, when deemed convenient, recommendations to the Board of Directors;

- Monitoring the implementation of the Group's international strategy and investment strategy, issuing, when deemed convenient, recommendations to the Board of Directors.

The Bank's Board for International Strategy was elected by the General Meeting held on 28 February 2012 for the 2012/2014 mandate and on 31 December 2012 it was composed of the following members:

Chairman:	Carlos Jorge Ramalho dos Santos Ferreira
Vice-Chairmen:	Francisco de Lemos José Maria Josep Oliu Creus
Members due to their functions:	António Vítor Martins Monteiro Carlos José da Silva Nuno Manuel da Silva Amado Pedro Maria Calaínho Teixeira Duarte

C. Statutory Auditor and External Auditors

The Statutory Auditor is responsible for the examination of the company's accounts, pursuant to article 446 of the Companies Code, and namely:

- Verifying the regularity of the accounting books and records;

- Verifying that the accounting policies and valuation criteria adopted lead to the correct assessment of net worth and net income;

- Verifying the accuracy of the financial statements;

- Auditing the accounts and other relevant services;

- Preparing a monthly report on its supervisory activities;
- Participating in the meetings of the Board of Directors and of the Executive Committee whenever its presence is deemed relevant, namely, at the time of the approval of the Company's accounts.

The Statutory Auditors, permanent and alternate, elected at the General Meeting held on 18 April 2011, to hold office for the three-year period of 2011/2013, are:

Permanent: KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., represented by their partner Ana Cristina Soares Valente Dourado, ROC, nr. 1011;

Alternate: KPMG & Associados – Sociedade de Revisores Oficiais de Contas, S.A., represented by João Albino Cordeiro Augusto, ROC, nr. 632.

As with all other members of the Bank's Governing Bodies, the Statutory Auditor is also bound to continue in office up to the General Meeting which proceeds with the election of a new Statutory Auditor.

Under the terms of article 41, nr. 1 and of article 23, subparagraphs d) and e) of the Bank's Articles of Association, the Audit Committee has the power to prepare a proposal, to be submitted to the General Meeting, on the choice of statutory auditor and respective alternate and on the choice of external auditor of the Group.

D. Remuneration and Welfare Board

The Remuneration and Welfare Board, in which the General Meeting delegated, for the three year period 2012/2014, the competence to establish the remuneration of the members of the governing bodies, as at 31 December 2012, had the following composition:

Chairman: Baptista Muhongo Sumbe (Not Independent, due to being bound to an entity owning a qualifying holding)

Members: Manuel Soares Pinto Barbosa (Independent)
José Manuel Archer Galvão Teles (Independent)
José Luciano Vaz Marcos (Independent)

The members of the Remuneration and Welfare Board are independent from the members of the management body and, with the exception of the chairman, who is related to an owner of a qualifying holding, are also independent in relation to the Company as confirmed by the respective curricula attached to the present report.

During the financial year of 2012, the Remuneration and Welfare Board met three times.

Each of the members of the Remuneration and Welfare Board, qualified as independent, earns an annual remuneration of 20,000 euros.

The Remuneration and Welfare Board is supported by the secretarial services administered by the Company Secretary.

II.2. Identification and composition of the specialised committees constituted with competences in management or supervision matters of the company

In order to ensure and contribute to the good performance of its management duties, the Board of Directors delegated the day-to-day management of the Bank on an Executive Committee and constituted, in addition to the Audit Committee, elected at the General Meeting, four specialised commissions, entrusted with the permanent monitoring of certain specific matters.

Below is a summarised description of the duties, competences and composition of each of these bodies:

A. Executive Committee

On 1 March 2012 the Board of Directors appointed an Executive Committee, under the terms of article 407, nr. 3 and 4 of the Companies Code and of article 35 of the Bank's articles of association, composed of seven of its members, which performs all of the Bank's day-to-day management functions that are not to be solely exercised by the Board of Directors.

Chairman:	Nuno Manuel da Silva Amado
Vice-Chairmen:	Miguel Maya Dias Pinheiro Miguel de Campos Pereira de Bragança
Members:	Luís Maria França de Castro Pereira Coutinho José Jacinto Iglésias Soares Maria da Conceição Mota Soares de Oliveira Callé Lucas Rui Manuel da Silva Teixeira

The Chief Executive Officer must:

- Ensure that all information is provided to the remaining members of the Board of Directors relating to the activity developed and the resolutions adopted by the Executive Committee;
- Ensure compliance with the limits to the delegation of management powers and with the Bank's strategy;
- Coordinate the activities of the Executive Committee, distributing among its members the preparation or follow-up of the issues assessed or decided by this committee, chairing its meetings and monitoring the execution of its resolutions.

All the executive Directors are considered independent and are recognised for their technical competence, knowledge and professional experience appropriate to the performance of their respective duties and areas of responsibility under the internal organisation, as may be concluded from the analysis of the curricula presented in Annex I to this report. During the performance of their duties, the executive Directors have operated with the diligence of a careful and orderly manager, observing duties of loyalty, acting in the interest of the company and in consideration of the long term interests of the Shareholders and other stakeholders.

In accordance with the provisions of the Regulations of the Executive Committee, all the members are prevented from accepting or performing duties of any nature by appointment to a corporate office or through a work contract, in any other commercial company in which the Group led by Banco Comercial Português has no interests, unless the explicit prior authorisation of the company has been obtained.

During the financial year of 2012, the Executive Committee met 45 times.

This Committee was supported by secretarial services administered by the Company Secretary.

The Executive Committee is organised by Areas of Responsibility, as represented in II.3.

B. Audit Committee

The Audit Committee is responsible for supervising the observance of the law and of the Company's articles of association, under the provisions of article 423-C, nr. 1, and article 391 of the Companies Code. This Committee is composed of a minimum of three and a maximum of five members, appointed together with the remaining directors. The proposals for the election of the members of the Board of Directors must point out which members will be part of the Audit Committee and indicate the respective Chairman.

This Committee was elected at the General Meeting held on 28 February for the three-year period 2012-2014 and is foreseen in nos. 1 and 2 of article 423-B of the Companies Code and, in observance of article 423-F of that diploma and its own Regulations, it is entrusted, namely, with the matters of supervision and efficacy of the risk management systems, internal control system and internal audit system. Accesses the call notices and minutes of the Executive Committee and participates in the meetings of that Committee in which the annual accounts of the Bank are assessed, verifies the accuracy of the documents presenting the accounts, prepares an annual report on its supervisory activities and issues opinions on the management report and the financial statements, expressly declaring that it is in agreement with the content of the certification of accounts, or concerning share capital increases by deliberation of the Board of Directors. Verifies the regularity of the books, accounting records and documents supporting them, as well as the accounting policies, ensures that the valuation criteria adopted lead to the correct assessment of net worth and net income and of the process of preparation and dissemination of financial information. Proposes to the General Meeting the appointment of the statutory auditor and of the external auditor, supervises their respective activity and independence, in particular regarding the provision of additional services, the supervision of internal audit activity and receipt of communications of irregularities submitted by shareholders, employees or others, ensuring their follow-up by the Internal Audit Department or Ombudsman Office. The Audit Committee also has the power to engage the provision of services by experts to assist one or several of its members in the exercise of his/her/their functions. This engagement and the remuneration of the experts must take into account the importance of the issues committed to them and the Bank's economic situation.

This Committee is also responsible for the issue of opinions on contracts celebrated between the Bank and members of its governing bodies, under the terms of article 397 of the Companies Code, and on credit concession contracts – in any form or modality – that the Bank or any of the Group's subsidiary companies celebrates with members of their governing bodies or shareholders with more than 2% of the share capital of the Bank, calculated under the terms of article 20 of the Securities Code, as well as with entities that, under the legal framework of Credit Institution and Financial Companies, are related with them.

The Audit Committee informs the Board of Directors on a quarterly basis, in writing, of the activities developed and conclusions obtained and prepares an annual report of its activity to be presented to the Chairman of the Board of Directors, meets regularly with the external auditors and must meet at the time of assessment of the company's quarterly, half-yearly and annual reports. The Audit Committee receives the Reports of the Internal Audit Department, Statutory Auditor and External Auditors. The Audit Committee meets regularly with the Chief Financial Officer, Risk Officer, Compliance Officer and Head of the Internal Audit Department, and has the power to summon any Coordinating Director it wishes to hear. The Audit Committee also approves the remuneration and conditions for the suitable performance of duties by the Statutory Auditor and External Auditors.

During the financial year of 2012, the Audit Committee was composed as follows:

Chairman: João Manuel de Matos Loureiro (Independent)

Members: Jaime de Macedo Santos Bastos (Independent)
José Guilherme Xavier de Basto (Independent)
José Rodrigues de Jesus (Not Independent, appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds)

All the elected members of this Committee, with the exception of the director appointed by the State, were, pursuant to the legal and statutory criteria, qualified as independent, having the appropriate competences and professional experience for the performance of their respective duties, as confirmed by the respective curricula attached to the present report.

During 2012, the Board of Directors met 17 times and its secretarial services were administered by the Head of the Board of Directors Support Office.

C. Commission For Risk Assessment

This Commission is responsible for advising the Board of Directors on matters related to the definition of risk strategy, capital and liquidity management and market risk management, whose execution it monitors.

During the financial year of 2012, the Commission for Risk Assessment was composed as follows:

Chairman: João Bernardo Bastos Mendes Resende (Not Independent,
due to being bound to an entity owning a qualifying holding)

Members: António Henriques de Pinho Cardão (Independent)
Pedro Maria Calaínho Teixeira Duarte (Not Independent, due to being bound to an entity owning a qualifying holding), resigned in October 2012
Bernardo de Sá Braamcamp Sobral Sottomayor (Not Independent, appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds)

During 2012, the Commission for Risk Assessment met ten times and its secretarial services were administered by the Head of the Board of Directors Support Office.

D. Commission for Ethics and Professional Conduct

This Commission is responsible for evaluating the compliance function and, simultaneously, appraising compliance with the ethical principles for professional conduct stated in the various internal regulations, issuing, pursuant to a request made by the Board of Directors, opinions on the Code of Conduct and other documents defining business ethical principles.

During the financial year of 2012, the Commission for Ethics and Professional Conduct was composed as follows:

Chairman: António Manuel Costeira Faustino (Independent)

Members: Álvaro Roque de Pinho Bissaia Barreto (Independent)
António Henriques de Pinho Cardão (Independent)

During the financial year of 2012, the Commission for Ethics and Professional Conduct met nine times and its secretarial services were administered by the Company Secretary.

E. Commission for Corporate Governance

This commission was responsible for the permanent evaluation and monitoring of corporate governance matters, namely recommending the adoption by the Board of Directors of policies, rules and procedures necessary for the compliance with the applicable legal, regulatory and statutory requirements, as well as of best national and international practices in corporate governance aimed at contributing to the pursuit of the objectives of the company's social responsibility and sustainability, including, among others, principles and values to safeguard customers' interests, social solidarity and environmental protection. This commission also supported the Board of Directors in the assessment of the systems for the identification and resolution of conflicts of interest, and also informs this governing body of any situations or occurrences that, in its opinion, could constitute failure to comply with the established corporate governance rules and practices. Cooperates in the preparation of the Annual Corporate Governance Report concerning all issues for which it is responsible.

During the financial year of 2012, the Commission for Corporate Governance was composed as follows:

Chairman: António Vítor Martins Monteiro (Independent)

Members: António Luís Guerra Nunes Mexia (Not Independent, due to being bound to an entity owning a qualifying holding)
César Paxi Manuel João Pedro (Not Independent, due to being bound to an entity owning a qualifying holding)

During the financial year of 2012, the Commission for Corporate Governance met once and its secretarial services were administered by the Company Secretary.

F. Commission for Nominations and Evaluations (Talent Management)

The main goal of this Commission is to contribute to the development of talent management in the Group, being responsible for: Making or conveying to the Board of Directors recommendations on the appointment of new members of the Executive Committee, on the appointment or cessation of functions of Employees who are managers and report directly to the Board of Directors or Executive Committee, including for the exercise of functions in other institutions in which the Group has interests; monitor the Bank's policies regarding human resources and staff; collaborate with the Remuneration and Welfare Board, in the preparation of the performance assessment model of the Executive Committee of the Board of Directors, as well as in all remuneration policy aspects regulated by Bank of Portugal Notice nr. 10/2011. This Commission also has the power to approve technical and professional profiles and appoint, by delegation of the Board of Directors, among other heads, the head of the audit division, in accordance with the opinion issued by the Audit Committee, the head of investors relations, the risk officer, the compliance officer and the group treasurer who must have a suitable profile and qualifications to perform their respective duties.

During the financial year of 2012, the Commission for Nominations and Evaluations was composed as follows:

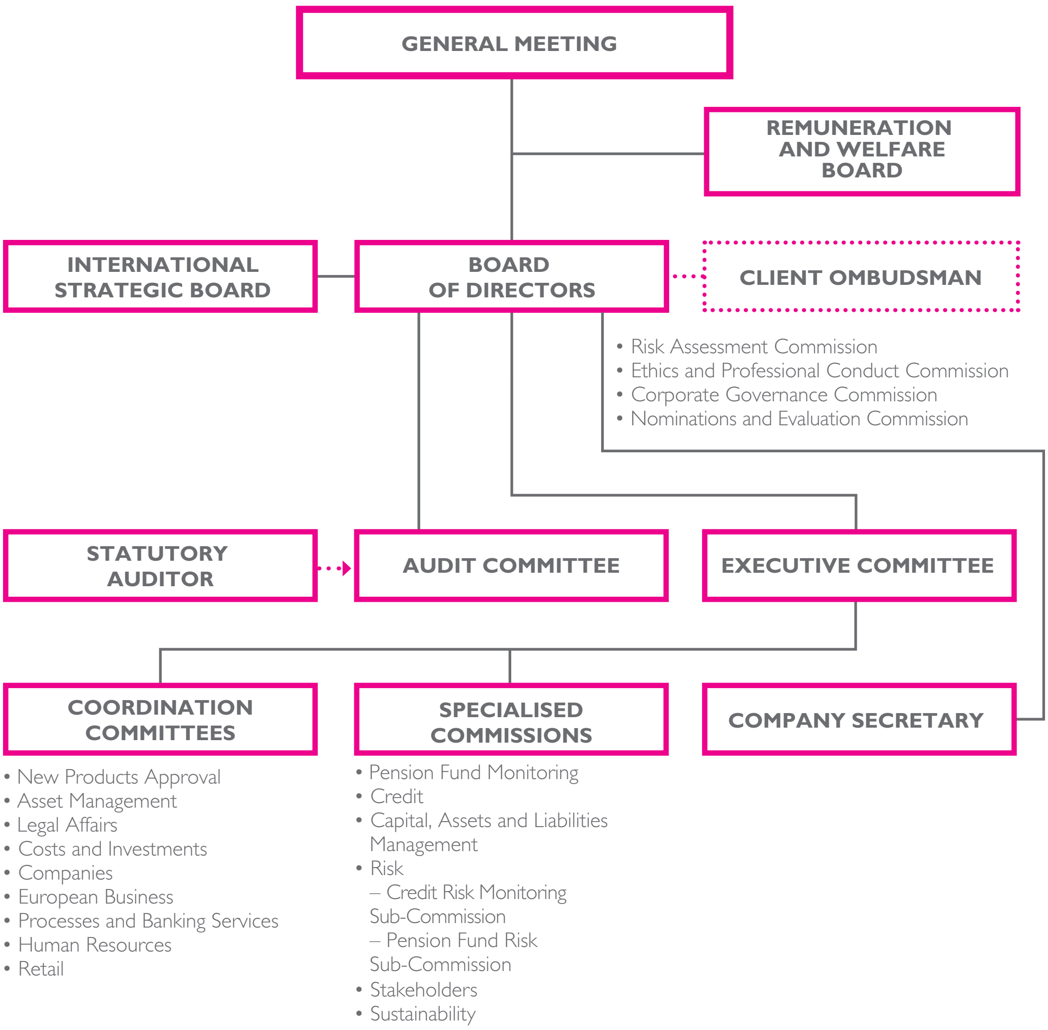
Chairman: Carlos José da Silva (Not Independent, due to being bound to an entity owning a qualifying holding)

Members: Álvaro Roque de Pinho Bissaia Barreto (Independent)
Bernardo de Sá Braamcamp Sobral Sottomayor (Not Independent, appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds)
Nuno Manuel da Silva Amado (Executive)

During the financial year of 2012, the Commission for Nominations and Evaluations met six times and its secretarial services were administered by the Company Secretary.

II.3. Organisational charts or flowcharts relative to the distribution of competences between the different governing bodies, committees, commissions and/or departments of the company, including information on the scope of the delegation of competences, in particular with respect to the delegation of the daily management of the company, or distribution of areas of responsibility amongst the members of the management or supervisory bodies, and list of matters which are not able to be delegated and of competences effectively delegated

The diagram below represents the Corporate Governance Model structure of Millennium bcp in 2012:



Since the competences of the General Meeting, the Board of Directors and its specialised committees, and the Remuneration and Welfare Board and the Board for International Strategy have been addressed in detail in the points above, this number shall describe only the scope of action of the Ombudsman Office, the distribution of areas of responsibility of the Executive Committee and the main structures that report to them.

OMBUDSMAN OFFICE

The Client Ombudsman Office of Millenium bcp has operating independence from the organic structure of the Bank, aimed at the defence and guarantee of the rights and interests of Customers.

The activity of the Client Ombudsman is based on principles of autonomy, impartiality, celerity, gratuitousness and confidentiality, governed by the Ombudsman's own Rules of Procedure, complying with the legal, prudential and recommendatory rules or internal procedures that regulates banking activity in general and the Bank in particular, and may, in making its assessment, adopt judgements of fairness with a view to obtaining the most suitable solutions.

Information on the Client Ombudsman and the services that support its activity, as well as the Rules of Procedure of the Client Ombudsman are available on the internal portal, on the Bank's Internet site, on the page with the following address:
http://ind.millenniumbcp.pt/pt/Institucional/provedor/Pages/provedor.aspx

During 2012, the position of Ombudsman continued to be held by Francisco José Anjos Salema Garção, a person of recognised competence and very considerable experience in the banking business, with no employment ties with Banco Comercial Português, S.A. or any company or institution controlled by the Bank.

During 2012, the Ombudsman Office received 1,427 communications from Customers, of which 66 were reported as appeals, 1,129 recorded as claims and 232 as requests.

Of the 66 appeals that were filed, all were appraised and concluded in 2012, with the average time of response having stood at 13 business days, representing a rate of conclusion in due time of 100%, and the percentage granted having been 30% of processes received. Four recommendations were formulated, two of which addressed to the Executive Committee of Millennium bcp and another two were addressed to the Board of Directors of Ocidental, which received the agreement of those bodies.

The appreciation of the 1,129 appeals was ensured with the collaboration of the Customer Attendance Service, with 1,052 appeals having been concluded in 2012. The rate of conclusion represented 93% of appeals, with 52% of the decisions being favourable to the claimants.

EXECUTIVE COMMITTEE

Since this is an executive body of current management, there is no delegation of competences in the real sense of the term, but rather a clear distribution of areas of responsibility amongst the executive directors, who were assisted by various committees, commissions and departments during 2012.

The distribution of areas of responsibility amongst the members of the Executive Committee as at 31 December 2012 was as follows:

EXECUTIVE COMMITTEE
Responsibilities and Alternate Directors

EXECUTIVE COMMITTEE

NUNO AMADO

Office of the Chairman of the EC	(MM)
Communications Division	(MM)
Human Resources Division	(MM)

MIGUEL MAYA

Risk Office	(MB)
Credit Division	(MB)
Rating and Evaluations Division	(MB)
Retail Recovery Division	(MB)
Specialised Recovery Division	(MB)
Litigation Division	(MB)
Real Estate Business Division	(MB)
Specialised Monitoring Division	(MB)

MIGUEL BRAGANÇA

Treasury and Markets Division	(MM)
Investor Relations Division	(MM)
Accounting and Consolidation Division	(MM)
Research, Planning and ALM Division	(MM)
Performance and Costs Control Division	(MM)
Management Information Division	(MM)
Tax Advisory Division	(MM)
International Division	(MM)

RUI MANUEL TEIXEIRA

Retail Banking Division – North	(LPC)
Retail Banking Division – Centre North	(LPC)
Retail Banking Division – Centre South	(LPC)
Retail Banking Division – South	(LPC)
Retail Marketing Division	(LPC)
Quality and Network Support Division	(LPC)
Private Banking Division	(LPC)
Millennium Gestão de Ativos	(LPC)
Direct Banking Division	(LPC)
Residents Abroad Division	(LPC)
Banque Privée BCP (Switzerland)	(LPC)
Millennium bcp Bank & Trust	(LPC)

LUÍS PEREIRA COUTINHO

Companies Banking Division – North	(RMT)
Companies Banking Division – Centre	(RMT)
Companies Banking Division – South	(RMT)
Companies Marketing Division	(RMT)
Foreign Business Support Office	(RMT)
ActivoBank	(RMT)
Bank Millennium (Poland)	(RMT)
Millennium Bank (Greece)	(RMT)
Banca Millennium (Romania)	(RMT)

CONCEIÇÃO LUCAS

Corporate Division	(IS)
Large Corporate Division	(IS)
Investment Banking Division	(IS)
International Strategic Research Office	(IS)
Recapitalization Private Equity Fund	(IS)
Banco Millennium Angola (Angola)	(IS)
Millennium BIM (Mozambique)	(IS)
Millennium bcp Ageas	(IS)

IGLÉSIAS SOARES

Operations Division	(CL)
IT Division	(CL)
Logistics & Procurement Division	(CL)
Legal Division	(CL)
Compliance Office	(CL)
Audit Division	(CL)

COMPANY SECRETARY

The Company Secretary and the Alternate Company Secretary are appointed by the Board of Directors and their functions cease when the Board mandate reaches an end. Both were re-elected by the Board of Directors currently in office. Both have Law degrees, recognised technical and professional experience to perform the duties required by the position.

The duties of the Company Secretary include providing support to the Bank's governing bodies and respective committees in legal, administrative and logistics areas, ensuring their effective operation. 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.

The Company Secretary is entrusted with the promotion and preparation of the General Meeting of Shareholders of the Bank and companies of the Group, answering requests made by shareholders and preparation of the Corporate Governance Report.

This unit also provides its contribution to and collaborates with all the Bank's areas, both executing and validating minutes or documents. It ensures the disclosure of internal institutional communications.

Company Secretary: Ana Isabel dos Santos de Pina Cabral
Alternate Company Secretary: António Augusto Amaral de Medeiros

COMMITTEES, COMMISSIONS AND CORPORATE AREAS

Regarding the internal organisation and decision-making structure, in 2012 it is important to note the existence of a series of Committees and Commissions directly appointed by the Executive Committee which, apart from the Directors who were specifically entrusted with the monitoring of matters, include the Employees of the Bank or Group who are the Heads of their respective areas.

As at 31 December 2012 there were nine Committees, aimed at facilitating the coordination of current managerial decisions, involving the senior management of the units included in each Business Area, with a view to reconciling perspectives and supporting the managerial decision-making process of the Executive Committee.

Committee for the Approval of New Products

The Committee for the Approval of New Products is composed of sixteen permanent members. In addition to five Directors with related areas of responsibility, Miguel Maya, Miguel Bragança, Iglésias Soares, Luís Pereira Coutinho e Rui Manuel Teixeira, this Committee is composed of the persons in charge of the Tax Advisory Department, Legal Department, Audit Department, Direct Banking Department, Compliance Office, which acted as secretary, Communication Department, Accounting Department, IT and Technology Department, Companies Marketing Department, Retail Marketing Department and Market Research.

This Committee had the primary mission and was entrusted with the analysis of the policy of approval, formalisation, and risk management inherent to the process of implementation, launch and commercialisation of new products and activities of the Institution, as well as correcting and rectifying specific characteristics of products or service or have them removed from the commercial circuit ensuring their suitability with the defined risk management policy and assessing any determinations or communications relative to the products or services issued by supervisory authorities.

Asset Management Committee

The Asset Management Committee is composed of ten permanent members. The Head of the Group's insurance company participated by invitation. In addition to three Directors with related areas of responsibility, Luís Pereira Coutinho, Conceição Lucas and Rui Manuel Teixeira, this Committee is composed of the Heads of the Specialised Monitoring Department, Research, Planning and ALM Department, Companies Marketing Department, Private Banking Department, Treasury and Markets Department, through Banque Privée BCP Suisse and Market Research.

The mission of this Committee was to ensure the monitoring and coordination of investment processes and policies, benchmarks and guidelines of investment products managed and/or distributed by the Bank and Services of Asset Management, Management of Portfolios and Individual Customers, Treasury and Markets, Life Insurance and Private Banking, and high-level definition of scenarios of market evolution by relevant geographical area.

Legal Affairs Committee

The Legal Affairs Committee is composed of eight permanent members. In addition to two Directors with related areas of responsibility, Miguel Maya and Iglésias Soares, this Committee is composed of the Heads of the Tax Advisory Department, Legal Department, Logistics & Procurement Department, Litigation Department, Cost Control and Performance Department and Company Secretary, which acted as secretary.

This Committee had the primary mission of ensuring an adequate coordination of the legal function between the different areas of the Bank and issuing an opinion on the external engagement of legal services.

This Committee was entrusted with the analysis of the suitability of the legal function relative to the objectives of the Bank and of the Group, promoting the effective coordination of the same, developing the awareness of Employees in general regarding legal affairs and encouraging the control and optimisation of internal and external legal means.

Costs and Investments Committee

The Costs and Investments Committee is composed of seven permanent members and the Heads of other areas also participated by invitation only when justified by the topic under discussion. In addition to three Directors with related areas of responsibility, Miguel Maya, Miguel Bragança and Iglésias Soares, this Committee was composed of the Heads of the Purchase and Means Department, which acted as secretary, Cost Control and Performance Department, Management Information Department and Information Technology Department.

This Committee was entrusted with the regular monitoring of the operating evolution and optimisation of the processes involving negotiation and/or acquisition of the most relevant goods and services for the Bank and authorisation of charges and payments.

Companies Committee

The Companies Committee is composed of fourteen permanent members, and the Heads of other areas also participated by invitation only when justified by the topic under discussion. In addition to the Directors with related areas of responsibility, Miguel Maya, Miguel Bragança, Luís Pereira Coutinho and Conceição Lucas, this Committee was composed of the Heads of the Specialised Monitoring Department, Investment Banking, Corporate Department, Companies Banking North, Centre and South, Large Corporates Department, Companies Marketing Department, which acted as secretary, Real Estate Business Department and Specialised Recovery Department.

This Committee ensured the analysis, preparation and planning of the monitoring and development of the Bank's business in the small and medium-sized enterprise (SME), Corporate, Large Corporates and Investment Banking segments 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 and of the main risk indicators associated to the business, as well as analysis of the models of coordination of the business regarding their migration in the value proposal and their interconnection with the Bank's networks.

European Banking Committee

The European Banking Committee is composed of four permanent members and included, in addition to the Director with the related area of responsibility and Luís Pereira Coutinho, the Heads of the Group's Banks in Poland, Greece and Romania.

This Committee ensured the monitoring of the activity of the Group's operations on European territory.

This Committee was entrusted with the analysis of the evolution of the activity in the different European operations; search for the best solutions to control costs; increase efficiency and streamline the activity of the different Banks; monitoring of the Process Management model and governance structure of the different operations and definition of the main policies on action and guidelines.

Banking Processes and Services Committee

The Banking Processes and Services Committee is composed of nine permanent members. In addition to three Directors with related areas of responsibility, Iglésias Soares, Luís Pereira Coutinho and Rui Manuel Teixeira, this Committee is composed of Heads of the Purchase and Means Department, Cost Control and Performance Department, Information Technology Department, Operations Department, which acted as secretary, Quality and Network Support Department and Human Resources Department.

This Committee is entrusted with the monitoring of activity in the major areas of support to the Bank's front-end services; increase the number of mechanisms and processes to enhance efficiency, reduce costs and improve the business processes and monitoring of the management structure at the Bank, analysis of the evolution of the activities of areas involving the Committee, study of the best solutions to control costs, enhance efficiency and streamline the Bank's activity, definition and strengthening of the duties and competences of process owners, approval of proposals of innovation in the management of the Bank's resources and optimisation of their use; definition of policies regarding monitoring, procurement, control and contracting of outsourcing services to be used by the Bank; and definition of the analytical measurements and evolution of controllable variables by the Committee's areas, so as to ensure the continuous measurement of resource efficiency and productivity levels.

Human Resources Committee

The Human Resources Committee is composed of four permanent members, and the Heads of other areas also participate by invitation only when justified by the topic under discussion. In addition to the three Directors with related areas of responsibility, Nuno Amado, Miguel Bragança and Iglésias Soares, the Head of the Human Resources Department was also a member of the committee and acted as secretary.

The primary mission of this Committee was the definition, decision and monitoring of the Bank's human resources policies to support the operating and business efficiency.

This Committee was entrusted with the definition of the strategy and approval of the Bank's human resource policies, namely monitoring of the top 10 KPIs of people management, hiring and internal mobility, intelligent rightsizing; compensation, benefits and programmes related to the recognition and involvement of employees, and talent management through the approval of mechanisms and timing of performance assessment, promotions, rotation and development plans, expatriation and acceleration of specific competences, as well as communication of human resources, internal, aimed at reinforcing the culture, expectations, strategic alignment and mobilisation of employees, and also branding and value proposal and the external image of human resources.

Retail Committee

The Retail Committee is composed of thirteen permanent members and three non-permanent members who participated in meetings only when justified by the topic under discussion. In addition to the Directors with the related areas of responsibility, Miguel Bragança and Rui Manuel Teixeira, this Committee is composed of, as permanent members, the Heads of the Direct Banking Department, Communication Department, Management Information Department, Retail Marketing Department, which acted as secretary, Quality and Network Support Department, Retail Recovery Department, Foreign Residents Department, Retail Departments – North, Centre North, Centre South and South and, as non-permanent members, the Heads of the Real Estate Business, Human Resources and Insurance areas.

The main mission of this Committee was the monitoring and management of Retail Customers, with the objective of analysing the Bank's activity in this market segment and finding the best solutions for growth and enhancement of loyalty in this area. This Committee was entrusted with the monitoring of the activity and compliance with the objectives related with Individual and Business Customers; 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 segment; and analysis of the models of coordination of the Individuals segment regarding their migration in the value proposition and networks of the Bank.

COMMISSIONS

There were six Commissions in 2012, under the Executive Board of Directors, essentially with overall and transversal duties, responsible for pursuing the study and assessment, for each area of intervention, of the policies and principles which should guide the action of the Bank and Group.

Pension Fund Monitoring Commission

The mission of this Commission is the monitoring of Pension Funds. This Commission issues opinions on proposals to amend the respective constitutive contracts, and was established under the terms of article 53 of Decree-Law 12/2006, of 20 January, as amended by Decree-Law 180/2007, of 9 May.

Two permanent members of the Executive Committee are part of this Commission, one of which is the Vice-Chairman of the Executive Committee, Miguel Bragança and Rui Manuel Teixeira, member, and any other member of the Executive Committee, according to the themes scheduled, the Risk Officer, the Manager of Pensõesgere (Pension Funds holding company), the Heads of the Research, Planning and Assets and Liabilities Management Department and of the Human Resources Department, which also performs secretarial duties for this Commission. The Bank invited the Workers Committee to send a representative to this Commission, having for this reason assigned one of the two places to which it was entitled. This Commission also includes three representatives of Bank Sector Unions.

Capital Assets and Liabilities Management Commission (CALCO)

The main duties of this Commission are the monitoring and management of market risks associated to the asset and liability structure, the planning and allocation of capital and definition of suitable policies for liquidity and market risk management, for the Group as a whole. Seven permanent members of the Executive Committee are part of this Commission, including the Chairman and the two Vice-Chairmen, as well as the Heads of the Corporate Department, Research, Planning and Assets and Liabilities Management Department, which acted as secretary, Management Information Department, Companies Marketing Department, Retail Marketing Department, Risk Officer, Treasury and Markets Department and the International Strategic Research Office, by invitation.

Credit Commission

This Commission, with the composition and competences stipulated in the Credit Concession, Monitoring and Recovery Regulations, deliberates on the granting of loans and advances to customers (integrated or not in economic groups), whenever this involves an increase of exposure above 20 million euros, or, for situations where the Bank's exposure is above 50 million euros, for occasional operations above 10 million euros and for proposals of renewal or review of credit lines and ceilings which are within the preceding values.

The Credit Commission is composed of a minimum of three members of the Executive Committee, the Heads of the Credit Department, Specialised Recovery Department, Retail Recovery Department, Legal Department, Litigation Department, Rating and Assessment Department and the Risk Officer of the Group. This Commission also includes, according to the specific operations to be assessed and/or their nature, the Coordinating Directors of the Commercial Areas, Investment Banking Department, Specialised Monitoring Department and Real Estate Business Department, Level 3 Credit Directors and the Compliance Officer.

This Committee is supported by secretarial services administered by the Company Secretary.

Risk Commission

This Commission is responsible for monitoring overall risk levels (credit, market, liquidity and operating risk), ensuring that these are compatible with the objectives, the available financial resources and strategies approved for the development of the Group's activity.

All the members of the Executive Committee, the Compliance Officer, the Risk Officer, which acted as secretary, the Heads of the Audit Department, Credit Department, Research, Planning and Assets and Liabilities Management Department, Management Information Department, Rating and Assessments Department and Treasury and Markets Department are part of this Commission.

Two Sub-Commissions operate under the Risk Commission, the Pension Fund Risk Sub-Commission and the Credit Risk Monitoring Sub-Commission.

The Pension Fund Risk Sub-Commission is responsible for monitoring the performance and risk of the Group's Pension Funds and defining suitable hedging and investment policy strategies.

Nuno Amado, Chairman of the Executive Committee, Miguel Bragança, Vice-Chairman and Conceição Lucas, member of the Executive Committee, as well as a representative of F&C, the General Manager of Pensões gere and the Heads of the Research, Planning and Assets and Liabilities Management Department, Human Resources Department and the Risk Officer, who administers the secretarial services for this Sub-Commission, are part of this Sub-Commission.

The Credit Risk Monitoring Sub-Commission is responsible for monitoring the evolution of credit exposure and of the contracting process, as well as the quality of the portfolio and key performance and risk indicators, as well as counterparty risk, risk of concentration of the highest exposures and the evolution of impairment and the main cases analysed at an individual level. This sub-commission also analyses the performance of the recovery processes and supervises the divestment of the real estate portfolio. It submits proposals for the definition of credit concession policies and regulations, PD and LGD models and the models underlying the calculation of impairment as well as the automatic decision-making and credit recovery processes.

Miguel Maya, Vice-Chairman of the Executive Committee and Luís Pereira Coutinho, Conceição Lucas and Rui Manuel Teixeira, members of the Executive Committee, as well as the Risk Officer, who administers the secretarial services, the Heads of the Corporate Department, Credit Department, Management Information Department, Companies Marketing Department, Retail Marketing Department, Real Estate Business Department, Rating and Assessments Department, Retail Recovery Department and Specialised Recovery Department are also members of this Sub-Commission.

Stakeholders Commission

This Commission is responsible for relations with Stakeholders, functioning simultaneously as a privileged channel for the disclosure of internal information and as a forum of debate and strategic advice for the Board of Directors.

Some of its members are persons of high and publicly recognised merit and prestige, without ties to the Bank, and are invited amongst the main Stakeholders, namely shareholders, employees, customers and civil society.

The Chairman of the Board of Directors, the Chairman of the Executive Committee, three members of the Executive Committee, the Chairman of the Board of the General Meeting of the Bank, the Ombudsman of Millennium bcp, a representative of the Workers Commission, a representative of the Fundação Millennium bcp, a representative of Customers, a representative of Suppliers and a representative of Universities are part of this Commission.

Sustainability Commission

This Commission is responsible for submitting proposals for decision-making on topics related to the action plan based on the sustainability policy, as well as 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.

Miguel Maya, Iglésias Soares and Rui Manuel Teixeira, Vice-Chairman and member of the Executive Committee respectively, and the Heads of the Communication Department, Quality and Network Support Department, Purchases and Means Department, Companies Marketing Department, Retail Marketing Department, Human Resources Department, Cost Control and Performance Department, who administers the secretarial services, and a representative of the Fundação Millennium bcp are part of this Commission.

BUSINESS AREAS AND SUPPORT UNITS

The chart below presents the Group's current organisation relative to business activity and support.

INTERNAL ORGANIZATION MODEL

Business Areas and Support Units

PORTUGAL

RETAIL
- Retail Banking (North, Centre North, South, Centre South)
- Direct Banking
- Residents Abroad
- Quality and Network Support
- Retail Marketing
- ActivoBank

COMPANIES
- Companies Banking (North, Centre, South)
- Corporate
- Large Corporate
- Investment Banking
- Specialised Monitoring
- Real Estate Business
- Companies Marketing
- International

ASSET MANAGEMENT
- Millennium bcp Gestão de Ativos
- Treasury and Markets
- Private Banking

OUTSIDE PORTUGAL

EUROPE
- Bank Millennium/Poland
- Millennium Bank/Greece
- Banca Millennium/Romania
- Millennium Banque Privée/Switzerland
- Banque BCP/France and Luxembourg

PORTUGUESE-SPEAKING AFRICAN COUNTRIES
- Millennium bim
- Banco Millennium Angola

OTHER
- Millennium BCP Bank & Trust/Cayman Islands
- Asian Desk/Macau – China
- Brazil

BANKING SERVICES AND PROCESSES
- Inflnformation Technology
- Operations
- Credit
- Logistics & Procurement
- Litigation
- Retail Recovery
- Specialized Recovery

CORPORATE AREAS
- Compliance Office
- Research, Planning and ALM
- Management information
- Accounting and Consolidation
- Investor Relations
- Audit
- Legal
- Tax Advisory
- Performance and Costs Control
- International Strategic Research
- Recapitalization Private Equity Fund
- Fundação Millennium bcp
- Communication
- Company Secretary's Office
- Office of the Chairman of the Executive Committee
- Foreign Business Support Office
- Human Resources
- Risk Office
- Rating and Evaluations
- Board of Directors Support Office

Amongst the corporate areas, in view of the respective duties, it is considered that more detailed information should be presented relative to the Compliance Office, Audit Department and Risk Office.

Compliance Office

The mission of the Compliance Office is to ensure that the management bodies, functional structures and all the Employees comply with the legal, regulatory and normative rules which guide the activity of the Bank and its associates.

In the performance of its duties, the Compliance Officer worked with the Executive Committee, to which it reports hierarchically and, in the matters defined by the latter, to the Audit Committee and to the Commission for Ethics and Professional Conduct. The Compliance Office performs its duties in an independent, continuous and effective manner, being responsible for namely:

- Monitoring the effective risk management in articulation with the other bodies of the internal control system and assessing the suitability and efficacy of the measures and procedures adopted to detect default risk, as well as providing, in this matter, advice to management bodies;

- Monitoring the internal control procedures, without prejudice to the competences of the other bodies of the internal control system;

- Preparing and submitting to the management and supervisory bodies, at least on an annual basis, a report identifying any non-compliance observed and the measures adopted to correct them;

- Promoting the development and implementation of a culture of compliance, intervening and participating in the preparation of the Group's relevant policies, such as the policy on the prevention of money laundering and combat against the financing of terrorism, the policy of acceptance of customers and policy on conflicts of interest, also participating actively in the policy on employee training, to ensure an adequate knowledge on topics related to compliance and the development of a culture of internal control within the Group.

The policies, principles and procedures in force are extended to all of the Group's international operations, through the action of the local Compliance Officers whose functional coordination ensures the alignment of strategies and the control and coordination of the compliance action plan. The Compliance function falls within the scope of the activities subject to assessment by the Commission for Ethics and Professional Conduct, which assesses the procedures established and the compliance observed.

Head of Group Compliance: Isabel Maria dos Santos Raposo

Audit Department

The Audit Department is responsible for the Internal Audit function of Banco Comercial Português. This Department carries out its mission by adopting principles of internal auditing which are internationally recognised and accepted, applied from an integrated perspective, issuing recommendations based on the outcome of the assessments made, aimed at adding value to the organisation and improving the control and quality of the Bank's operations, contributing to the achievement of its strategic interests and ensuring that:

- The risks are duly identified and managed, and the implemented controls are correct and proportional to the risks;

- The system of assessment of the Bank's capital is adequate in relation to its level of exposure to risk;

- The operations are recorded correctly and the operational, financial and managerial information is rigorous, reliable and in due time;

- The safeguarding and security of the interests and assets of the Bank and Group or which were entrusted to them are duly ensured;

- The legal and regulatory matters of impact on the organisation are recognised, clearly understood and duly addressed.

The Audit Department's mission also includes activity relative to prevention, detection and control of non-compliance to internal rules and other rules applicable to the activity, as well as the occurrence of fraud.

The activity of the Audit Department contributes to the pursuit of the objectives defined in Bank of Portugal Notice nr. 5/2008 for the internal control system of institutions covered by the General Framework for Credit Institutions and Financial Companies, ensuring the existence of:

• An adequate control environment;

• A solid risk management system;

• An efficient information and communication system;

• An effective monitoring process.

In the performance of its duties the Audit Department relates with the Executive Committee, on which it depends hierarchically, and with the Audit Committee, to which it reports directly and functionally.

Head of Audit: Mário António Pinho Gaspar Neves

Risk Office

The main function of the Risk Office is to support the Board of Directors in the development and implementation of risk management and internal control processes, as described in greater detail in point II.5.

In the performance of its duties, the Risk Officer relates with the Board of Directors, on which it depends, as well as the Audit Committee, to which it reports directly.

Risk Officer: José Miguel Bensliman Schorcht da Silva Pessanha

II.4. Reference to the fact that the annual reports on the activity developed by the General and Supervisory Board, the Financial Matters Committee, Audit Committee and Audit Board include a description of the supervisory activity carried out, noting any constraints detected, and are disclosed on the company's Internet site, together with the documents presenting the accounts

The description of the supervisory activity carried out by the Audit Committee is in the annual report published together with the documents presenting the accounts, which are disclosed on the Bank's Internet site, on the page with the following direct address:
http://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/Inv.aspx

II.5. Description of the internal control and risk management systems implemented in the company, namely, relative to the process of disclosure of financial information, mode of functioning of this system and its efficacy

The Internal Control System is based on three control functions – Risk Management, Compliance and Internal Audit – to attain the goals set forth by Notice 5/2008 of Banco de Portugal:

• An efficient and profitable performance of the activity;

• That there is financial and management information that is complete, material, reliable and timely;

• Abidance by all applicable legal and regulatory provisos.

The three functions are exercised by specific Departments, for the entire Group, keeping a close relation with the Audit Committee of the Company. The respective Heads are appointed by the BoD of the Company and report to it directly.

Through the interaction of the internal control mechanisms implemented by these three functions (often involving other central structure units and units that directly support the BoD), the Company has a solid Risk Management System (SGR) and an effective Information and Communication System (SIC):

- The SGR ensures that the nature and seriousness of the underlying risks are adequately measured, as well as controlled, enabling an appropriate setup of the strategy and compliance with the institution's goals;

- The SCI carries out all the formal procedures to gather and handle information, adapted to the size, nature and complexity of the activities undertaken, meant to support the decision-making and to enable full compliance with the obligations to report to third parties, namely supervision authorities.

II.6. Responsibility of the management body and supervisory body in the creation and operation of the company's internal control and risk management systems, as well as in the assessment of their operation and adjustment to the company's needs

RESPONSIBILITIES OF THE BOARD OF DIRECTORS WITHIN THE SCOPE OF THE INTERNAL CONTROL SYSTEM

In the context of the Internal Control System and, more specifically, of the Risk Management System, the Board of Directors has adequate knowledge of the types of risks to which the institution is exposed and of the processes used to identify, assess, monitor and control these risks, as well as the legal obligations and duties to which the institution is subject, being responsible for ensuring that the Bank has effective internal control systems and promotes the development and maintenance of an appropriate and effective risk management system.

Hence, the management body of Banco Comercial Português:

- Defines and reviews the overall objectives and specific objectives for each functional area, with respect to the risk profile, decision levels and degree of tolerance relative to risk;

- Approves policies and procedures which are specific, effective and adequate for the identification, assessment, monitoring and control of the risks to which the institution is exposed, ensuring their implementation and compliance;

- Verifies, in a regular manner, compliance with the risk tolerance levels and risk management policies and procedures, assessing their efficacy and continuous adequacy to the institution's activity, so as to enable the detection and correction of any failings;

- Ensures that the risk management activities have sufficient independence, status and visibility and are subject to periodic reviews;

- Issues opinions on the reports prepared by the Risk Management and Compliance units, namely, on the recommendations for the adoption of preventive or corrective measures;

- Ensures the effective implementation of its guidelines and recommendations so as to introduce corrections and/or improvements in the Risk Management System.

The management body is also responsible for ensuring the implementation and maintenance of information and reporting processes which are suitable to the institution's activity and risks, for defining the accounting policies to be adopted, for establishing the guidelines and for defining the decisions which, in the context of such policies, must be taken, in order to ensure the reliability of the financial reporting. Therefore, and at a more operational level, it is responsible for approving the reporting or external disclosure outputs produced for this effect.

RESPONSIBILITIES OF THE AUDIT COMMITTEE AND STATUTORY AUDITOR IN THE CONTEXT OF THE INTERNAL CONTROL SYSTEM

Regarding the Internal Control System and pursuant to Bank of Portugal Notice nr. 5/2008, the responsibilities of the supervisory body and Statutory Auditor are as follows:

- On an individual basis: issue of a detailed opinion by the supervisory board on the efficacy/adequacy of the Internal Control System and issue of an opinion by the Statutory Auditor on the process of preparation and disclosure of individual financial information (Financial Reporting); and

- On a consolidated basis: issue of an opinion by the supervisory body of the parent company of the Group, which should include a reflection on the consistency of the internal control systems of the subsidiaries, including subsidiaries abroad and off-shore establishments, where this opinion may be based on the respective opinions prepared for the effect by the supervisory bodies of each subsidiary, and issue of an opinion by the statutory auditor on the process of preparation and disclosure of consolidated financial information (Financial Reporting).

III.7. Indication of the existence of working regulations for the corporate bodies, or other rules relative to incompatibilities defined internally and the maximum number of positions which can be accumulated, and place where they can be consulted

In addition to the legal and regulatory provisions to which these bodies and their members are subject on this matter, all the management and supervisory bodies have their own working Regulations, which may be consulted on the Bank's Internet site, on the page with the following direct address:
http://www.millenniumbcp.pt/pubs/pt/investidores/governacaocorporativa/normas/regimentoca/

In general terms, the incompatibilities system stipulated in the Companies Code, pursuant to the Bank's governance model during 2012, was applicable to the Board of Directors and prohibited members being persons who have interests in the company that might place in question the impartiality which should guide the action of members of a body with exclusive and full responsibility in the management and representation of the Company.

On this matter, the Articles of Association and Regulations of the Board of Directors also reveal, in article 12, nr. 1 and 4, under the title "independence", that "for the effect of the present articles of association, people who are not associated to any specific group of interests of the Bank, nor are under any circumstances able to affect their unbiased analysis or decision-making are deemed to be independent".

SECTION II – BOARD OF DIRECTORS

II.8. Should the chairman of the management body perform executive duties, indication of the mechanisms for the coordination of the work of the non-executive members which ensure the independent and informed character of the decisions

The Chairman of the Board of Directors does not have executive functions.

II.9. Identification of the main economic, financial and legal risks to which the company is exposed during the exercise of its activity

On this issue, see the information provided in the Annual Report for 2012, Chapters – Risk Management and Main Risk Factors.

II.10. Powers of the management body, namely with respect to deliberations to increase share capital

Under the terms of the Articles of Association of the Bank, the Board of Directors has powers to, when it believes this to be convenient and after having obtained the favourable opinion of the Audit Committee, increase the share capital, once or more times, until the limit of the value of the existing share capital when the authorisation was granted or at the time of the renewals of this authorisation.

At the present date the share capital of the Bank is 3,500,000,000 euros and at the date of the last renewal of the authorisation it was 3,000,000,000 euros.

The last authorisation to deliberate on a share capital increase was granted at the General Meeting held on 31 May 2012, where the amount used in 2012 was 500,000,000.00 euros. The share capital increase through new cash entries was intended for subscription by shareholders in the exercise of their legal pre-emptive right, of a total amount of 500 million euros, undertaken on 4 October 2012 at the price of €0.04 per share.

Moreover, the Bank's Articles of Association stipulate that, exclusively with respect to any possible increase or increases of share capital that might be deliberated by the Board of Directors, with the favourable opinion of the Audit Committee, through conversion of credit to which the State might be entitled as a result of execution of guarantees provided under Law nr. 60-A/2008, of 20 October, and which are legally considered share capital increases in cash, the authorisation stipulated above must have a maximum, autonomous and additional limit, equal to twice the current value of the Bank's share capital or existing share capital at the time of any renewal of this authorisation, where any possible increases through conversion of State credit do not count for the effect of use of the maximum amount established above, and where any shares to be issued may be preferred shares under the legal and statutory terms.

Regarding all other competences of the Board of Directors, see Chapter II.1 subparagraph A) of this Report where they have been enumerated briefly.

II.11. Information on the policy of rotation of the areas of responsibility within the Board of Directors, namely of the chief financial officer, as well as on the rules applicable to the nomination and replacement of members of the management and supervisory bodies

There is no policy of rotation of the areas of responsibility within the Board of Directors.

The day-to-day management team – the Executive Committee – is chosen as a whole and with special focus on their respective cohesion, taking into account the capacities, qualifications and professional experience of each member, and considering that it would be counterproductive to have a rigid and abstract policy of rotation of areas of responsibility.

The action of Banco Comercial Português on this matter has been, at any given time and after careful consideration of the characteristics and personal and professional experience of each Executive Director, to proceed with the rotations deemed suitable to safeguard the interests of the Company. Therefore, the rotation of areas of responsibility has occurred with some regularity, which falls within the competence of the Board of Directors.

Miguel de Bragança, Chief Financial Officer in office as at 31 December, was appointed on 1 March 2012.

The Statutory Auditor and the external auditor are elected at the General Meeting, by proposal from the Audit Committee, and in the event of the occurrence of vacancies which cannot be filled by the elected alternate members, only the General Meeting can proceed with their respective appointment through a new election. Therefore, any rotation is entrusted solely to the shareholders.

Regarding the members of the Board of Directors, which are also elected at the General Meeting, in the event of a vacancy or temporary impediment of any of these members, this body is responsible for appointing an alternate member. The appointment of directors under the circumstances described above must, imperatively, be submitted for ratification at the first General Meeting after this appointment.

II.12. Number of meetings of the management and supervisory bodies and reference to the drawing up of the minutes of these meetings

See the answer to II.13.

II.13. Indication of the number of meetings of the Executive Committee or Executive Board of Directors, and reference to the drawing up of the minutes of these meetings and their remittance, accompanied by the call notices, as applicable, to the Chairman of the Board of Directors, to the Chairman of the Audit Board or of the Audit Committee, to the Chairman of the General and Supervisory Board and to the Chairman of the Financial Matters Committee

During the financial year of 2012, the Board of Directors held 17 meetings, with an attendance rate of 96.20%. All absences were duly and previously justified.

During the financial year of 2012, the Executive Committee held 45 meetings, as a rule on a weekly basis, with an attendance rate of 93.33%. All absences were justified in due time.

During the financial year of 2012, the Audit Committee held 17 meetings, with an attendance rate of 100%. All absences were justified in due time.

Minutes were drawn up of all the meetings of the Board of Directors, Executive Committee and Audit Committee.

The supporting documentation of each meeting of the Board of Directors, including draft agendas, supporting documents and draft minutes for approval, was sent by the Company Secretary, as a rule, two business days in advance, to the members of the Board of Directors, the Supporting Office of the Board of Directors and the Executive Committee.

II.14. Distinction between the executive and non-executive members and, amongst them, discrimination between the members which would comply, if the rules on incompatibilities established in nr. 1 of article 414-A of the Companies Code were applicable to them, with the exception stipulated in subparagraph b), and the independence criteria established in nr. 5 of article 414, both of the Companies Code

The Board of Directors is currently composed of twenty-two members, of which seven are permanent and fifteen are non-permanent. The Bank considers that this composition guarantees the effective capacity to manage, supervise and assess the activities of the Executive Committee.

Of the fifteen non-executive directors, seven directors did not meet the requisites of independence, five due to being related to entities with holdings greater than 2% of the Bank's capital and two directors due to having been appointed by the State for the period of enforcement of the public investment to strengthen the Bank's own funds.

The non-executive directors qualified as independent represent a percentage of 53.33%, much higher than the minimum 25% of independent directors recommended by the CMVM. All the directors comply with the incompatibilities regime established in nr. 1 of article 414-A of the Companies Code and performed their respective duties observing the duties of zeal, care and loyalty, pursuant to the high standards of professional diligence.

The chairman of the Board of Directors, the directors that compose the Audit Committee, with exception of the State representative, and the members of the Commission for Ethics and Professional Conduct are qualified as independent directors.

The process of verification of the independence of the non-executive directors is described in chapter II.15.

The non-executive directors participate in all the meetings of the Board of Directors, accompanying in this way the evolution of the activity of the Bank, being able to formulate questions to other governing bodies or internal structures of the Bank. In the performance of duties in 2012, the Board of Directors did not detect any constraints.

II.15. Indication of the legal and regulatory rules and other criteria underlying the assessment of the independence of its members made by the management body

The adopted qualification of independence incorporates the requirements stipulated in the Bank's Articles of association, in nr. 5 of article 414 of the Companies Code, by reference from article 423-B, nr. 3 of that diploma, as well as those of number 2 of the Corporate Governance Recommendation issued by the Bank of Portugal in the Circular Letter nr. 24/2009/DSB, of 27 February 2009.

The Board of Directors, in performing its duties relative to the assessment and monitoring of the structure, principles and practices of the corporate governance of the Bank confirmed the effective independence of the qualified members as independent directors.

The elected members of the Audit Committee are, under the terms of article 423-B, nos. 3, 4 and 5 of the Companies Code, subject to assessment of their independence and verification of the non-existence of situations considered incompatible with the performance of their position. Their performance must focus on a company monitoring/supervision function and, in this sense, each one is a disinterested outsider and/or an objective monitor.

At the start of the mandate, with the aim of collecting relevant information for the assessment of the abovementioned qualifications, questionnaires were prepared and sent to each Director, including the members of the Audit Committee, in order to be personally completed, signed and subsequently returned.

As a result of CMVM Regulation nr. 1/2010 which requires detailed information in the Corporate Governance Report on the non-executive directors that would meet, if applicable to them, the rules of incompatibility provided in nr. 1 of article 414-A, with the exception of that foreseen in sub-paragraph b), and the criteria of independence enshrined in nr. 5 of article 414 of the Companies Code, with the aim of collecting relevant information for the assessment of the abovementioned situations, questionnaires were also prepared and sent to each member of the Board of Directors, in order to be personally completed, signed and subsequently returned.

With regards to the members of the Board of the General Meeting who are, under the provisions of article 374-A, nr. 1 of the Companies Code, subject to assessment of their independence and verification of the non-existence of situations considered incompatible with the performance of their duties, each member was also sent a questionnaire in order to be personally completed, signed and subsequently returned.

The referred questionnaires serve as a basis for the collection of relevant information on the abovementioned assessment, setting out issues on requirements, in accordance with the Companies Code, which determine the quality of independence and on situations of incompatibilities enshrined in the same diploma.

II.16. Indication of the rules of the process of selection of candidates to non-executive directors and way they ensure the non-interference of the executive directors in this process

The General Meeting freely elects the members of the Bank's Board of Directors, therefore the last word on the choice of directors belongs to the college of shareholders, according to article 376, nr. 1, sub-paragraph d) of the Companies Code. The executive directors are part of the Executive Committee, appointed by the Board of Directors, to which the latter delegates the management of the Bank. The executive directors do not therefore dominate or control the selection process. The non-executive directors, namely the independent ones, perform an important internal function of monitoring and supervision of the activities of the executive directors and of the governance activity in general, with a specific focus on the prevention and management of conflicts of interest. The Regulations, specifically for the non-executive directors, enables the maintenance of a proactive posture relative to management performance, questioning the decisions adopted and protecting the interests of the shareholders and other stakeholders.

The Commission for Nominations and Evaluations (Talent Management) composed of a majority of non-executive directors, has a relevant role in the preparation and support it provides to the Board of Directors, namely in the process of selection of candidates to fill any vacancies that may arise in that body.

II.17. Reference to the fact that the company's annual management report should include a description of the activity developed by the non-executive directors and any constraints which have been detected

Reference is made here to the Report of the Board of Directors and to the Annual Report of the Audit Committee – which are disclosed together with this Corporate Governance Report and are an integral part of the financial statements.

II.18. Professional qualifications of the members of the Board of Directors, indication of the professional activities carried out by them, at least, over the past five years, number of company shares they own, date of the first nomination and date of the end of mandate

Annexes I and II to this Report indicate the qualifications and professional activities carried out by the members of the Board of Directors, as well as the number of company shares they owned as at 31 December 2012.

The members of the Board of Directors were elected at the General Meeting that was held on 28 February 2012.

Within the scope of the Bank's recapitalisation operation, and in conformity with the provisions in article 14, nr. 2, of Law nr. 63-A/2008 of 24 November (amended and republished by Law nr. 4/2012 of 11 January) and in nr. 2 of the Annex to the Ordinance nr. 8840-B/2012, of 28 June, the State, through Ordinance nr. 15463-A/2012, published on 4 December 2012, appointed two directors as its representatives in the Bank's governing bodies.

II.19. Positions held by members of the management body in other companies, detailing those held in other companies of the same group

The positions held by members of the management board in other companies of the Group, in the interest of the Group or outside the Group, are indicated in Annex I to the present Report.

SECTION III – GENERAL AND SUPERVISORY BOARD, FINANCIAL MATTERS COMMITTEE AND AUDIT BOARD

II.21. to II.28.

Not applicable.

II.29. Description of the remuneration policy, including, namely, that of the directors in observance of number 3 of article 248-B of the Securities Market Code, and that of other workers whose professional activity might have a relevant impact on the company's risk profile and whose remuneration contains an important variable component

On 31 May 2012, the Board of Directors submitted to the General Meeting, for deliberation with a binding character, the policy on the remuneration of the respective employees, directors, in observance of nr. 3 of article 248-B of the Securities Market Code, and other employees, prepared by it and approved pursuant to article 2, nr. 3 of Law nr. 28/2009, also taking into consideration the applicable rules and recommendations, namely the technical criteria of point XI of the annex to DL nr. 104/2007, of 3 April, introduced by article 4 of DL nr. 88/2011, of 20 July, as well as the provisos of CMVM Regulation nr. 1/2010 and Bank of Portugal Notice nr. 10/2011, published in Diário da República, Series II, nr. 6, of 9 January 2012, which established the recommendations and criteria to be followed in the definition of the remuneration policy to be adopted by the institutions covered by nr. 1 of article 1 of Bank of Portugal Notice nr. 10/2011.

The remuneration policy in force gained the approval of 99.97% of votes cast, with the meeting having been attended by shareholders or their representatives holding 41.60% of the share capital, its composition being as follows:

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"REMUNERATION POLICY

Framework

1. The Conselho Nacional de Supervisores Financeiros (CNSF) (Portuguese Board of Financial Supervisors) recognizing the need to establish a common practice in what concerns remuneration policies, aligned with international recommendations and principles, promoted an initiative aimed at ensuring an appropriate and consistent compliance by the financial institutions with healthy and prudent remuneration policies.

Within this context, the Notice nr. 1/2010, dated 26 January of Banco de Portugal, established the information that must be disclosed on the remuneration policy of the members of management and supervision bodies and of Employees that, though they are not members of management and remuneration bodies, earn a variable remuneration and exercise control functions subject to Notice nr. 5/2008 dated 1 July of Banco de Portugal, exercise other professions that may have a material impact on the company's risk profile or have regular access to privileged information and take part in the management and strategy decisions of the company.

In addition, the Circular Letter nr. 2/10/DSBDR dated 1 February 2010 established the recommendations and criteria to observe in the definition of the remuneration policy to be adopted by the institutions ruled by Article 1 (1) of the Notice nr. 1/2010 of Banco de Portugal, from a "comply or explain" perspective, implying that the failure to adopt those recommendations and criteria by the supervised institutions must be duly explained.

General Principle

2. The Remuneration Policy of Banco Comercial Português must be consistent with an efficient risk management control, avoiding excessive exposure to risk and also be coherent with the long-term objectives, values and interests of the institution, namely with its prospects in terms of sustained growth and profitability and with the protection of the interests of both customers and investors.

The Remuneration Policy also took into account the transparency and adequacy goals set in what regards the evaluation and supervision requisites established by Banco de Portugal.

The Staff Management Support Department coordinated the definition of the Remuneration Policy, which involved the participation of the people in charge of the control function. The opinion issued by external consultants was also taken into consideration.

Remuneration Policy Criteria

3. The Remuneration Policy of Banco Comercial Português complies with all the criteria set forth by the Circular Letter nr. 2/10/DSBDR dated 1 February 2010, and therefore establishes the following:

3.a) The fixed remuneration of the senior executives has to represent a sufficiently high proportion of the total remuneration so as to enable the application of an extremely flexible policy on the variable portion of the remuneration, admitting the possibility of not paying any variable component;

3.b) The variable component of the remuneration of the senior executives is subject to a ceiling;

3.c) The payment of a significant portion of the variable remuneration component must be made by means of financial instruments, whose valuation is connected to the medium- and long-term performance of the institution;

3.d) The quantification of the variable component of the remuneration must additionally depend on non-financial criteria and must partially derive from the collective performance of the unit where the Employee works;

3.e) The variable remuneration must be attributed according to pre-determined measurable criteria and be based on a pluriannual framework;

3.f) The payment of part of the variable remuneration must be deferred;

3.g) The amount of the variable remuneration of the Employees that exercise control functions depends on the fulfilment of the objectives related to their respective functions and not those of the areas controlled by them.

Composition of the Remuneration and Relation between the Fixed Remuneration and the Variable Remuneration

4. The Employees of Banco Comercial Português earn a fixed Monthly Remuneration, paid 14 times/year, based on the amounts defined in the employment agreement. The nature of each function and the respective level of demand and responsibility determine the attribution of other remuneration components, namely a supplement and/or exemption of work schedule, which must be approved by the Executive Board of Directors or by those empowered for that purpose by the EBD.

5. The criteria approved for the Remuneration Policy of all Employees in general also apply when determining the variable annual component of the remuneration of Coordinating Managers, Heads of units that report directly to the Executive Board of Directors, Employees of the second structure level of the Audit Department, Compliance Office, Risk Office, Rating Department, Credit Department and Treasury and Markets Department, to other Employees who have regular access to privileged information and other Employees who earn a fixed remuneration of 100,000 euros/year or more.

6. The variable portion of the remuneration of the above mentioned Employees should not exceed 37.5% of the total annual remuneration.

The Executive Board of Directors may review this ceiling every year, based on the guidelines stated in the Circular Letter nr. 2/10/DSBDR.

7. The exact amount of the variable portion shall vary each year in view of the institution's earnings, the performance of the Unit where the Employee works and the fulfilment degree of the individual annual objectives, in accordance with the performance evaluation system in effect in Banco Comercial Português.

Payment of the Variable Remuneration

8. 45% of the variable remuneration shall be paid in cash, when applicable, in the year immediately after the results reference date, after the approval of the earnings of the financial year.

Deferment of the Variable Remuneration

9. The remaining 55% of the Variable Remuneration shall be paid with securities that will be subject to a pre-defined lock out period of at least three years.

Other components of the Remuneration

10. These Employees also receive, as everyone else, the benefits prescribed by the collective work agreements signed by the Bank and by the supplementary pension regime, the terms and conditions of which are stated in instruments that have been duly approved and disclosed by the Instituto de Seguros de Portugal (Portuguese Insurance Regulator)."

SECTION IV – REMUNERATION

II.30. Description of the remuneration policy of the Management and Supervisory Bodies referred to in article 2 of Law number 28/2009, of 19 June

In line with the Bank's recapitalisation plan involving public investment, regulated in article 9 of Law nr. 63-A/2008, of 24 November, amended and republished by Law nr. 4/2012 of 11 January, Banco Comercial Português is bound, during the duration of the public investment, by article 12 of Regulation nr. 150-A/2012, regardless of the remuneration policy of its management bodies approved by the General Meeting held on 31 May 2012, to establish for the set of members of the management and supervisory bodies a remuneration that, for the purpose of calculating its fixed and variable component, does not exceed 50% of the respective average remuneration of the two previous years.

The Remuneration and Welfare Board submitted to the General Meeting held on 31 May 2012, with a binding character, the Remuneration Model of the Board of Directors, including the Executive Committee, transcribed below, which was approved with 99.97% of the votes cast, and where the meeting was attended by shareholders or their representatives holding 41.60% of the share capital.

"A. REMUNERATIONS MODEL FOR THE EXECUTIVE COMMITTEE (EC)

I.

1) The remuneration of the Members of the Executive Committee of Banco Comercial Português, S.A. (Millenium bcp) is composed by:

   a) The Monthly Fixed Remuneration, paid 14 times a year and defined based on the Bank's position in comparison with a benchmark of Portuguese and European companies, composed by companies listed in PSI-20 with size or features similar to those of Millennium bcp and to other financial institutions located inside the European Union.

   b) The Annual Variable Remuneration, to be paid in the way mentioned below.

2) This definition of this variable remuneration depends on a benchmark based on the practices of the European financial sector. According to the legal requirements imposed by the European Union and to the Portuguese recommendations, the payment of the Variable Remuneration is subject to certain conditions, namely deferment.

3) If a director takes on functions while a term-of-office is underway, the Variable Remuneration shall be adjusted to the number of months completed in office, out of the total number of months in a complete term-of-office.

II.

The Remunerations and Welfare Board will approve the two components of the remuneration listed above.

III.

a) The Annual Variable Remuneration cannot surpass 130% of the Annual Fixed Remuneration;

b) The variable remuneration, as a whole and for all the Members of the Executive Committee, cannot surpass 2% of the net income achieved in the financial year.

IV.

The approval of the Monthly Fixed Remuneration of the Members of the Executive Committee obeys the following rules:

a) Chairman – autonomous remuneration;

b) Vice-Chairmen – amount computed based on a percentage of the Chairman's Monthly Fixed Remuneration, varying between 70% and 80% of that remuneration. The Monthly Fixed Remuneration of each Vice-chairman may be the same or different, taking into consideration his seniority in the position and his performance assessment, to be approved by the Remunerations and Welfare Board pursuant to a proposal made by the Chairman of the Executive Committee;

c) Members – amount computed based on a percentage of the Chairman's Monthly Fixed Remuneration, varying between 60% and 70% of that remuneration, computed according to the criteria described in the previous paragraph for the Vice-Chairmen's Monthly Fixed Remuneration;

d) The Monthly Fixed Remuneration of the Members of the Executive Committee may be updated and/or raised pursuant to a proposal from the Remunerations and Welfare Board. These updates and/or rises must take into consideration the updates/rises given to Coordinating Managers.

V.

The Annual Variable Remuneration of the Members of the Executive Committee shall depend on the earnings resulting from the Group's economic performance, and be established by the Remunerations and Welfare Board in the same manner for all the Members of the Executive Committee.

The Annual Variable Remuneration is computed based on the degree of objective fulfilment of the Group's results, which will determine the percentage to be earned by the member of the Executive Committee as follows:

TABLE I

PAYMENT FORMULA

VARIABLE RENUMERATION

GROUP'S EARNINGS

% of objective fulfilment (of the Group's earnings)	Base salary %
> 130%	130%
120% – 130%	120%
110% – 120%	110%
100% – 110%	100%
90% – 100%	**80%**
80% – 90%	50%
< 80% (*)	0%

(*) If the percentage of objective fulfilment falls below 80%, the Remuneration and Welfare Board may atribute a maximum premium of 50%.

a) Group's Income – for all the members of the Executive Committee.

a. 1) The amounts may vary between 0 and 130% of the Annual Fixed Remuneration, being computed based on the fulfilment of the financial 'objectives' set forth for that financial year;

a. 2) The assessment of each objective must be made taking into consideration its relative fulfilment in comparison with the BEBANKS in terms of value for the Shareholder and in comparison with the budget for other indicators. The 'Objectives' for Group earnings are computed as follows:

TABLE 2

PERFORMANCE REMUNERATION

Objectives for short-term incentives plan

GROUP EARNINGS
EBD's approach to integrated performance

OBJECTIVE	PERFORMANCE INDICATOR	OBJECTIVE	VALUE	PERIOD OF TIME	EVOLUTION (ON THE OBJECTIVE)	PROPORTION
GROWTH	Operating income	Budget	20%	Annual	Earnings /Budget	
COST-TO--INCOME	Cost-to-income	Budget	20%	Annual	Earnings /Budget	
EARNINGS	Net income	Budget	20%	Annual	Earnings /Budget	If the percentage achieved is below 80% of the objective's evolution, it should be zero.
PROFITABILITY	ROE (1)	Budget	20%	Annual	Earnings /Budget	
VALUE FOR THE SHAREHOLDER	TSR (2)	Evolution of the BeBanks index with dividends	20%	Annual	BCP/BeBanks index	

(1) This objective presumes a Core Tier I ratio above 5.5%. Extraordinary situations, such as capital increases or reserves not foreseen when the objectives were defined, and decisions made by the shareholders may not be computed.
(2) In case of extraordinary situations (i.e. public offerings) the TSR computation must be adjusted accordingly.

a. 3) In case of extraordinary events, caused by factors outside the control of the management, the annual objectives set forth may be revised pursuant to a proposal made by the Chairman of the Executive Committee and its approval by the Remunerations and Welfare Board.

b) It is hereby created a scheme that defers the payment of the variable remuneration for periods of three years, which corresponds to the duration of the directors' term-of-office.

50 % of the Annual Variable Remuneration shall be deferred.

The amount deferred shall be paid half in cash and half in shares. 1/3 of the total amount deferred shall be paid to the director at the completion of each year in office.

For one year after the date of the payment of the Variable Remuneration in shares the EBD members cannot transfer or encumber those shares. After that lock up period, the shares will be fully transferable.

The amount of the Variable Remuneration that is not deferred shall be paid 50% in cash immediately and 50% in shares that cannot be transferred or encumbered for one year;

c) The incentive system applicable to the members of the Executive Committee subject to the deferred payment of the Variable Remuneration will incorporate provisions (bad actor provisions) for reduction or elimination of deferred variable pay as a result of the following actions carried out during the mandate of each director:

- Material misstatement of financial statements;
- Breach of the internal code of conduct;
- Poor financial performance of Millennium BCP.

These provisions and the impact they may have on releasing the deferred parts of the Variable Remuneration shall be evaluated by the Remunerations and Welfare Board on a yearly basis.

VI.

Every member of the Executive Committee will sign a document in which he/she agrees not to enter into any hedging or risk-transfer agreements regarding any components of the deferred Variable Remuneration that may minimise the effects of the risk underlying the remuneration system.

VII.

The Members of the Executive Committee are only entitled to the compensations disclosed and shall receive no additional compensations for their functions.

Hence, given that the remuneration of the Members of the Executive Committee is aimed at the direct compensation of the activities they carry out at the Bank and that for all duties performed at companies or corporate bodies to which they have been nominated by indication or in representation of the Bank, in this last case, the net value of the remunerations received annually for such duties by each Member of the Executive Committee will be deducted from their respective Annual Fixed Remuneration. It is the obligation and responsibility of each Member of the Executive Committee to inform the Bank of any additional compensations which might have been received, for the purposes of the procedure established above.

The existing benefits in terms of health insurance, credit card and mobile phones remain in effect, being the Chairman of the Executive Committee responsible for authorizing them.

Company vehicles do not fall under the competence of the Remunerations and Welfare Board and therefore the limits to their value shall be determined by the Executive Committee, taking into account the practice followed by other credit institutions of an equivalent size. The Remunerations and Welfare Board must be previously informed of this value.

B. RETIREMENT REGULATIONS FOR MEMBERS OF THE EXECUTIVE COMMITTEE

Regarding the regulations for retirement on account of old age or disability of the Members of the Executive Committee, they are presently enshrined in the company's Articles of Association and in the Regulations that execute it, both approved at the Annual General Meeting of 2011."

The Model of Remuneration of the members of the Board of Directors, also transcribed below, was also submitted with a binding character to the General Meeting held on 18 April 2011, and was also approved by a majority of 99.94% of the votes cast, and where the meeting was attended by shareholders or their representatives holding 52.57% of the share capital.

"Remunerations Model for the Board of Directors

1. The remunerations policy applicable to the corporate bodies of Banco Comercial Português, S.A. must be simple, transparent and competitive, thus ensuring the focus on the creation of added value for the Shareholders and Stakeholders.

2. Such remuneration must be set bearing in mind the effort towards greater alignment with the interests of Banco Comercial Português and of its Shareholders.

3. Thus, bearing in mind the principles listed above, as well as the practices of large Portuguese companies and the European practices, the responsibilities and functions of the members of the Board of Directors and the present market conditions, the Remuneration and Welfare Board adopted the following rules:

   3.1. The remuneration of the Board of Directors shall be composed by a fixed annual amount, paid in twelve instalments. The remuneration of the remaining members of the Board of Directors shall be computed based on a percentage of the remuneration of the Chairman of the Board of Directors, never surpassing it.

3.2. Chairman: autonomous remuneration;

Vice-Chairmen: between 50% and 75% of the Chairman's remuneration;

Chairman of the Audit Committee: between 50% and 75% of the Chairman's remuneration;

Other members of the Audit Committee: between 25% and 50% of the Chairman's remuneration;

Chairman of another Specialized Committee: between 25% and 75% of the Chairman's remuneration;

Other members of another Specialized Committee: between 10% and 25% of the Chairman's remuneration;

Other members of the Board of Directors not part of a Specialized Committee: between 10% and 25% of the Chairman's remuneration;

3.3. The remuneration of the Board of Directors does not include a variable remuneration or the attribution of shares as remuneration."

II.31. Indication of the annual value of the remuneration earned individually by the members of the management and supervisory bodies of the company, including fixed and variable remuneration and, relative to it, reference to its different components, the deferred portion and portion which has already been paid

During the financial year to which this report refers to, no annual or pluriannual variable remuneration was attributed to the Executive Directors.

The amounts paid to the members of the Board of Directors and the members of the Executive Committee are presented in detail in the tables below.

A – Executive Directors that ceased functions on 28 February 2012 and that are not a part of the current Executive Committee

Euros

Members of the Executive Board of Directors(*)	Remuneration			
	BCP	Other Companies	Total	IRS Withheld
Carlos Jorge Ramalho dos Santos Ferreira	123,987.00	15,300.00	139,287.00	49,594.00
Vítor Manuel Lopes Fernandes	142,144.65	6,427.35	148,572.00	56,858.00
António Manuel Palma Ramalho	142,144.65	20,083.94	148,572.00	49,911.00

(*) Includes remunerations owed until the end of the interrupted term-of-office.

B – Members of the Supervisory Board that ceased functions on 28 February 2012 and are not part of the current Board of Directors

Euros

Members of the Supervisory Board	Remuneration	
	BCP	IRS Withheld
Daniel Bessa Fernandes Coelho	7,083.33	1,812.00
José Oliu Creus	4,166.66	894.00
José Vieira dos Reis	11,666.66	3,674.00
Luís de Mello Champalimaud	2,083.33	406.00
Manuel Alfredo Cunha José de Mello	10,000.00	2,875.00
Manuel Domingos Vicente	4,166.67	895.00
Maria Leonor Couceiro Pizarro Beleza de Mendonça Tavares	0.00	0.00
Pansy Catilina Ho Chiu King	4,166.66	894.00
Thomaz de Mello Paes de Vasconcellos	11,666.66	3,674.00
Vasco Esteves Fraga	8,333.34	3,332.00

C – Members of the Executive Committee

Euros

Members of the Executive Committee	Remuneration			
	BCP	Other Companies	Total	IRS Withheld
Nuno Manuel da Silva Amado	366,195.21	18,568.37	384,763.58	145,627.00
Miguel Maya Dias Pinheiro	380,714.36	0.00	380,714.36	152,281.00
Miguel de Campos Pereira de Bragança	288,734.70	19,076.20	307,810.90	112,442.01
José Jacinto Iglésias Soares	341,250.00	0.00	341,250.00	131,790.00
Luís Maria França de Castro Pereira Coutinho	308,803.53	32,446.47	341,250.00	123,521.00
Maria da Conceição Mota Soares de Oliveira Callé Lucas	259,772.16	9,562.30	269,334.46	101,507.01
Rui Manuel da Silva Teixeira	331,687.70	9,562.30	341,250.00	132,676.00

D – Members of the Board of Directors

Euros

Members of the Board of Directors	Remuneration			
	Amounts paid by BCP	Other Companies	Total	IRS Withheld
António Vítor Martins Monteiro	112,500.00	28,636.00	141,136.00	42,900.00
Carlos José da Silva	87,083.34			18,716.00
Pedro Maria Calaínho Teixeira Duarte	72,416.66			24,660.00
Álvaro Roque de Pinho Bissaia Barreto	39,166.66			13,706.00
André Magalhães Luiz Gomes	14,722.27			2,141.00
António Henriques de Pinho Cardão	37,500.00			14,436.00
António Luís Guerra Nunes Mexia	0.00			0.00
António Manuel Costeira Faustino	43,333.34			11,437.00
Bernardo de Sá Braamcamp Sobral Sottomayor	7,500.00			1,612.00
César Paxi Manuel João Pedro	29,444.44			6,322.00
Jaime de Macedo Santos Bastos	41,222.27			12,081.00
João Bernardo Bastos Mendes Resende	30,277.78			7,405.00
João Manuel de Matos Loureiro	101,250.00			35,037.00
José Guilherme Xavier de Basto	52,500.04			15,628.00
José Rodrigues de Jesus	5,625.00			1,715.00

II.32. Information on the way the remuneration is structured so as to permit the alignment of the interests of the members of the management body with the long-term interests of the company, as well as on the manner in which it is based on the assessment of performance and discourages excessive risk taking

In line with the Bank's recapitalisation plan involving public investment, regulated in article 9 of Law nr. 63-A/2008, of 24 November, amended and republished by Law nr. 4/2012 of 11 January, during the duration of the public investment, the remuneration of the executive directors shall not include any variable remuneration.

II.33. Regarding the remuneration of the executive directors:

a) Reference to the fact that the remuneration of the executive directors includes a variable component and information on the way this component depends on the assessment of performance
In the financial year to which this Report refers to, no remuneration of this type was foreseen.

b) Indication of the governing bodies which are competent to carry out the assessment of the performance of the executive directors
The assessment of the executive members of the Board of Directors was carried out by the Commission for Nominations and Evaluations and by the Board of Directors itself.

c) Indication of the predetermined criteria for the assessment of the performance of the Executive Directors.
Please refer to the remuneration policy for the executive members of the Board of Directors, which compose the Executive Committee, reproduced under item II.30.

d) Detailed explanation of the relative importance of the variable and fixed components of the remuneration of the directors and indication of the maximum limits for each component
There were none in 2012.

e) Indication of the deferral of the payment of the variable component of the remuneration, indicating the period of deferral
Vide previous paragraph.

f) Explanation on the way the payment of the variable remuneration is subject to the continuation of the positive performance of the company over the period of deferral
Vide previous paragraph.

g) Sufficient information on the criteria underlying the attribution of variable remuneration in shares as well as on the holding, by the executive directors, of the shares to which the company has accessed, on any signing of contracts relative to these shares, namely, hedging or risk transfer contracts, the respective limit, and their relation to the value of the annual total remuneration.
No variable remuneration, namely stock, is foreseen.

h) Sufficient information on the criteria underlying the attribution of variable remuneration in options and indication of the deferral period and price for exercise of the option
Vide previous paragraph.

i) Identification of the main parameters and grounds of any system of annual bonuses and any other non-pecuniary benefits
Not foreseen.

j) Remuneration paid in the form of participation in profit and/or payment of premiums and the reasons for the concession of such premiums and/or participation in profit

In the financial year to which this Report refers to no variable remunerations were foreseen, neither in cash, shares or any other type.

l) Compensation paid or owed to former executive directors relative to their termination of office during the financial year

In 2012 and following the changes to the corporate governance model approved at the General Meeting held on 28 February 2012, the Executive Directors that ceased functions before the end of their term-of-office were compensated for early termination of term-of-office, amounting the compensation to a total of 3,463,318.44 euros, corresponding to an Income Tax withholding of 1,385,326.00 euros.

m) Reference to the contractual limitation established for the compensation payable for the unfair dismissal of a director and its relationship with the variable component of the remuneration

There are no contractual limitations on this matter.

n) Amounts paid, for any reason, by other companies controlled by the Bank or in the same group

In view of the provisions in the remuneration policy of the members of the Board of Directors transcribed above, which establish that the net value of the remunerations gained on an annual basis by each member of the Executive Committee due to the performance of duties in companies or governing bodies to which they have been appointed through indication or in representation of the Bank, shall be deducted from the values of the respective annual fixed remuneration, see the A and C tables, in item II.31, in which, when this occurred, such deductions are clearly quantified.

o) Description of the main characteristics of the regimes for the supplementary pensions or early retirement of the directors, indicating if they were, or not, subject to the assessment of the general meeting

Under the terms of the Retirement Regulations transcribed in II.30.-B, the costs recorded by the Company for 2012 related to supplementary pensions and compulsory social security contributions of members of the Board of Directors were as follows:

A – Executive Directors that ceased functions on 28 February 2012 and that are not a part of the current Executive Committee

Euros

Members of the Executive Board of Directors	Social Security Regime	Complementary	Compulsory
		Open-End Pension Fund	Social Security Charges
Carlos Jorge Ramalho dos Santos Ferreira	Statutory Bodies Regime	29,721.91	3,063.66
Vítor Manuel Lopes Fernandes	Statutory Bodies Regime	244,263.55	3,063.66
António Manuel Palma Ramalho	Statutory Bodies Regime	244,263.55	3,063.66

B – Members of the Executive Committee

Euros

	Social Security Regime	Complementary		Compulsory	
		Open-End Pension Fund	Capitalisation Insurance	Social Security Charges	Pension Fund Charges(*)
Nuno Manuel da Silva Amado	Statutory Bodies Regime	76,848.02		10,280.28	
Miguel Maya Dias Pinheiro	General Regime (former CAFEB)		69,434.55	89,848.60	-4,641.43
Miguel de Campos Pereira de Bragança	Statutory Bodies Regime	59,148.88		10,280.28	
José Jacinto Iglésias Soares	General Regime (former CAFEB)	61,566.40		80,535.00	-6,254.21
Luís Maria França de Castro Pereira Coutinho	General Regime (former CAFEB)	61,566.40		72,877.63	-5,636.30
Maria da Conceição Mota Soares de Oliveira Callé Lucas	Statutory Bodies Regime	50,299.29		10,280.28	
Rui Manuel da Silva Teixeira	General Regime (former CAFEB)		61,566.40	78,278.30	-9,324.09

(*) Resulting from the methodology imposed by the National Board of Financial Supervisors regarding the framework for the transfer of bank employees to the Social Security General Regime (DL 1-A/2011) the past liabilities with retirement benefits, for some employees, are higher than total liabilities, which is why the pension costs are negative for the target population, representing a profit for the Bank.

p) Estimate of the value of the relevant non-pecuniary benefits considered as remuneration not covered in the previous situations

There are no benefits under the conditions referred to above.

q) Existence of mechanisms preventing the directors from signing contracts which place in question the underlying rationale of the variable remuneration

The level of supervision of the activity of the Executive Committee, both by the Board of Directors and by the Audit Committee (which, it should be recalled, is the first receiver of the Internal and External Audit reports) provided mechanisms that are sufficient and adequate to the objective considered in this point.

Although the inclusion of the information provided below is not compulsory in this Report, Banco Comercial Português believes that, since it is an integral part of the financial statements, this is the most appropriate place to disclose the information referred to in Bank of Portugal Notice number 10/2011, when it is not presented in other numbers of this Report.

Hence, we disclose that:

1 – No provisions have been constituted for the payment of variable remuneration to Executive Members of the Board of Directors.

2 – The table below indicates the fixed and variable remunerations paid to Employees:

Euros

Date	Nr. Employees	Remuneration (*)		Total	IRS Withheld
		Fixa	Variável		
On 1/1/2012	9,959	352,203,887.19	6,113,126.23	358,317,013.42	77,631,273.00
On 31/12/2012	8,982				

3 – The provisions recorded as at 31 December 2012 for future payments regarding sums owed for the commercial incentives of Employees reached 5,406,697.00 euros.

4 – During 2012, 19 new open-ended employment contracts were signed.

5 – During 2012, 651 contracts were terminated, which implied the payment of severance pay which reached 65,277,986.86 euros, with the highest compensation reaching 1,495,340.00 euros.

6 – The number of Employees and the total remunerations paid to them during 2012, distributed by different business segments, are presented in the table below:

Euros

Company	Business Segments	Nr. Employees (1)	Total Remunerations Paid (2)	IRS withheld
Banco Comercial Português	Retail	5835	182,236,544.83	34,990,132.00
	Companies	718	34,108,462.51	8,470,560.00
	Asset Management & PB & Treasury	269	14,464,989.77	3,792,491.00
	Central Services	2778	127,507,016.27	30,737,965.00

(1) The nr. of employees is the average number of employees for the year.
(2) Including incentives for Retail.

7 – Regarding the Employees covered by Notice 5/2008 of the Bank of Portugal, Compliance Officer, Group Auditor, Risk Officer, as well as the Group Treasurer, Head of the Research, Planning and ALM Department and Head of the Credit Department, the remunerations paid reached 1,014,991.48 euros, which corresponded to personal income tax withholdings of 355,458.00 Euros and charges related to Pension funds of less than 36,375.00 euros, *vide* note to table B – Members of the Executive Committee. It should be noted that these values have already been included in the amounts disclosed in points 2 and 6 above. In 2012 no variable remuneration was paid to these Employees.

II.34. Reference to the fact that the remuneration of the non-executive directors of the management body does not include variable components

The remuneration of the non-executive directors consists of a fixed sum, not including any variable component, the setting of the amount is carried out for each director, taking into account, namely, his/her participation in Specialised Committees of the Board of Directors, medium and long-term interests of the Bank and the non-incentive to excessive risk-taking.

II.35. Information on the policy on the communication of irregular practices adopted by the company (means of communication, persons with legitimacy to receive the communications, treatment to be made of the communications and indication of the persons and bodies with access to the information and respective intervention in the procedure)

Any Employee of Banco Comercial Português (or Companies included in the Group) who becomes aware of any situation or action that might indicate irregularities is responsible for reporting such events to the head of the organic unit of the employee(s) in question, who shall simultaneously inform the hierarchy, leading to their joint appraisal of the occurrence and deliberation on its forwarding to the Audit Department of Banco Comercial Português, for the pursuit of all measures deemed necessary.

Whenever the detected irregularities concern Employees part of the Audit Department, the reporting must be made directly to the Chairman of the Executive Committee, who will conduct all diligences deemed necessary by using means that do not belong to that department and will give cognisance of the same to the Audit Committee.

For the purpose of adopting the best corporate governance practices and strengthening the culture of responsibility and compliance that has always guided the Group's action, a system has been established for the communication of irregularities, namely for situations where communication via hierarchy might not achieve the intended objectives, which replaces the employee and relieves this employee from reporting the irregularity to the head of the department of the employee(s) in question.

For this purpose, an electronic email address has been specifically created, exclusively to receive the communication of alleged irregularities (comunicar.irregularidade@millenniumbcp.pt) that have occurred within the Group that are to be forwarded and managed by the Audit Committee.

In the event of the communication being related to any member of the Board of Directors or of any of its specialised committees or commissions, it should be sent to the Chairman of the Board of Directors through a specific electronic mail address (presidente.ca@millenniumbcp.pt).

The Audit Committee and the Audit Department decide on the treatment given to the communications received, namely concerning the need for additional investigation or submission of any disciplinary proceedings.

SECTION V – SPECIALISED COMMISSIONS

II.36. Identification of the members of the commissions constituted for the effects of the assessment of the individual and overall performance of the executive directors, reflection on the governance system adopted by the company and identification of potential candidates with the profile for the position of director

See points II.1. D) and II.2. E).

II.37. Number of meetings of the commissions constituted with competence in management and supervisory matters during the financial year in question, and reference to the drawing up of the minutes of these meetings

See point II.2.

II.38. Reference to the fact of a member of the remuneration commission having knowledge and experience on matters of remuneration policy

The curricula and professional activities of the members of the Remuneration and Welfare Board, in office in 2012, presented in Annex II to the present report, show their respective experience and knowledge.

II.39. Reference to the independence of the natural or legal persons contracted by the remuneration commission through a work or service contract relative to the board of directors as well as, when applicable, to the fact that these persons have a current relationship with a consultant of the company

At the time of the contracting of Mercer Portugal – Recursos Humanos, Lda. promoted by the Remuneration and Welfare Board, the Board of Directors together with the Remuneration and Welfare Board deliberated requesting from this firm the analysis of the policy on remuneration of the Directors of the Bank, for the purpose of ensuring consistency in the policies to be implemented and streamlining of costs related to consultants.

For this reason, and since neither this consultant nor any of its senior staff maintain any privileged relations with the Board of Directors or any of its members, it is deemed that its contracting for the provision of the service with the broad scope referred to in the preceding paragraph can in no manner affect the independence of this consultant in relation to the Bank or its Board of Directors.

CHAPTER III – INFORMATION AND AUDITS

III.1. Structure of the share capital, including indication of the non-tradable shares, different categories of shares, their inherent rights and duties and percentage of share capital that each category represents

All the shares issued by Banco Comercial Português are tradable, of a single category and confer the same rights and duties. Consequently, there are no shareholders with special rights.

III.2. Qualifying holdings in the share capital of the issuer, calculated under the terms of article 20 of the Securities Market Code

On this issue, see the information provided in the Annual Report and Accounts for 2012, Qualifying Holdings Chapter.

III.3. Identification of Shareholders with special rights and description of these rights

There are no shareholders with special rights.

III.4. Any restrictions to the transferability of the shares, such as clauses of consent for sale or limitations to the ownership of shares

There are no statutory restrictions to the free transferability of shares.

III.5. Shareholders' agreements that are known to the company and could lead to restrictions on matters of the transmission of securities or voting rights

The Company is not aware of the existence of any shareholders' agreements that limit the ability to transfer the securities or condition the exercise of voting rights.

III.6. Rules applicable to the alteration of the articles of association of the company

A) Constitutive quorum – Article 24 of the Articles of Association

The General Meeting may deliberate, on first call, only when the shareholders present or represented own over one third of the share capital.

On second call, the General Meeting may be held and deliberate independently of the number of shareholders present or represented and amount of share capital they correspond to.

B) Deliberative quorum – Article 25 of the Articles of Association

The deliberative quorum required under the Bank's articles of association corresponds to the legal requirement, that is, whether the Meeting is held on first or second call, any amendments to the Articles of Association must be approved by two thirds of the votes cast. Under the terms of article 49 of the Articles of Association, a majority of three quarters of the paid-up share capital is required for deliberation on the dissolution of the Company.

III.7. Control mechanisms established for any system of participation of the workers in the share capital to the extent that voting rights are not exercised directly by them

No system whatsoever has been established with these characteristics. The workers holding shares are not discriminated, due to their capacity as such, and hence benefit from the same rights as any other shareholder.

III.8. Description of the evolution of the prices of the shares of the issuer, taking into account, namely:

See the Annual Report for 2012, Chapter: BCP Shares

III.9. Description of the policy on the distribution of dividends adopted by the company, identifying, namely, the value of the dividend per share distributed over the last three financial years

See the preceding number.

III.10. Description of the main characteristics of plans to attribute shares and plans to attribute share purchase options which have been adopted or were in force during the financial year in question, namely, justification for the adoption of the plan, category and number of beneficiaries of the plan, conditions of attribution, clauses on the inability to dispose of shares, criteria relative to the price of shares and price for the exercise of options, period during which the options can be exercised, characteristics of the shares to be attributed, existence of incentives for the acquisition of shares and/or exercise of options and competence of the management body to implement or modify the plan

Currently, there are no plans to attribute shares or share purchase options.

III.11. Description of the main elements of the businesses and operations carried out between, on the one hand, the company and, on the other hand, the members of its management and supervisory bodies or companies controlled by the Bank or in the same group, provided that they are significant in economic terms for any of the parties involved, except with respect to businesses or operations which, cumulatively, are carried out under normal market conditions for similar operations and are part of the current activity of the company

All the operations addressed in this number were carried out under normal market conditions for similar operations and are part of the current activity of the Company, and were, independently of their value, approved by the Board of Directors and submitted to the opinion of the Audit Committee.

III.12. Description of the fundamental elements of the businesses and operations carried out between the company and owners of qualifying holdings or entities that are in any relationship with it, under the terms of article 20 of the Securities Code, outside of normal market conditions

All the operations addressed in this number were carried out under normal market conditions for similar operations and are part of the current activity of the company, and were, independently of their value, approved by the Board of Directors and submitted to the opinion of the Audit Committee.

III.13. Description of the procedures and criteria applicable to the intervention of the Supervisory Body for the effects of the prior evaluation of the business to be carried out between the company and carried out between the company and owners of the qualifying holdings or entities which are in any relationship with it, under the terms of article 20 of the Securities Market Code

Any business to be carried out between the Company and owners of qualifying holdings or entities which are in any relationship with it, are the object of exclusive assessment by the Board of Directors, supported by analyses and technical opinions issued by the Credit Department, in reports prepared by the Audit Department and are subject to the opinion of the Audit Committee.

III.14. Description of the statistics (number, average value and maximum value) relative to the business subject to the prior intervention of the Supervisory Body

During 2012, the Audit Department analysed proposals of operations relative to members of the governing bodies and owners of qualifying holdings and entities related to them. The opinions issued by the Audit Department were included in the respective processes of approval of the management body and issue of opinions by the supervisory body of the Bank, to which such operations are subject. Over the same period, 30 operations relative to such entities were approved, with the supervisory body having issued an opinion on them. All business was conducted under market conditions. The average value of the 30 operations in 2012 was 176 million euros and the individual maximum value was 1,327 million euros.

III.15. Indication of the provision, on the company's Internet site, of the annual reports on the activity developed by the general and supervisory board, financial matters committee, audit committee and supervisory board, including indication of any constraints which have been detected, together with the presentation of accounts

Of the reports referred to in this point, the only one that is relevant for the Bank is the report prepared by the Audit Committee, which is part of the financial statements, where this volume is an integral part of this Report, and is available on the Bank's Internet site, on the page with the following direct address:
http://ind.millenniumbcp.pt/en/Institucional/investidores/Pages/RelatorioContas.aspx

III.16. Reference to the existence of an investor support office or other similar service, mentioning:

The Investor Relations Department helps the Bank establish a permanent dialogue with the financial universe – Shareholders, Investors, Analysts and Rating Agencies – as well as with the financial markets in general and respective regulatory entities.

a) Duties of the Investor Relations Department
The main duties of the Investor Relations Department are the following:

- Monitor the trading of securities issued by the Group with a view to updating the evolution of the Institution's shareholder structure;
- Manage the relationship with the rating agencies, including the preparation and sending of relevant information regularly or related with important events;
- Prepare and publish the Annual Report, half-yearly report and quarterly report of the Bank;
- Prepare the prospectuses of issues carried out by the Bank;
- Collaboration with the areas responsible for the Group's debt issuance and investor relations areas of subsidiary companies, namely by providing information and coordinating activities;
- Cooperation with the different areas of the Bank in the provision of institutional information and disclosure of the Group's activity.

b) Type of information provided by the Investor Relations Department
During 2012, as in previous years, the Bank pursued broad activity related to communication with the market, adopting the recommendations of the Portuguese Securities Market Commission (CMVM) and the best international practices in terms of financial and institutional communication.

In compliance with its legal and regulatory reporting obligations, the Bank discloses information on its results and business activity on a quarterly basis. Press conferences and conference calls with Analysts and Investors are held, which were attended by members of the Board of Directors.

It also discloses its Annual Report, a half-yearly report and financial statements quarterly information, and publishes all the relevant and mandatory information through the information disclosure system of Comissão do Mercado de Valores Mobiliários.

In 2012, the Bank issued 2,316 press releases, of which 293 were related to privileged information and participated in various events, having held road shows at two major world financial markets – London and Paris – where it should be noted that this was carried out in a context of a share capital increase. The Bank also participated in ten conferences of investors, organised by other banks such as Banco Espírito Santo, HSBC, Goldman Sachs, Morgan Stanley, Merril Lynch, Caixa Banco de Investimento, Banco Santander and Commerzbank, and in Euronext Portuguese Day in New York, where institutional presentations were made and one-to-one meetings were held with investors.

During 2012, 180 meetings were held with investors, where it should be highlighted that there was a significant increase of contacts with Investors of Bank debt.

In order to deepen relations with its shareholder base, the Bank created a telephone line to support Shareholders, free of charge and available from 9h00 to 19h00, every business day. Created in June, following the announcement of the recapitalisation plan of the Bank, the line has had an intensive use, totalling 2,144 contacts in 2012, with special focus on the period that preceded the General Meeting of Shareholders held on 25 June and during the period of subscription to the Bank's share capital increase. All the information of institutional nature that is public and relevant is available on the Bank's Internet site, in Portuguese and in the English version, on the page with the following address:
www.millenniumbcp.pt

c) Forms of access to the Investor Relations Department
Telephone: + 351 21 113 10 84
Fax: + 351 21 113 69 82
Address: Av. Prof. Doutor Cavaco Silva, Edifício 1 Piso 0B
2744-002 Porto Salvo, Portugal
E-mail: investors@millenniumbcp.pt

d) The Company's Internet site
www.millenniumbcp.pt

e) Identification of the representative for market relations
The Bank's representative for market relations is Rui Pedro da Conceição Coimbra Fernandes, also Head of the Investor Relations Department.

III.17. Indication of the value of the annual remuneration paid to the auditor and to other natural or legal persons belonging to the same network supported by the company or by legal persons controlled by the Bank or in the same group, as well as details of the percentage relative to the following services: a) Legal accounts review services; b) Other guarantee and reliability services; c) Tax consultancy services; d) Services other than accounts legal review services. If the auditor provides any of the services described in sub-paragraphs c) and d), a description should be made of the means to safeguard the independence of the auditor. For the effects of this information, the concept of network is as defined in Recommendation of the European Commission nr. C (2002) 1873, of 16 May

RELATIONS WITH THE INDEPENDENT AUDITORS

Activity Monitoring
Monitoring of the activity of the Group Auditor, KPMG & Associados, SROC, S.A. (KPMG) is ensured by the Board of Directors, through the Audit Committee, which is also responsible for proposing the election and appointment of the Group Auditor to the General Meeting, as well as issuing its opinion on Auditor independence conditions and other relations between the Auditor and the Group.

As was the case in previous years, the abovementioned monitoring is achieved through regular contact with KPMG, which includes the participation of the Statutory Auditor in the monthly meetings of the Audit Committee and enables the timely discussion by the Board of Directors and Audit Committee of situations and criteria arising from the audit work.

Services provided by the External Auditor (KPMG) in 2012

In 2012, the statutory auditor of Banco Comercial Português – KPMG – earned a total of 2,935,571.00 euros in Portugal, of which 175,480.00 euros refer to "Tax Consultancy Services" and "Services other than legal revier or audit", corresponding to 6% of the total.

In 2012, KPMG earned a total of 1,272,160.00 euros in the foreign subsidiaries, of which 39,826.00 euros refer to "Tax Consultancy Services" and "Services other than legal review or audit", corresponding to 3.16% of the total. Thus, in consolidated results, i.e. including the international operations, this percentage accounts for 5.1% of the total services provided by the external auditor, being thus within the standards recommended by the CMVM (<30%).

The table below illustrates, in summary form, the activity of the external auditor in Portugal and Abroad in 2012.

Euros

	PORTUGAL	%	ABROAD	%	TOTAL	%
Legal accounts review services	1.828.091,00		779.686,00		2.607.777,00	
Other guarantee and reliability services	932.000,00		452.648,00		1.384.648,00	
1. TOTAL AUDIT SERVICES	2.760.091,00	94,0%	1.232.334,00	96,9%	3.992.425,00	94,9%
Tax consultancy services	40.000,00		3.125,00		43.125,00	
Services other than legal accounts review	135.480,00		36.701,00		172.181,00	
2. TOTAL OTHER SERVICES	175.480,00	6,0%	39.826,00	3,1%	215.306,00	5,1%
	2.935.571,00	100,0%	1.272.160,00	100,0%	4.207.731,00	100,0%

The values of the "Legal accounts review services" include provisions constituted in 2012, for payment of services provided relative to that financial year and that shall be invoiced in 2013.

A description is presented below of the main services included in each category of services provided by KPMG, relative to 31 December 2012.

1 – AUDIT SERVICES

Legal accounts review services

Includes the fees charged by KPMG relative to the auditing and legal review of the consolidated accounts of the Group and its various companies on an individual basis, auditing of subsidiaries for consolidation purposes and other services associated to the legal review of the accounts relative to 31 December and the limited review relative to 30 June.

Other guarantee and reliability services

Includes the fees charged by KPMG relative to the provision of services that, in view of their characteristics, are related to the auditing work and should, in many cases, be provided by statutory auditors, namely: issue of comfort letters and opinions on specific subjects (internal control pursuant to Notice nr. 5/2008, safeguarding of assets pursuant to the provisions of the CMVM, services related to verification of the sustainability report and other permitted accountancy services).

2 – OTHER SERVICES

Tax consultancy services

Includes the fees charged by KPMG relative to tax advisory services provided to the Group for the review of the tax obligations of the different companies in Portugal and abroad.

Services other than legal accounts review

Includes the fees charged by KPMG relative to services other than legal review services, permitted in accordance with the defined rules of independence and subject to monitoring by the Audit Committee.

Approval of services

Millennium bcp maintains a very strict policy of independence so as to prevent any conflicts of interest in the use of the services of its external auditors. As auditor of the BCP Group, KPMG complies with the rules on independence defined by the Group, including those established by the 8th Directive of the European Commission, reviewed by Directive 2006/43/EC of Parliament and the Council of 17 May 2006, partially transposed into Portuguese Legislation by Decree-Law nr. 224/2008, of 20 November, in addition to the rules on independence defined by KPMG, through the application of the International Standards on Auditing issued by the International Federation of Accountants.

In order to safeguard the independence of the Auditor, and pursuant to the national and international good practices and standards, series of regulatory principles were approved through the Bank's Audit Committee, as described below:

KPMG and the companies or legal persons belonging to it ("Network") cannot provide services to the Bank or Group, which are deemed forbidden under the rules referred to above;

Although it is generally considered that the independence of external auditors could be affected by the provision to the Group of services unrelated to legal review or audit, the Audit Committee identified a set of services that may be undertaken by the external auditors without jeopardising their independence. These services are authorised by the Group Compliance Officer and subject to the ratification of the Audit Committee.

THE KPMG RISK MANAGEMENT AND QUALITY CONTROL PROCESS

Risk management

KPMG is responsible for ensuring that these services do not place in question its independence as auditor of the BCP Group. The requirements on the auditor's independence are determined based on a combination of the BCP Group's policies on the independence of the external auditors, on the national rules of each country, when they are more demanding, and on the internal rules of KPMG. Once a year, KPMG reports to the Board of Directors and Audit Committee on all the measures established to safeguard its independence as auditor of the BCP Group.

KPMG has implemented a system at an international level, called "Sentinel", which conditions the provision of services by any office of the entire KPMG Network to the authorisation of the "Global Lead Partner" responsible for the customer. This procedure implies that the KPMG Units from which the service in question is requested must obtain previous authorisation from the said Global Lead Partner. This request includes the presentation of justifications for the work requested, in particular, the factors which enable assessment of compliance with the applicable risk management rules and, consequently, of the independence of KPMG.

The Global Lead Partner is also responsible for verifying that service proposals presented through "Sentinel" comply with service pre-approval rules and, when applicable, proceeds with any necessary diligences before the Audit Committee, with a view to strict compliance with applicable independence rulings.

All the employees of KPMG undertake to comply with the rules on independence defined in the Risk Management Manual of KPMG International, and to fully comply with the rules established by the Portuguese Institute of Statutory Auditors and, when applicable, of the Independence Standards Board and other regulatory entities.

All KPMG professionals are responsible for maintaining their independence, being obliged to review their financial interests, as well as their personal and professional relationships on a regular basis, so as to ensure strict compliance with the requirements on the independence of KPMG and their profession. KPMG employees are forbidden from collaborating with any other entities or organisations (customers or not), such as directors, executives, independent professionals or employees.

In order to ensure its independence and that of its professionals, both in fact and substance, KPMG has developed an application – KPMG Independence Compliance System (KICS) – which includes information relative to the rules on independence, a search engine to access the list of restricted entities, in which its employees cannot hold financial interests and a reporting system for the financial investments of its employees, where each professional records the name of the financial interests owned. In this way, this application meets the requirements of AICPA on independence, without compromising privacy policies.

All KPMG professionals are required to issue an annual statement of independence, signed on the occasion of their recruitment and renewed on an annual basis, where they undertake not to acquire financial interests, directly or indirectly, in KPMG customers, keep all information they might have access to confidential and avoid any relationships with customer employees which might compromise the independence and objectiveness of KPMG.

QUALITY CONTROL

Quality control by internal teams of the national offices
With a view to guaranteeing the quality of its services provided to its customers, KPMG annually promotes the quality control of its activities, which essentially consists of the following aspects:

Review of each activity by the team involved, allowing identification of areas requiring additional work on a particular component of the customer's financial demonstrations, before the work in question is concluded;

Annual review, by a team of KPMG's more experienced professionals, of a representative sample of its customers' documents, with a view to ensuring that the planning of the work was carried out in the most effective manner, that the information collected during this phase allowed for the structuring and design of adequate and substantive internal control tests, and permitted ensuring the analysis of all risk areas identified in the work planning phases.

Quality control by internal teams of the international offices
In addition to the quality control activities continuously carried out by the professionals at the offices in Portugal, KPMG also promotes, on an annual basis, quality audits of the general and risk evaluation procedures and of the quality of the work executed. The staff of the international offices of KPMG, who are suitably trained to carry out these control activities, performs these audits.

These control activities permit the sharing and harmonisation of KPMG knowledge at a world level, allowing for the identification of risk and use of specific risk analysis and mitigation tools that have been developed in other countries. The quality assessment and control procedures performed by the staff at the offices in Portugal and abroad are supported by an information technology tool especially developed for this purpose.

The aforementioned monitoring is achieved through regular contact with KPMG, allowing the Board of Directors and the Audit Committee to discuss solutions and criteria resulting from audit activities in a timely manner.

III.18. Reference to the rotation period of the external auditor

Decree-Law nr. 224/2008, of 20 November, in nr. 2 of article 54, establishes that the maximum period for the performance of audit duties by the Partner responsible for the supervision or direct implementation of the legal certification of accounts is seven years, counting from the date of his appointment. On the other hand, the recommendation of the CMVM Corporate Governance Code stipulates that the maintenance of the External Auditor beyond the rotation period should be justified in a specific opinion of the supervisory body which explicitly weighs up the conditions of independence of the auditor and advantages and costs of his replacement, an opinion which was submitted to the Annual General Meeting, which was elective and was held on 18 April 2011.

The internal supervision conducted by the Audit Committee concerning the independence of the External Auditor, namely with respect to the provision of additional services, as well as the respective assessment of his performance over the term of office, concluded that the duties of the External Auditor were performed adequately, showing professionalism and quality in the work carried out.

ANNEX I

CURRICULA VITAE OF THE MEMBERS OF THE BOARD OF DIRECTORS OF BANCO COMERCIAL PORTUGUÊS, S.A.

António Vítor Martins Monteiro

Personal details:
- Date of birth: 22 January 1944
- Nationality: Portuguese
- Position: Chairman of the Board of Directors
- Beginning of term of office: 28 February 2012
- Current Term of office: 2012/2014

Positions held in the Group:

In Portugal:
- Chairman of the Board of Directors of Banco Comercial Português, S.A.
- Chairman of the Board of Curators and of the International Board of the Fundação Millennium bcp
- Chairman of the Commission for Corporate Governance of the Board of Directors of Banco Comercial Português, S.A.

Direct responsibilities:
- Supporting Office of the Board of Directors
- Company Secretariat
- Fundação Millennium bcp
- Client Ombudsman Office

Positions held outside the Group:
- Member of the Board of Directors of Banco Sabadell
- Non-executive member of the Board of Directors of SOCO International, plc
- Member of the General Board of the School of Humanities and Social Sciences of Universidade Nova de Lisboa
- Non-executive member of the Board of Directors of Banco Privado do Atlântico – Angola
- Chairman of the Board of Curators of Fundação Luso-Brasileira.

Academic qualifications:
- Licentiate Degree in Law from the Law School of the University of Lisbon
- Passed the admission contest for positions of embassy attaché, opened on 11 September 1967

Professional experience in the last ten years relevant to the position:

- 2001/2004 and 2006/2009 – Portugal's Representative at the European Space Agency (ESA)
- 2002/2009 – Member of the Ambassadors Forum – Agência Portuguesa para o Investimento
- 2003 – Member of the Advisory Board of the Oceans Strategic Committee
- 2004/2005 – Minister of Foreign Affairs and of the Portuguese Communities;
- 2005/2006 – High Commissioner of the UN for the Elections in the Ivory Coast;
- 2006/2009 – Ambassador of Portugal in France.
- 2010/2011 – Member of the Panel of the UN Secretary General for Referendums in Sudan
- 2011 – Member of the work group created by the Prime Minister for the internationalisation and development of the Portuguese economy
- March 2009/February 2012 – Member of the Supervisory Board of Banco Comercial Português S.A.
- April 2011/February 2012 – Chairman of the Supervisory Board and Member of the Remuneration and Welfare Board of Banco Comercial Português S.A.
- February 2012/October 2012 – Chairman of the Board of Directors of the Fundação Millennium bcp

Carlos José da Silva

Personal details:
- Date of birth: 6 January 1966
- Nationality: Angolan
- Position: Vice-Chairman of the Board of Directors
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

In Portugal:
- Vice-Chairman of the Board of Directors of Banco Comercial Português, S.A.
- Chairman of the Commission for Nominations and Evaluations (Talent Management) of Banco Comercial Português, S.A.
- Vice-Chairman of the Board of Curators of the Fundação Millennium bcp.

Positions held outside the Group:
- Executive Director of Banco Espírito Santo Angola (Besa)
- Since 2006 – Founder and CEO of Banco Privado Atlântico Founder of Banco de Investimento Privado in Angola
- Since 2009 – Founder and Chairman of Banco Privado Atlântico Europa
- Since 2010 – Vice-Chairman of Sociedade Baia de Luanda
- Since 2010 – Chairman of Interoceânico Capital S.G.P.S., S.A.
- Since 2010 – Chairman of Angola Management School

Academic qualifications:
- Licentiate degree in Legal Sciences at the Faculty of Law of the Universidade de Lisboa

Professional experience in the last ten years relevant to the position:
- 2001/2005 – Founder and Executive Director of Banco Espírito Santo Angola (Besa)
- Until 28 February 2012 – Member of the Supervisory Board of Banco Comercial Português, S.A.
- 28 February 2012/19 October 2012 – Vice-Chairman of the Board of Directors of the Fundação Millennium bcp

Nuno Manuel da Silva Amado

Personal details:

- Date of birth: 14 August 1957
- Nationality: Portuguese
- Position: Vice-Chairman of the Board of Directors and Chairman of the Executive Committee
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

In Portugal:

- Vice-Chairman of the Board of Directors and Chairman of the Executive Committee of Banco Comercial Português, S.A.
- Member of the Commission for Nominations and Evaluations (Talent Management) of Banco Comercial Português, S.A.
- Member of the Board of Curators of the Fundação Millennium bcp.

Abroad:

- Vice-Chairman of the Supervisory Board of Bank Millennium, S.A. (Poland).

Direct responsibilities:

- Office of the Chairman
- Communication Department
- Human Resources Department

Positions held outside the Group:

- Member of the Board of APB – Associação Portuguesa de Bancos in representation of Banco Comercial Português, S.A.
- Member of the Institut International D'Etudes Bancaires
- Member of the Audit Board of the Bial Foundation

Academic qualifications:

- Licentiate Degree in Corporate Organization and Management at Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Advanced Management Programme at INSEAD, Fontainebleau

Professional experience in the last ten years relevant to the position:

- 2001/2004 – Vice-Chairman of the Executive Committee and 2000/2004 – Member of the Board of Directors of Crédito Predial Português
- 2001/2004 – Vice-Chairman of the Executive Committee and 2000/2004 – Member of the Board of Directors of Banco Totta & Açores
- 1997/2006 – Member of the Executive Committee and of the Board of Directors of Banco Santander de Negócios Portugal

- 2005/2006 – Vice-Chairman of the Executive Committee and member of the Board of Directors of Banco Santander Totta, S.A.

- 2005/2006 – Vice-Chairman of the Executive Committee and member of the Board of Directors of Banco Santander Totta, S.G.P.S.

- August 2006/January 2012 – Vice-Chairman of the Board of Directors of Portal Universia Portugal

- August 2006/January 2012 – General Manager and Member of the Management Committee of Banco Santander Central Hispano

- August 2006/January 2012 – Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Banco Santander Totta, S.A.

- August 2006/January 2012 – Chairman of the Executive Committee and Vice-Chairman of the Board of Directors of Banco Santander Totta, S.G.P.S.

- 28 February 2012/19 October 2012 – Vice-Chairman of the Board of Directors of the Fundação Millennium bcp.

Pedro Maria Calaínho Teixeira Duarte

Personal details:

- Date of birth: 6 May 1954
- Nationality: Portuguese
- Position: Vice-Chairman of the Board of Directors
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

- Vice-Chairman of the Board of Directors of Banco Comercial Português, S.A.
- Member of the Board of Curators of the Fundação Millennium bcp.

Positions held outside the Group:

- Chairman of the Board of Directors of Teixeira Duarte, S.A.
- Chairman of the Board of Directors of Teixeira Duarte – Engenharia e Construções, S.A.
- Chairman of the Board of Directors of Teixeira Duarte – Sociedade Gestora de Participações Sociais, S.A.
- Chairman of the Board of Directors of PASIM – Sociedade Imobiliária, S.A.
- Chairman of the Board of Directors of PACIM – Soc. Gestora de Participações Sociais, S.A.

Academic qualifications:

- Licentiate degree in Business Administration from the Universidade Católica Portuguesa (Portuguese Catholic University)

Professional experience in the last ten years relevant to the position:

- Chief Executive Officer of Teixeira Duarte – Engenharia e Construções, S.A.
- Director of Teixeira Duarte – Engenharia e Construções (Macau), Lda.
- Vice-Chairman of the Senior Board of Banco Comercial Português, S.A.
- Vice-Chairman of the Supervisory Board of Banco Comercial Português, S.A.
- Member of the Remunerations and Welfare Board of Banco Comercial Português, S.A.
- Member of the Supervisory Board of Millennium Bank, S.A. (Polónia)
- Director of CIMPOR – Cimentos de Portugal, S.G.P.S., S.A.
- 28 February 2012/19 October 2012 – Vice-Chairman of the Board of Directors of the Fundação Millennium bcp
- March/October 2012 – Member of the Commission for Risk Assessment (Renounced)

Álvaro Roque de Pinho de Bissaia Barreto

Personal details:
- Date of birth: 1 January 1936
- Nationality: Portuguese
- Position: Member of the Board of Directors
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:
- Member of the Board of Directors of Banco Comercial Português, S.A.
- Member of the Commission for Nominations and Evaluations and of the Commission for Ethics and Professional Conduct of Banco Comercial Português, S.A.

Positions held outside the Group:
- Chairman of the Board of Directors of Tejo Energia, S.A.
- Non-executive director of Nutrinveste – Soc. Gestora de Part. Sociais, S.A.
- Non-executive director of MELLOL – Soc. Gestora de Participações Sociais, S.A.
- Chairman of the Board of the General Meeting of Prime Drinks, S.A.
- Non-executive director of Beralt Tin & Wolfram (Portugal), S.A.

Academic qualifications:
- Licentiate degree in Civil Engineering at Instituto Superior Técnico
- Management Course (American Management Association) (1961)
- Program on Management Development (Harvard Business School) (1969)

Professional experience in the last ten years relevant to the position:
- 1998/2004 – Member of the Portuguese Council and the International Council of INSEAD
- 1999/2004 – Member of Parliamen
- 2000/2004 – Vice-Chairman of the Department of IBET – Instituto de Biologia Experimental e Tecnológica
- 2001/2004 – Non-executive director of Nova Robbialac – Indústria Ibérica de Tintas, S.A.
- 2001/2004 – Chairman of the Parliamentary Commission on Agriculture, Rural Development and Fisheries
- 2002/2004 – Member of the Lisbon Municipal Assembly
- 2004/2005 – Minister of State, Economic Activities and Labour
- 2006/2012 – Non-executive director of SAIP – Sociedade Alentejana de Investimento e Participações, S.G.P.S., S.A.
- Since 2006 – Non-executive director of Beralt tin & Wolfram (Portugal), S.A.
- April 2011/28 February 2012 – Member of the Supervisory Board, Chairman of the Commission for Ethics and Professional Conduct and Member of the Commission for Risk Assessment of Banco Comercial Português, S.A.

André Magalhães Luíz Gomes

Personal details:

- Date of birth: 20 February 1966
- Nationality: Portuguese
- Position: Member of the Board of Directors
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

- Member of the Board of Directors of Banco Comercial Português, S.A.

Positions held outside the Group:

- Partner of Cuatrecasas, Gonçalves Pereira & Associados, Sociedade de Advogados, R.L.
- Member of the Board of Directors of the Fundação de Arte Moderna e Contemporânea – Colecção Berardo
- Member of the Board of Directors of Bacalhôa – Vinhos de Portugal, S.A.
- Member of the Board of Directors of Matiz Sociedade Imobiliária, S.A.
- Member of the Board of Directors of Atram – Sociedade Imobiliária S.A.
- Sole Director of Imobiliária de São Joaquim S.A.
- Director of Digiátomo – Sociedade Imobiliária, S.A.
- Director of Dichiarato, S.A.
- Manager of Brightmelody Unipessoal, Lda.
- Director of Gauluna, S.A.
- Manager of New Property – Sociedade Imobiliária, Lda.
- Chairman of the Board of the General Meeting of FGA Capital Instituição Financeira de Crédito, S.A.
- Chairman of the Board of the General Meeting of FGA Distribuidora Portugal, S.A.
- Chairman of the Board of the General Meeting of Fiat Group Automobiles Portugal, S.A.
- Chairman of the Board of the General Meeting of Rentipar Financeira, S.G.P.S – S.A.
- Chairman of the Board of the General Meeting of Carmo – Sociedade Agrícola S.A.
- Chairman of the Board of the General Meeting of Explorer Investments, Sociedade Capital de Risco S.A.
- Chairman of the Board of the General Meeting of Explorer Investments, S.G.P.S. S.A.

Academic qualifications:

- Licentiate degree in Law from the Faculty of Law of Lisbon University

Professional experience in the last ten years relevant to the position:

- Member of the Board of Directors of Metalgest – Sociedade de Gestão, S.G.P.S. S.A.
- Member of the Board of Directors – Moagens Associadas, S.A.
- Expert of the Remunerations and Welfare Board of Banco Comercial Português, S.A.
- 28 February 2012/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp

António Henriques de Pinho Cardão

Personal details:

- Date of birth: 31 May 1943
- Nationality: Portuguese
- Position: Member of the Board of Directors
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

- Member of the Board of Directors of Banco Comercial Português, S.A.
- Member of the Commission for Risk Assessment and of the Commission for Ethics and Professional Conduct of Banco Comercial Português, S.A.

Academic qualifications:

- Licentiate degree in Finance by Instituto Superior de Ciências Económicas e Financeiras

Professional experience in the last ten years relevant to the position:

- 1997/1999 – Director of Crèdibanco-Banco de Crédito Pessoal, S.A. – Grupo BCP
- 1999/2002 – General Director of Credit of Banco Comercial Português – BCP Group
- March 2002/March 2005 – Member of Parliament as Independent Deputy in the Parliamentary Group of PSD, on an exclusive basis.
- 2005/2012 – Economist, self-employed: consultancy, preparation of economic and financial studies, company assessments.
- 2005/2012 – Economist, self-employed: consultancy, preparation of economic and financial studies, company assessments.
- 2006/2012 – CHairman of the Board of Auditors of the company Vila Galé, S.A.
- 2009/2012 – Member of the Board of Auditors of companies of the Monte & Monte Group and namely, of the holding, Monte & Monte, S.G.P.S., S.A.
- April 2011/February 2012 – Member of the Supervisory Board of Banco Comercial Português S.A.

António Luís Guerra Nunes Mexia

Personal details:

- Date of birth: 12 July 1957
- Nationality: Portuguese
- Position: Member of the Board of Directors
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

- Member of the Board of Directors of Banco Comercial Português, S.A.
- Member of the Commission for Corporate Governance of Banco Comercial Português, S.A.

Positions held outside the Group:

- Chief Executive Officer of EDP-Energias de Portugal, SA.
- Vice-Chairman of Associação Industrial Portuguesa
- Representative of the Portuguese Government to the European Union in the work group for the development of trans-European networks

Academic qualifications:

- Licentiate degree in Economic by the University of Genebra (Switzerland)

Professional experience in the last ten years relevant to the position:

- 2001/2004- Chief Executive Officer of Galp Energia and Chairman of the Board of Directors of Petrogal, Gás de Portugal, Transgás and Transgás-Atlântico
- 2002/2004 – Chairman of the General Board of Ambeli
- 2004 – Minister of Public Works, Transports and Communications of the 16th Constitutional Government
- 2008/2012 – Member of the Supervisory Board of Banco Comercial Português, S.A., having previously been a member of the Senior Board of this Bank
- 28 February 2012/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp

António Manuel Costeira Faustino

Personal details:

- Date of birth: 31 March 1957
- Nationality: Portuguese
- Position: Member of the Board of Directors
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

- Member of the Board of Directors of Banco Comercial Português, S.A.
- Chairman of the Commission for Ethics and Professional Conduct of Banco Comercial Português, S.A.

Positions held outside the Group:

- Lawyer (self-employed)
- Managing partner of the company Ricardo Aires – Gestão e Prestação de Serviços, Lda.

Academic qualifications:

- Licentiate Degree in Law from the Faculty of Law of Universidade Clássica de Lisboa;

Professional experience in the last ten years relevant to the position:

- 2001/2003 – Member of the Board of the General Meeting of C+P.A. – Cimento e Produtos Associados, S.A.
- 2002/2005 – Vice-Chairman of the Lisbon District Council of the Portuguese Bar Association
- 2005/2007 – Vice-Chairman of the General Council of the Portuguese Bar Association
- 2005/2007 – Advisor to the General Council of the Pension Fund for Lawyers and Solicitors
- 2007/2009 – Member of the Board of the General Meeting of AEDL – Auto-Estradas do Douro Litoral, S.A.
- 13 March 2011/28 February 2012 – Member of the Supervisory Board of Banco Comercial Português, S.A.
- 28 February 2012/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp

Bernardo de Sá Braamcamp Sobral Sottomayor

Personal details:

- Date of birth: 18 May 1973
- Nationality: Portuguese
- Position: Member of the Board of Directors
- Beginning of term of office: 4 December 2013
- Current term of office: Member appointed by the State for the period of enforcement of the public investment to strengthen own funds.

Positions held in the Group:

- Member of the Board of Directors of Banco Comercial Português, S.A.
- Member of the Commission for Nominations and Evaluations (Talent Management) and Member of the Commission for Risk Assessment of Banco Comercial Português, S.A.

Positions held outside the Group:

- Since 2006 – Managing Director at Deutsche Bank – RREEF Infrastructure

Academic qualifications:

- Licentiate degree in Economics, by the Faculty of Economics of Universidade Nova de Lisboa
- Specialisation in Econometrics, International Economics and Monetary Economics
- Study grant British Chevening Scholarship attributed by the British Council for post-graduation studies in the United Kingdom (not used).
- Investment Management Certificate – qualificaion required by the Financial Services Authority for the exercise of the financial duties that he currently performs in the City of London

Professional experience in the last ten years relevant to the position:

- 2000/2013 – Director of the Business Analysis Office (Mergers and Acquisitions) at EDP – Energias de Portugal
- 2004/2006 – Director – European Team of Utilities in Citigroup – Corporate Finance and Mergers and Acquisitions
- Director at Deutsche Bank – RREEF Infrastructure

César Paxi Manuel João Pedro

Personal details:

- Date of birth: 13 October 1974
- Nationality: Angolan
- Position: Member of the Board of Directors
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

- Member of the Board of Directors of Banco Comercial Português, S.A.
- Member of the Commission for Corporate Governance of Banco Comercial Português, S.A.

Positions held outside the Group:

- Head of the Legal Department of the Sonangol Group

Academic qualifications:

- Licentiate degree in Law – Universidade Agostinho Neto

Professional experience in the last ten years relevant to the position:

- 2003/2005 – Senior Legal Counsel responsible for the negotiations of the Operating Contracts of the Operating Blocks and Non-Operating Blocks of Sonangol Pesquisa e Produção S.A.
- 2005/2008 – Team Leader of the Legal Office of Sonangol Pesquisa e Produção, S.A.
- 2008/2010 – Head of the Legal Department of Operating Businesses and Concessions of the Legal Services Department of Sonangol, E.P.
- 2010/2012 – General Counsel – Sonangol E.P.
- 28 February 2012/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp

Jaime de Macedo Santos Bastos

Personal details:
- Date of birth: 26 November 1956
- Nationality: Portuguese
- Position: Member of the Board of Directors
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:
- Member of the Board of Directors of Banco Comercial Português, S.A.
- Member of the Audit Committee of Banco Comercial Português, S.A.

Positions held outside the Group:
- Statutory Auditor of several companies
- Member of the Audit Board of CIMPOR, in representation of J. Bastos, C. Sousa Góis & Associados, Sroc

Academic qualifications:
- Licentiate degree in Business Administration from the Universidade Católica Portuguesa
- Various post-graduation courses

Professional experience in the last ten years relevant to the position:
- Information Systems Consultant
- Staff member of Arthur Andersen & Co.
- Assistant Professor at the Universidade Católica Portuguesa
- Member of the Audit Board of the Ordem dos Revisores Oficiais de Contas (Portuguese Statutory Auditors Association).
- 28 February 2012/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp

João Bernardo Bastos Mendes Resende

Personal details:

- Date of birth: 16 June 1963
- Nationality: Portuguese
- Position: Member of the Board of Directors
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

- Member of the Board of Directors of Banco Comercial Português, S.A.
- Chairman of the Commission for Risk Assessment of Banco Comercial Português, S.A.

Positions held outside the Group:

- Since 2009 – Member of the Board of Directors of Banco Urquijo (Grupo Banco Sabadell)
- Member of the Governing Council of the Institute of Economic Studies
- Member of the Spanish Institute of Financial Analysts
- Member of the Governing Council of the Spanish Securities Market Association
- Member of the Board of Directors of Cajastur Servicios Financieros
- 28 February 2012/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp

Academic qualifications:

- Licentiate Degree in Economic and Corporate Sciences with a Specialisation in Finance, at the University College of Financial Studies CUNEF, Universidad Complutense, Madrid
- M.B.A. – in Company Management, at Instituto de Estudos Superiores da Empresa (IESE Business School).

Professional experience in the last ten years relevant to the position:

- 2000/June 2009 – Vice-Chairman and General Director of Ibersecurities, Sociedad de Valores y Bolsa, S.A.
- 2000/2003 – Chief Executive Officer of ActivoBank (Banco Sabadell Group, BCP Group)
- 2002/2009 – Member of the Commercial Committee of Banco Sabadell
- 28 February 2012/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp

João Manuel de Matos Loureiro

Personal details:

- Date of birth: 4 October 1959
- Nationality: Portuguese
- Position: Member of the Board of Directors
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

- Member of the Board of Directors of Banco Comercial Português, S.A.
- Chairman of the Audit Committee of Banco Comercial Português, S.A.

Positions held outside the Group

- Since 1984 – Teacher at the School of Economics of Universidade do Porto, currently Associate Professor
- Since 2008 – Head of the Post Graduation Degree in Company Management of Porto Business School (PBS)
- Since 2010 – Member of the Council of Representatives of the School of Economics of Universidade do Porto

Academic qualifications:

- Licentiate Degree in Economics, from the School of Economics of Universidade do Porto.
- PhD in Economics (specialisation in International Macroeconomics and Finance), from the University of Gothenburg, Sweden

Professional experience in the last ten years relevant to the position:

- 2000/2008 – Head of the MBA in Finance from the School of Economics of Porto Business School
- 2002/2008 – Chairman of the Pedagogic Council of the School of Economics of Universidade do Porto;
- 2007/2008 – Coordinator of the Budgeting per Programs Committee, Ministry of Finance
- 2008/2011 – Member of the General Council of Porto Business School
- 2008 – Consultant for the assessment of the foreign exchange regime in Cape Verde
- 30 March 2009/28 February 2012 – Member of the Supervisory Board of Banco Comercial Português, S.A.
- 16 April 2009/28 February 2012 – Chairman of the Audit Committee of Banco Comercial Português, S.A.
- 29 May 2009/28 February 2012 – Chairman of the Audit Board of Banco ActivoBank, S.A.
- 22 March 2010/28 February 2012 – Chairman of the Audit Board of Banco Banco BII – Banco de Investimento Imobiliário, S.A.
- 28 February 2012/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp

José Guilherme Xavier de Basto

Personal details:
- Date of birth: 19 November 1938
- Nationality: Portuguese
- Position: Member of the Board of Directors and of the Audit Committee
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:
- Member of the Board of Directors of Banco Comercial Português, S.A.
- Member of the Audit Committee of Banco Comercial Português, S.A.

Positions held outside the Group:
- Since 2007 – non-executive director of Portugal Telecom, SGPS, S.A., being a member of its Audit Committee

Academic qualifications:
- Licentiate Degree in Law from the Universidade de Coimbra
- Additional Course of Political-Economic Sciences

Professional experience in the last ten years relevant to the position:
- 1974/2004 (retirement) – taught the subjects of Taxation and Tax Harm0nisation at the Faculty of Economics of Universidade de Coimbra
- On 20 December 1988, was appointed member of the Privatisation Monitoring Commission, position which he held until 2007
- Has published books and articles on taxation and Fiscal Law, about VAT and personal income tax in particular. Is Chairman of the Audit Board of the Portuguese Fiscal Association and Chairman of the General Meeting of the Portuguese Tax Consultants Association. Is a member of the Research Office of the Statutory Auditors Association
- 30 March 2009/28 February 2012 – Member of the Supervisory Board of Banco Comercial Português, S.A.
- 16 April 2009/28 February 2012 – Member of the Audit Committee of Banco Comercial Português, S.A.
- 28 February 2012/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp

José Jacinto Iglésias Soares

Personal details:
- Date of birth: 25 June 1960
- Nationality: Portuguese and Angolan
- Position: Member of the Board of Directors and of the Executive Committee
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:
- Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
- Chairman of the Board of Directors of Millennium bcp Prestação de Serviços, ACE

Direct responsibilities:
- Compliance Office
- Legal Department
- Audit Department
- Purchases and Means Department
- Information Technology Department
- Operations Department

Positions held outside the Group:
- Non-executive director of SIBS, S.G.P.S., S.A. and SIBS Forward Payment Solutions, S.A.
- Member of the Remunerations Commitee of UNICRE – Instituição Financeira de Crédito, S.A.
- Vice-Chairman of the General Council of the Portuguese Industrial Association – Chamber of Commerce and Industry, in representation of Banco Comercial Português, S.A.

Academic qualifications:
- Licentiate degree in Law from the Faculty of Law of Universidade de Lisboa
- Post-Graduation in Commercial Law and Commercial Companies from Universidade Católica de Lisboa
- Corporate Senior Management Programme – AESE
- Post-Graduation in Accountancy and Finance from Universidade Católica de Lisboa

Professional experience in the last ten years relevant to the position:
- 1986/2004 – Employee of Banco Comercial Português, S.A., having performed the following duties:
- Account Manager at the Av. 5 de Outubro branch – Lisbon
- Director of the Cascais branch
- Deputy Coordinating Director of the Individuals Network
- Commercial Director at NovaRede and Atlântico
- Director at the Tax Advisory Services
- 2004/2005 – Chairman of Instituto Português de Apoio ao Desenvolvimento (IPAD)
- 2005/2007 – Director of the Legal Support Division of the Compliance Office of Banco Comercial Português, S.A.
- 2008/2009 – Managing Director of the External Relations Division of Banco Privado Atlântico (Angola)
- 2009/2011 – Executive Director of Banco Privado Atlântico – Europe, responsible for the areas of Compliance, Legal Advisory Services and Internal Audits
- 18 April 2011/28 February 2012 – Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- 18 April 2011/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp.

José Rodrigues de Jesus

Personal details:

- Date of birth: 16 October 1944
- Nationality: Portuguese
- Position: Member of the Board of Directors
- Beginning of term of office: 4 December 2012
- Current term of office: Member appointed by the State for the period of enforcement of the public investment to strengthen own funds.

Positions held in the Group:

- Member of the Board of Directors of Banco Comercial Português, S.A.
- Member of the Audit Committee of Banco Comercial Português, S.A.
- Member of the Audit Board of Millenniumbcp Ageas Grupo Segurador S.G.P.S., S.A.

Positions held outside the Group:

- Single Auditor of various companies

Academic qualifications:

- Licentiate degree in Economics, from the School of Economics of Universidade do Porto.

Professional experience in the last ten years relevant to the position:

- 1968/2005 – Assistant professor at the School of Economics of Universidade do Porto, currently participating in post-graduation courses at Porto Business School
- 1974/2012 – Economist, Consultant and Member of the Supervisory Boards of Finibanco Holding, S.G.P.S., S.A. and Finibanco, S.A.
- 2012/present: Member of the Audit Board of Mota-Engil, S.G.P.S., S.A., Millenniumbcp AGEAS Grupo Segurador S.G.P.S., S.A. and Germen – Moagem de Cereais, S.A.
- 1976/2012 – As Statutory Auditor, performed duties on the Supervisory Boards of various companies;

Luís Maria França de Castro Pereira Coutinho

Personal details:
- Date of birth: 2 March 1962
- Nationality: Portuguese
- Position: Member of the Board of Directors and of the Executive Committee
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

In Portugal:
- Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
- Chairman of the Board of Directors of Banco ActivoBank, S.A.

Abroad:
- Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.
- Member of the Board of Directors of Millennium Bank, S.A. (Greece)
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Chairman of the Board of Directors of Banca Millennium, S.A. (Romania)

Direct responsibilities:
- ActivoBank
- Companies Banking Centre
- Companies Banking North
- Companies Banking South
- Companies Marketing Department
- Foreign Business Support Office
- Bank Millennium (Poland)
- Banca Millennium (Romania)
- Millennium Bank (Greece)

Academic qualifications:
- 1984 – Licentiate degree in Economics from Universidade Católica Portuguesa

Professional experience in the last ten years relevant to the position:

- 2001/2003 – Head of the Office of the Chairman of the Board of Directors of Banco Comercial Português, S.A.
- 2003/February 2009 – Vice-Chairman of the Executive Board of Directors of Bank Millennium, S.A. (Poland)
- May 2003/March 2009 – Member of the Supervisory Board of Millennium Leasing Sp Zoo (Poland)
- May 2003/March 2009 – Member of the Supervisory Board of Millennium Dom Maklerski S.A. (Poland)
- May 2003/March 2009 – Member of the Supervisory Board of Millennium Lease Sp Zoo (Poland)
- February/December 2008 – Manager of BCP Participações Financeiras, SGPS, Sociedade Unipessoal, Lda.
- February 2008/March 2009 – Manager of BCP Internacional II, Sociedade Unipessoal, SGPS, Lda.
- February 2008/March 2009 – Member of the Board of Directors of Millennium bcp – Prestação de Serviços, ACE
- February 2008/December 2009 – Member of the Board of Directors of Banco Activobank (Portugal), S.A., presently Banco ActivoBank, S.A.
- May 2008/May 2010 – Vice-Chairman of the Board of Directors of Millennium Banque, S.A. (Greece)
- July 2008/October 2010 – Chairman of the Board of Directors of BCP Holdings (USA), Inc. (United States of America)
- 15 January 2008/28 February 2012 – Member of the Executive Board of Directors of Banco Comercial Português, S.A.
- 15 January 2008/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp.

Maria da Conceição Mota Soares de Oliveira Callé Lucas

Personal details:

- Date of birth: 24 January 1956
- Nationality: Portuguese
- Position: Member of the Board of Directors and of the Executive Committee
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

In Portugal:

- Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Millennium bcp Ageas Grupo Segurador, SGPS, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Médis – Companhia Portuguesa de Seguros de Saúde, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental – Companhia Portuguesa de Seguros, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Ocidental – Companhia Portuguesa de Seguros de Vida, S.A.
- Vice-Chairman of the Board of Directors and Chairman of the Audit Committee of Pensões Gere – Sociedade Gestora de Fundos de Pensões, S.A.

Abroad:

- Member of the Board of Directors of BIM – Banco Internacional de Moçambique, S.A.
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Member of the Board of Directors of Banco Millennium Angola, S.A.

Direct responsibilities:

- Investment Banking Department
- Corporate Department
- Large Corporate Department
- International Strategic Research Office
- Private Equity Recapitalisation Fund
- Banco Millennium Angola (Angola)
- Millenniumbcp Ageas
- Millennium BIM (Mozambique)

Academic qualifications:

- 1978 – Licentiate degree in Business Administration from the Universidade Católica Portuguesa
- 1979 – Post-graduation in Higher European Studies specialising in Economic Issues from Collège d'Europe, in Bruges
- 1980 – Master of Science from the London School of Economics, University of London

Professional experience in the last ten years relevant to the position:

- 2002/2008 – Representative – Société Générale, Portugal
- 2008/2009 – Ifogest – Consultoria e Investimentos, S.A.
- 2009/February 2012 – Directress of Banco Privado Atlântico-Europa, S.A.
- 28 February 2012/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp
- 29 March 2012/19 December 2012 – Chairman of the Board of Directors of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.

Miguel de Campos Pereira de Bragança

Personal details:
- Date of birth: 25 June 1966
- Place of birth: Lisbon
- Nationality: Portuguese
- Position: Vice-Chairman of the Executive Committee and Member of the Board of Directors
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

In Portugal:
- Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.
- Chairman of the Board of Directors of Banco de Investimento Imobiliário, S.A.
- Manager of the company Millennium bcp Participações, S.G.P.S., Sociedade Unipessoal, Lda.

Abroad:
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)

Direct responsibilities:
- Tax Advisory Services Department
- Accounting and Consolidation Department
- Cost Control and Performance Department
- Research, Planning and ALM Department
- Management Information Department
- Investor Relations Department
- International Department
- Treasury and Markets Department

Academic qualifications:
- Licentiate degree in Business Administration from the Universidade Católica Portuguesa
- INSEAD, Fontainebleau, MBA programme. Henry Ford II Prize, awarded each year to students that complete the year with the highest average

Professional experience in the last ten years relevant to the position:
- 2000/2006 – Director, Head of the Finance, Accountancy and Management Control, Marketing and Products areas at Banco Santander Totta and Santander Totta S.G.P.S.
- 2007/2008 – Executive Director with the areas of responsibility of Marketing Products, having accumulated since June the responsibilities for the Telephone Channel, Internet and Business Banking at Abbey National PLC (presently Santander UK)
- 2008/February 2012 – Director responsible for the Finance, Accountancy and Management Control, Marketing and Products areas at Banco Santander Totta, S.A., Santander Totta S.G.P.S. and Banco Santander de Negócios (Portugal)
- 28 February 2012/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp.

Miguel Maya Dias Pinheiro

Personal details:

- Date of birth: 16 June 1964
- Nationality: Portuguese
- Position: Member of the Board of Directors and Vice-Chairman of the Executive Committe
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

In Portugal:

- Member of the Board of Directors and Vice-Chairman of the Executive Committee of Banco Comercial Português, S.A.
- Chairman of the Board of Directors of Interfundos – Gestão de Fundos de Investimento Imobiliário, S.A.

Abroad:

- Member of the Board of Directors of Banco Millennium Angola, S.A. (Angola)
- Vice-Chairman of the Board of Directors of BIM – Banco Internacional de Moçambique, S.A.

Direct responsibilities:

- Specialised Monitoring Department
- Litigation Department
- Credit Department
- Real Estate Business Department
- Rating and Assessments Department
- Retail Recovery Department
- Specialised Recovery Department
- Risk Office

Positions held outside the Group:

- Member of the Audit Board of Portugal Capital Ventures – Sociedade de Capital de Risco S.A., in representation of Banco Comercial Português, S.A.

Academic qualifications:

- Licentiate Degree in Corporate Organization and Management at Instituto Superior das Ciências do Trabalho e da Empresa (ISCTE)
- Corporate Senior Management Programme (PADE) – AESE
- Advanced Management Programme – INSEAD

Professional experience in the last ten years relevant to the position:

- Since 1996 – Employee of Grupo Banco Comercial Português, participating in the teams that incorporated BPA into BCP, responsible for coordinating the integration project and defining the value proposition for the companies segment

- 2001 to 2003 – Deployed in Barcelona, Spain, having performed the duties of CEO of Managerland, S.A. (Internet banking operations of the BCP Group and Sabadell)

- 2003/2005 – Banco Comercial Português/Servibanca – General Manager, in charge of the Contact Centre (Internet, Phone Banking and Customer Centre operations)

- 2005/September 2007 – General Manager of Banco Comercial Português, S.A., member of the Retail Executive Committee

- 2005/September 2007 – Head of the Innovation and Commercial Promotion Department at BCP

- Fevereiro 2005/September 2007 – Director of Millenniumbcp Gestão de Fundos de Investimento, S.A.

- March 2005/September 2007 – Chairman of the Board of Directors of Millenniumbcp Teleserviços, Serviços de Comercio Electrónico, S.A.

- March/October 2007 – Manager of AF Internacional, S.G.P.S. Sociedade Unipessoal, Lda.

- 2005/September 2007 – Member of the Executive Committee of CISP

- August 2007/November 2009 – Head of the Office of the Chairman of the Executive Board of Directors of Banco Comercial Português, S.A.

- December 2009/May 2011 – Chairman of the Board of Directors of Banco ActivoBank, S.A.

- November 2009/February 2012 – Member of the Executive Board of Directors of Banco Comercial Português, S.A.

- March/June 2007 – Chairman of the Board of Directors of Banco de Investimento Imobiliário, S.A.

- 3 November 2009/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp.

Rui Manuel da Silva Teixeira

Personal details:
- Date of birth: 4 September 1960
- Nationality: Portuguese
- Position: Member of the Board of Directors and of the Executive Committee
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Positions held in the Group:

In Portugal:
- Member of the Board of Directors and of the Executive Committee of Banco Comercial Português, S.A.
- Chairman of the Board of Directors of Millennium bcp Gestão de Activos – Sociedade Gestora de Fundos de Investimento, S.A.

Abroad:
- Member of the Supervisory Board of Bank Millennium, S.A. (Poland)
- Chairman of the Board of Directors of Banque Privée BCP (Suisse), S.A.

Direct responsibilities:
- Direct Banking Department
- Quality and Network Support Department
- Retail Marketing Department
- Private Banking Department
- Foreign Residents Department
- Retail Department – Centre South
- Retail Department – Centre North
- Retail Department – North
- Retail Department – South
- Millennium bcp Bank & Trust
- Millennium Gestão de Ativos
- Banque Privée BCP (Switzerland)

Positions held outside the Group:
- Member of the Board of Directors of UNICRE – Instituição Financeira de Crédito, S.A., as representative of Banco Comercial Português, S.A.
- Member of the Remuneration and Welfare Board of SIBS, SGPS, S.A. and SIBS Forward Payment Solutions, S.A.

Academic qualifications:

- Licentiate degree in Electrical Engineering from the Faculty of Engineering of Universidade do Porto
- Specialisation Course in "Industrial Management" from INEGI of FEUP

Professional experience in the last 10 years relevant to the position:

- Since 1987 – Employee of Banco Comercial Português, managerial position since 1990, member of the Senior Management of the Group since 1994 and Managing Director since 2006, having performed the following duties:
  - 2001/2003 – Head of the Mortgage Loan Product Unit
  - 2003 – Head of the Retail Marketing Department at Bank Millennium S.A. (Poland)
  - 2003/2006 – Executive Director of Bank Millennium S.A. (Poland) and member of the Supervisory Boards of Millennium Dom Maklerski S.A., BEL Leasing Sp Zoo and FORIN Sp Zoo
  - 2006/2009 – Head of the IT Global Division (Group) and member of the Banking Services Coordination Committee
  - 2009/2010 – Vice-Chairman of the Executive Board of Directors of Bank Millennium S.A. (Poland) and member of the European Banking Coordination Committee and member of the Supervisory Boards of Millennium Dom Maklerski S.A., Millennium Leasing Sp Zoo and Millennium Lease Sp Zoo
  - May 2011/April 2011 – Head of the Marketing Department, member of the Retail and Companies Coordinating Committees and responsible, in addition, for the M Project.
  - 18 April 2011/February 2012 – Member of the Executive Board of Directors of Banco Comercial Português, S.A.
  - 19 April 2011/19 October 2012 – Member of the Board of Directors of the Fundação Millennium bcp

ANNEX II

CURRICULA VITAE OF THE MEMBERS OF THE REMUNERATION AND WELFARE BOARD OF BANCO COMERCIAL PORTUGUÊS, S.A.

Baptista Muhongo Sumbe

Personal details:
- Date of birth: 11 March 1961
- Nationality: Angolan
- Position: Chairman of the Remuneration and Welfare Board.
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Academic qualifications:
- Licentiate degree in Economics from Universidade Agostinho Neto in Luanda (specialisation in accountancy and finance)

Professional experience in the last ten years relevant to the position:
- 2002/2009 – Executive Chairman of the Board of Directors and Chairman of the Executive Committee of Sonangol USA Houston, TX- USA
- Since 2009 – Chairman of the Board of Directors of Sonangol Holdings
- Since 2009 – Chairman of Baía de Luanda and Chairman of the Board of Directors of EIH (Energias Inovação Holdings)
- Since May 2010 – Executive Director of Sonangol E.P. and Vice-Chairman of ATLANTICO (Banco Privado Atlântico)

José Luciano Vaz Marcos

Personal details:
- Date of birth: 1 October 1961
- Nationality: Portuguese
- Position: Member of the Remunerations and Welfare Board
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Academic qualifications:
- Licentiate degree in Law from the Faculty of Human Sciences of Universidade Católica Portuguesa

Professional experience in the last ten years relevant to the position:
- Since 1986 – Legal Practice
- Provision of consultancy services to companies in the real estate, tourism, leisure, industrial parks and urban restructuring operations areas
- Provision of consultancy services to companies in the Public Procurement area

José Manuel Archer Galvão Teles

Personal details:

- Date of birth: 6 April 1938
- Nationality: Portuguese
- Position: Member of the Remunerations and Welfare Board
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Academic qualifications:

- Licentiate Degree in Law from the Faculty of Law of Universidade Clássica de Lisboa

Professional experience in the last ten years relevant to the position:

- Legal Practice, senior partner of Morais Leitão, Galvão Teles, Soares da Silva & Associados
- 1996/2006 – Member of the Portuguese Council of State by appointment of the then President of the Republic, Jorge Sampaio
- He is currently Chairman of the General Meetings of the following companies: Santander Totta, S.G.P.S., Auchan, S.G.P.S. and Sonagi, S.G.P.S.

Manuel Soares Pinto Barbosa

Personal details:

- Date of birth: 20 May 1944
- Nationality: Portuguese
- Position: Member of the Remunerations and Welfare Board
- Beginning of term of office: 28 February 2012
- Current term of office: 2012/2014

Academic qualifications:

- Licentiate degree in Finance at the Economic and Financial Sciences Institute of Universidade Técnica de Lisboa
- Masters from Yale University
- PhD from Yale University
- Teaching recognition from the Universidade Nova de Lisboa

Professional experience in the last ten years relevant to the position:

- Since 2005 – Chairman of the Audit Board of TAP, S.G.P.S., S.A.
- Since 2007 – Chairman of the Remunerations Committee of Cimpor – Cimentos de Portugal, S.G.P.S., S.A.
- He is currently Chairman of the Board of Directors of Nova Forum – School of Business & Economics

ANNEX III

Millennium bcp

Earnings Press Release

Reuters>bcp.ls Exchange>MCP Bloomberg>bcp pl ISIN PTBCP0AM0007

8 February 2013

Millennium bcp earnings release as at 31 December 2012

- Initiated discussions of an exclusive nature with Piraeus Bank with regards to a potential sale of the Greek operation. No final decision has yet been made and therefore no investment decision should be made in reliance upon the outcome of these discussions

LIQUIDITY
significantly reinforced

- Commercial gap improvement: commercial gap reduction by Euro 7.3 billion from December 2011, with loan to deposits ratio (BoP) at 129% and net loans to balance sheet customer funds standing at 112%
- Balance sheet customer funds up 5.1% versus last year, with customer deposits growth in Portugal
- Loans to customers evolution in line with liquidity plan: -6.5% versus December 2011

CAPITAL
comfortably above requirements

- Core tier I reaches 12.4% according to BoP, already including the 2012 results, significantly higher than the 9.3% as at December 2011
  Core tier I reaches 9.8% according to EBA (11.4% adjusted for 31 December 2012 buffer values)

PROFITABILITY
showing signs of recovery

- Consolidated net income at Euro -1.219 million, penalised by impairment for estimated losses and results associated with the Greek operation in the amount of Euro -694 million
- Net income in Poland, Mozambique and Angola of Euro 236 million
- Creating the conditions to recover profitability in Portugal:
  - reversing net interest income trend
  - implementing the restructuring programme with future annual savings above Euro 30 million
  - lower past due loans entries

With the restructuring carried out (capital and liquidity reinforcement and organisation streamlining) we are better prepared for the future and to support the economy

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1/19

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Financial Highlights

Euro million	31 Dec. 12	31 Dec. 11	Change 12 / 11
Balance sheet			
Total assets	89,744	93,482	-4.0%
Loans to customers (gross)	66,861	71,533	-6.5%
Total customer funds	68,547	65,530	4.6%
Balance sheet customer funds	55,768	53,060	5.1%
Customer deposits	49,390	47,516	3.9%
Loans to customers, net / Customer deposits [1]	128%	145%	
Loans to customers, net / Customer deposits [2]	129%	143%	
Results			
Net income	(1,219.1)	(848.6)	
Net interest income	1,023.6	1,579.3	-35.2%
Net operating revenues	2,180.6	2,569.6	-15.1%
Operating costs	1,458.6	1,634.2	-10.7%
Loan impairment charges (net of recoveries)	1,684.2	1,331.9	26.4%
Other impairment and provisions	352.8	825.1	-57.2%
Income taxes			
Current	81.7	66.9	22.2%
Deferred	(259.5)	(525.7)	-
Profitability			
Net operating revenues / Average net assets [1]	2.4%	2.6%	
Return on average assets (ROA) [3]	-1.3%	-0.8%	
Income before taxes and non-controlling interests / Average net assets [1]	-1.4%	-1.3%	
Return on average equity (ROE)	-35.4%	-22.0%	
Income before taxes and non-controlling interests / Average equity [1]	-32.6%	-28.0%	
Credit quality			
Overdue and doubtful loans / Total loans [1]	8.1%	6.2%	
Overdue and doubtful loans, net / Total loans, net [1]	1.9%	1.4%	
Credit at risk / Total loans [1]	13.1%	10.1%	
Credit at risk, net / Total loans, net [1]	7.2%	5.5%	
Impairment for loan losses / Overdue loans by more than 90 days	101.6%	109.1%	
Efficiency ratios [1] [4]			
Operating costs / Net operating revenues	66.6%	58.6%	
Operating costs / Net operating revenues (Portugal)	69.1%	60.2%	
Staff costs / Net operating revenues	37.1%	32.1%	
Capital			
Own funds	6,773	5,263	
Risk weighted assets	53,271	55,455	
Core Tier I [1]	12.4%	9.3%	
Tier I [1]	11.7%	8.6%	
Total [1]	12.7%	9.5%	
Branches			
Portugal activity	839	885	-5.2%
Foreign activity	860	837	2.7%
Employees			
Portugal activity	8,982	9,959	-9.8%
Foreign activity	11,383	11,549	-1.4%

(1) According to Instruction no. 23/2011 from the Bank of Portugal.
(2) Calculated in accordance with the definition from the Bank of Portugal.
(3) Considering net income before non-controlling interests.
(4) Excludes the impact of specific items.

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RESULTS AND ACTIVITY IN 2012

RESULTS

Millennium bcp's **consolidated net income** was negative by Euro 1,219.1 million in 2012, compared with a negative amount of Euro 848.6 million posted in 2011.

Consolidated net income was hindered by the accounting of impairment for estimated losses together with the net losses posted by the subsidiary in Greece, in the global amount of Euro 693.6 million. Excluding this impact, consolidated net income was Euro -525.4 million in 2012.

Consolidated net income was also penalised by the impairment and provision charged in the activity in Portugal, in the amount of Euro 1,236.0 million, which includes the reinforcement in impairment charges in 2012, in the scope of the On-site Inspections Programme ("OIP"), in the amount of Euro 290.0 million.

In the international activity, highlights include the favourable performance of Bank Millennium in Poland, excluding the foreign exchange effect of the zloty against the euro, and of Banco Millennium Angola.

Consolidated net income for 2012 also includes:
- the unfavourable impact on net interest income of the liability management operations, completed in 2011, in the amount of Euro 195.3 million, and of the issuance in 2012 of hybrid securities subscribed by the Portuguese State, in the amount of Euro 134.9 million;
- the accounting of a cost in the amount of Euro 69.2 million related to commissions from the issuance by the Bank of debt securities guaranteed by the Portuguese Republic;
- the accounting under staff costs of a component associated with the restructuring programme and early retirements, in the global amount of Euro 69.4 million, despite the favourable impact of the legislative change related to the mortality allowance, of Euro 64.0 million;
- the repurchase of own debt securities which led to a capital gain of Euro 184.3 million; and
- the gains associated with Portuguese sovereign debt of Euro 106.0 million.

Consolidated net income for 2011 comprises:
- the losses associated with the portfolio of Portuguese sovereign debt of Euro 128.2 million;
- the reinforcement of impairment charges, in the scope of the Special Inspections Programme ("SIP"), in the amount of Euro 381.0 million;
- the accounting recognition of impairment losses of Greek sovereign debt securities in the amount of Euro 533.5 million;
- the recognition of impairment relative to the remaining goodwill of Millennium bank in Greece of Euro 147.1 million;
- the costs associated to the partial transfer of liabilities with pensions of retired employees and pensioners to the General Social Security Scheme of Euro 164.8 million;
- the recording of early retirements costs of Euro 12.3 million;
- the reversal of provisions related to the pension fund of former members of the Executive Board of Directors and the complementary plan for employees, in the global amount of Euro 48.3 million; and
- the recognition of deferred tax assets in the amount of Euro 132.5 million in the scope of the restructuring process of the Group's shareholdings.

Net interest income totalled Euro 1,023.6 million in 2012, compared with Euro 1,579.3 million in 2011.

The performance of net interest income in the activity in Portugal was hindered (i) by the evolution in opposite directions of the 3-month Euribor interest rate and the average costs of customer deposits and (ii) by the negative business volume effect, reflecting mostly the performance of the portfolio of loans to customers.

In 2012, net interest income includes the impacts associated with the issuance of hybrid securities subscribed by the Portuguese State, with the liability management operation completed in the second half of 2011 and with the higher cost related to term deposits compared with the previous year, while, benefiting from the adjustment of credit pricing to customer risk profiles.

income in Portugal showed a positive evolution when compared with the preceding quarter, reversing the trend seen in previous quarters, particularly because of the downward trend of the remuneration of term deposits during the year.

In the international activity, the performance of net interest income was hindered by Millennium bank in Greece, despite the favourable evolution evidenced in Bank Millennium in Poland and in Banco Millennium Angola.

The net interest margin stood at 1.23% in 2012, which compares with 1.74% in 2011.

AVERAGE BALANCES

Euro million

	31 Dec.12		31 Dec.11	
	Balance	**Yield %**	**Balance**	**Yield %**
Deposits in banks	4,458	1.36	4,363	1.67
Financial assets	11,080	4.36	12,247	4.16
Loans and advances to customers	66,355	4.48	72,783	4.45
Interest earning assets	**81,893**	**4.29**	**89,393**	**4.27**
Non-interest earning assets	8,736		7,838	
	90,629		**97,231**	
Amounts owed to credit institutions	17,048	1.41	19,956	1.71
Amounts owed to customers	47,747	3.18	46,821	2.92
Debt issued and financial liabilities	15,591	3.56	19,732	2.55
Subordinated debt	2,764	7.13	1,504	3.18
Interest bearing liabilities	**83,150**	**3.02**	**88,013**	**2.57**
Non-interest bearing liabilities	3,273		3,708	
Shareholders' equity and non-controlling interests	4,206		5,510	
	90,629		**97,231**	
Net interest margin		1.23		1.74

Note: Interest related to hedge derivatives were allocated, in December 2012 and 2011, to the respective balance sheet item.

Net commissions totalled Euro 690.8 million in 2012, which compares with Euro 789.4 million 2011, reflecting the cost related to guarantee granted by the Portuguese State to debt securities issued by the Bank. Excluding this impact, net commissions decreased 3.7% from 2011.

The performance of net commissions in 2012 reflected essentially:

- a lower level of net commissions related with the banking business (-2.0%), influenced by the activity in Portugal, despite the increase of 10.6% in the international activity. Nevertheless, commissions associated with universal banking services provided showed a favourable evolution from the previous year, benefiting from the review of transactional pricing, including fees associated with overdrafts and intervention;
- a drop in commissions related with the financial markets (-13.0%), reflecting the evolution in both the activity in Portugal and the international activity due to the persistence of uncertainty in capital markets, leading to an unfavourable performance in the management of financial investments; and
- the cost associated with the issuance of debt securities by the Bank guaranteed by the Portuguese Republic, in the amount of Euro 69.2 million, posted in 2012.

The net trading income stood at Euro 462.8 million in 2012, which compares with Euro 207.6 million in 2011.

Net trading income in 2012 includes, fundamentally, the gains accounted in the activity in Portugal related to the capital gain from the repurchase of debt securities issued by the Bank, in the amount of Euro 184.3 million, and the gains associated with Portuguese sovereign debt securities of Euro 106.0 million. These impacts were

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partially offset by the losses related to financial instruments at fair value option, in the amount of Euro 30.0 million, and to the sales of loan operations, in the amount of Euro 25.6 million.

Net trading income in 2011 was influenced by the losses related to Portuguese sovereign debt securities (Euro 128.2 million), by the change in fair value related to credit risk of financial instruments at fair value option (Euro 20.6 million) and by the sales of loan operations (Euro 57.2 million), only partially offset by the gains from the repurchase operations of own debt securities issued.

In the international activity, net trading income went from Euro 243.7 million in 2011 to Euro 150.9 million in 2012, essentially reflecting the evolution of trading and derivative operations, despite the higher results from foreign exchange activity.

Other net operating income was negative by Euro 56.1 million in 2012, compared with net losses of Euro 22.7 million in the previous year. In 2011, other net operating income in Portugal comprised the positive impact from the adjustment of insurance premiums related with pensions, in the amount of Euro 18.9 million.

The evolution of other net operating income was mostly influenced by the activity in Portugal, due to the impact in the costs component of taxes determined in the amount of Euro 30.4 million in 2012 (Euro 22.0 million in 2011) and of the extraordinary tax contribution from the banking sector of Euro 33.9 million (Euro 32.0 million in 2011), in conjunction with the losses associated with the re-evaluation of assets (including repossessed assets), despite the favourable effect of gains obtained from banking services provided.

Equity accounted earnings were up to Euro 55.7 million in 2012 from Euro 14.6 million posted in 2011, driven by the favourable performance of Millenniumbcp Ageas and the consequent higher appropriation of results associated to the 49% shareholding in this insurance Group.

OTHER NET INCOME

Euro million

	31 Dec. 12	31 Dec. 11	Change 12/11
Net commissions	**690.8**	**789.4**	**-12.5%**
Banking commissions	655.0	668.7	-2.0%
Cards	182.6	184.5	-1.1%
Credit and guarantees	175.2	184.9	-5.2%
Bancassurance	60.4	72.7	-16.9%
Other commissions	236.9	226.6	4.5%
Market related commissions	104.9	120.7	-13.0%
Securities	62.3	73.8	-15.5%
Asset management	42.6	46.9	-9.1%
Commissions related with the State guarantee	(69.2)	-	
Net trading income	**462.8**	**207.6**	122.9%
Other net operating income	**(56.1)**	**(22.7)**	-
Dividends from equity instruments	**3.9**	**1.4**	-
Equity accounted earnings	**55.7**	**14.6**	-
Total other net income	**1,157.0**	**990.3**	**16.8%**
Other net income / Net operating revenues	53.1%	38.5%	

Operating costs declined 10.7% to Euro 1,458.6 million in 2012, from Euro 1,634.2 million accounted in 2011.

The evolution of operating costs includes: (i) the favourable impact of the legislative change related to the mortality allowance, in the amount of Euro 64.0 million, accounted in the second quarter of 2012; (ii) the accounting of costs associated with early retirements and mutually agreed exits, in particular as part of the restructuring programme, in the global amount of Euro 69.4 million in 2012 (Euro 12.3 million in 2011 related to early retirements costs); (iii) the reversal of provisions related to the pension fund of former members of the Executive Board of Directors and the complementary plan for employees, in the global amount of Euro 48.3

million, posted in 2011; and (iv) the expenses associated with the partial transfer of liabilities with pensions of retired employees and pensioners to the General Social Security Scheme, in the amount of Euro 164.8 million posted in 2011.

Excluding these impacts, operating costs were down by 3.5%, benefiting from the decreases of 3.3% in other administrative costs, of 18.8% in depreciation, and of 1.8% in staff costs.

In the activity in Portugal, operating costs include the effects previously mentioned. Excluding these effects, costs decreased 5.0% from 2011, reflecting the lower costs associated with other administrative costs (-6.4%), staff costs (-3.2%) and depreciation (-15.5%).

In the international activity, operating costs were down by 1.1% to Euro 587.1 million in 2012, compared to Euro 593.8 million in 2011, benefiting from the reduction of costs evidenced by the subsidiary companies in Greece and in Poland, which more than offset the increases in Millennium bim in Mozambique and in Banco Millennium Angola, reflecting the reinforcement of the operational infrastructure and the support for the organic growth strategy underway in these two markets.

The consolidated cost-to-income ratio, excluding specific items, stood at 66.6% in 2012, which compares with 58.6% in 2011, while the activity in Portugal stood at 69.1% in 2012, compared with 60.2% in 2011.

Staff costs stood at Euro 815.4 million in 2012 (Euro 953.6 million in 2011). However, staff costs excluding the previously mentioned impacts stood at Euro 810.0 million in 2012, evidencing a decrease of 1.8% from Euro 824.9 million posted in 2011.

This evolution of staff costs were influenced by the 3.2% decrease in the activity in Portugal, despite the increase of 1.0% in the international activity.

In the international activity, staff costs reflect the increase posted by the subsidiary companies in Mozambique, Angola and Poland, driven by the impact of the rise in the number of employees, from the end of 2011, in those two operations, aiming to reinforce their operational capabilities associated with expansion of the respective distribution networks.

Other administrative costs fell 3.3% to Euro 565.2 million in 2012, from Euro 584.5 million in 2011, benefiting from the efforts carried out by the Group to rationalise and contain costs and, especially, the resizing of the branch network in Portugal, highlighting the savings achieved in costs associated with outsourcing, insurance, rent, advertising and travelling.

In the activity in Portugal, other administrative costs declined 6.4%, in particular due to the effect aforementioned of the distribution network resizing, while in the international activity they rose slightly (+0.4%), reflecting the higher expenses evidenced by the subsidiary companies in Mozambique and Angola, following the expansion of the local distribution networks, an effect which was largely offset by the reductions in other administrative costs in Millennium bank in Greece and Bank Millennium in Poland.

Depreciation costs fell 18.8% to Euro 78.1 million in 2012, from Euro 96.1 million in 2011.

This evolution reflect the 15.5% decrease, from 2011, in depreciation costs posted in the activity in Portugal, benefiting from the reduction in the level of depreciation overall line items, in particular in depreciation associated with buildings and equipment.

In the international activity, depreciation costs fell by 22.0%, over the same period of 2011, as a result of the reduction in depreciation costs in the subsidiary companies in Poland, Greece and Romania, combined with the slowing down in the depreciation level posted by Banco Millennium Angola, despite the increase showed by Millennium bim in Mozambique.

OPERATING COSTS

Euro million

	31 Dec. 12	31 Dec. 11	Change 12/11
Staff costs (1)	810.0	824.9	-1.8%
Other administrative costs	565.2	584.5	-3.3%
Depreciation	78.1	96.1	-18.8%
	1,453.2	**1,505.4**	**-3.5%**
Legislative change related to mortality allowance and reversal of provisions	(64.0)	(48.3)	
Partial transfer of liabilities with pensions	-	164.8	
Restructuring programme and early retirements	69.4	12.3	
	1,458.6	**1,634.2**	**-10.7%**
Of which:			
Portugal activity	871.5	1,040.4	-16.2%
Foreign activity	587.1	593.8	-1.1%
Operating costs / Net operating revenues (2) (3)	69.1%	60.2%	

(1) Excludes the impacts of the legislative change related to mortality allowance in the second quarter of 2012 (Euro 64.0 million), the reversal of provisions associated with pensions in 2011 (Euro 48.3 million), the expenses associated with the partial transfer in 2011 of liabilities with pensions of retired employees and pensioners to the General Social Security Scheme (Euro 164.8 million) and the costs associated with early retirements and mutually agreed exits, in particular in the scope of the restructuring plan (Euro 69.4 million in 2012, of which: Euro 2.7 million with early retirements posted in the second quarter of 2012; Euro 12.3 million of early retirements in 2011).
(2) Activity in Portugal. According to Instruction no. 23/2011 from the Bank of Portugal.
(3) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) totalled Euro 1,684.2 million in 2012, which compares with Euro 1,331.9 million in 2011. This evolution was influenced by the impact of impairment charges for loan losses related with the subsidiary company in Greece, which reached Euro 702.4 million in 2012, compared with Euro 89.5 million in 2011, together with the reinforcement in impairment charges posted in the scope of the Inspections Programmes in the amount of Euro 290.0 million in 2012 as part of OIP (Euro 381.0 million in 2011 as part of SIP).

The performance of impairment for loan losses (net of recoveries) in the activity in Portugal reflects the persistence of an adverse macroeconomic and financial framework and consequently the worsening of the economic and financial situation of Portuguese households and companies, materialised in the aggravation of credit risk indicators and in the maintenance of high levels of loan impairment charges.

In the international activity, impairment for loan losses (net of recoveries) shows essentially the reinforcement of impairment charges in the subsidiary companies in Greece and Poland.

The cost of risk stood at 252 basis points in 2012, compared with 186 basis points in 2011.

Other impairment and provisions stood at Euro 352.8 million in 2012, which compares with Euro 825.1 million in 2011.

The other impairment and provisions posted in 2012 include mainly the reinforcement of provision charges in the activity in Portugal related to impairment losses of financial assets, in particular to repossessed assets, which, in the process of regular re-evaluation of these assets, showed a decline in their respective market values.

The evolution of other impairment and provisions, from the previous year, was essentially influenced by the recognition in 2011 of impairment losses associated with Greek sovereign debt securities, in the amount of Euro 533.5 million, together with the accounting of impairment related to the goodwill of Millennium bank in Greece, in the amount of Euro 147.1 million.

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Income tax (current and deferred) totalled Euro -177.8 million in 2012, which compares with Euro -458.9 million in 2011.

The income tax item includes the expenses of current tax in the amount of Euro 81.7 million (Euro 66.9 million in 2011), net of a deferred tax asset in the amount of Euro 259.5 million (Euro 525.7 million in 2011), mainly due to the non-deductible impairment losses for the purposes of determining taxable income for 2012 and to the calculated tax losses for the year.

BALANCE SHEET

Total assets totalled Euro 89,744 million as at 31 December 2012, which compares with Euro 93,482 million as at 31 December 2011.

Loans to customers (gross) was down by 6.5% to Euro 66,861 million as at 31 December 2012, from Euro 71,533 million at the end of 2011.

The decrease in the loan portfolio, from the end of 2011, was determined by the 9.1% decrease posted by the activity in Portugal. In the international activity, the loan portfolio was up by 1.8%, from 31 December 2011, influenced by the foreign exchange rate effect of the appreciation of the zloty against the euro. Therefore, excluding the foreign exchange rate effect, loans to customers in the international activity reduced in most subsidiaries, despite the growth shown by Banco Millennium Angola and Millennium bim in Mozambique.

The evolution of the loans portfolio reflects the decrease in loans to companies (-9.9%) and in loans to individuals (-3.0%), driven by the ongoing process of balance sheet adjustment in order to gradually deleverage the financial intermediation activity.

Between the end of December 2011 and the end of December 2012, the structure of the loans to customers' portfolio showed identical levels of diversification, with loans to companies representing 49.5% of total loans to customers as at 31 December 2012, while loans to individuals represented 50.5% of total loans.

LOANS TO CUSTOMERS (GROSS)

Euro million

	31 Dec. 12	31 Dec. 11	Change 12/11
Individuals	**33,756**	**34,805**	**-3.0%**
Mortgage loans	29,509	30,308	-2.6%
Consumer loans	4,247	4,497	-5.6%
Companies	**33,105**	**36,728**	**-9.9%**
Services	13,524	14,802	-8.6%
Commerce	3,490	4,254	-17.9%
Construction and Other	16,091	17,672	-8.9%
Total	**66,861**	**71,533**	**-6.5%**
Of which:			
Portugal activity	49,581	54,552	-9.1%
Foreign activity	17,280	16,981	1.8%

Credit quality, measured by the loans overdue by more than 90 days as a percentage of total loans, stood at 6.2% as at 31 December 2012 (4.5% at the end of 2011), reflecting the impact of the evolution of the portfolio of loans to companies.

The coverage ratio for loans overdue by more than 90 days stood at 101.6% as at 31 December 2012, which compares with 109.1% at the end of 2011. The coverage ratio of the total loan portfolio to impairments increased to 6.3% as at 31 December 2012 (4.9% at the end of 2011).

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The overdue and doubtful loans stood at 8.1% of total loans as at 31 December 2012, compared to 6.2% posted at the end of 2011 and credit at risk stood at 13.1% of total loans as at 31 December 2012 (10.1% as at 31 December 2011).

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AS AT 31 DECEMBER 2012

Euro million

	Overdue loans by more than 90 days	Impairment for loan losses	Overdue loans by more than 90 days /Total loans	Coverage ratio (Impairment/ Overdue >90 days)
Individuals	**1,056**	**936**	**3.1%**	**88.6%**
Mortgage loans	279	296	0.9%	106.0%
Consumer loans	777	640	18.3%	82.3%
Companies	**3,118**	**3,307**	**9.4%**	**106.1%**
Services	836	1,226	6.2%	146.7%
Commerce	451	381	12.9%	84.5%
Construction and Other	1,831	1,700	11.4%	92.8%
Total	**4,175**	**4,243**	**6.2%**	**101.6%**

Total customer funds grew 4.6% to Euro 68,547 million as at 31 December 2012, from Euro 65,530 million posted at the end of 2011.

The increase of total customer funds was sustained by the rise of 5.1% in balance sheet customer funds, from the end of 2011, benefiting from the performance of both customer deposits (+3.9%) and debt securities (+15.0%), reflecting the focus in retention and further increasing stable funding resources. Simultaneously, off-balance sheet customer funds increase 2.5%, from 31 December 2011, boosted by capitalisation products (+2.9%) and assets under management (+1.6%).

In the activity in Portugal, total customer funds grew 1.6% to Euro 50,386 million as at 31 December 2012 (Euro 49,615 million as at 31 December 2011). In the international activity, total customer funds increased 14.1% to Euro 18,161 million, supported by the increase in both balance sheet customer funds and off-balance sheet customer funds, benefiting from the favourable performance of the subsidiary companies in Poland, Mozambique, Angola and Romania.

As at 31 December 2012, the structure of total customer funds comprised mostly balance sheet customer funds, which represented 81% of total customer funds, highlighting the component of customer deposits, which represented 72% of total customer funds.

TOTAL CUSTOMER FUNDS

Euro million

	31 Dec. 12	31 Dec. 11	Change 12/11
Balance sheet customer funds	**55,768**	**53,060**	**5.1%**
Deposits	49,390	47,516	3.9%
Debt securities	6,378	5,544	15.0%
Off-balance sheet customer funds	**12,779**	**12,470**	**2.5%**
Assets under management	3,798	3,739	1.6%
Capitalisation products	8,981	8,731	2.9%
Total	**68,547**	**65,530**	**4.6%**
Of which:			
Portugal activity	50,386	49,615	1.6%
Foreign activity	18,161	15,915	14.1%

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The **securities portfolio** totalled Euro 14,488 million as at 31 December 2012, up by Euro 2,407 million from Euro 12,080 million posted on 31 December 2011.

This evolution was mostly influenced by the increase in sovereign debt financial instruments, in particular, Portuguese and Polish sovereign debt securities, which offset the reduction in exposure to Greek sovereign debt securities.

LIQUIDITY MANAGEMENT

2012 was characterised by the widespread difficulty of Portuguese banks in accessing short-, medium- and long-term funding markets. Even so, in the second half there were modest improvements as demonstrated by the first issues made by some Portuguese banks on the international wholesale funding market, a situation which had not take place since the first quarter of 2010.

In December 2011, the Board of the European Central Bank ("ECB") approved a set of additional measures aimed at promoting liquidity and the normalisation of the monetary markets functioning within the Euro Zone, broadening, amongst others, the criteria for the determination of the eligibility of the assets to be used as collateral in the Eurosystem's monetary policy operations.

The main priorities defined in the Bank's Liquidity Plan for 2012 are based on the reinforcement and preservation of the portfolio of eligible assets for discount at the ECB, in order to mitigate and compensate the effects of the loss of eligibility of some securitisations and other assets. The achievement of this objective implied the development and implementation of the following actions:

I. Issue and incorporation of two new issues of debt guaranteed by the Portuguese State in the pool of eligible assets at the ECB: Euro 1.4 billion and Euro 1.5 billion, reaching a total amount of approximately Euro 2.4 billion after haircuts, carried out in the first half of 2012;

II. Incorporation, in the pool of assets, of credit accepted by the Bank of Portugal, benefiting from the temporary broadening of the acceptance criteria for eligible assets announced in December 2011 by the ECB;

III. Optimisation of the management of eligible assets, namely through a new issue of covered bonds.

The bank's Liquidity Plan also established the continuity of the deleveraging policy, implemented successfully through the reduction of the commercial gap by Euro 7.3 billion, in consolidated terms. This fact simultaneously enabled the amortisation of the medium- and long-term debt that was redeemed in 2012 (Euro 3.9 billion), the undertaking of two liability management operations (Euro 1.4 billion, in the first half of 2012) and other repurchases (Euro 0.2 billion), in the global amount of Euro 5.5 billion.

The issue of Euro 3 billion of hybrid capital instruments eligible as Core Tier I, underwritten by the Portuguese State, enabled the amortisation of wholesale debt with a material reduction in the net exposure to the ECB from Euro 12.7 billion at the end of 2011 to Euro 10.6 billion as at 31 December 2012, thus maintaining the amount of the non-pledged eligible assets at the ECB at comfortable levels.

Following the accomplishment of another of the main goals of the Liquidity Plan for 2012, the time-frame of the Bank's wholesale funding was extended, by resorting to a second ECB's long-term refinancing operation ("LTRO"), which enabled the Bank to increase the total amount borrowed for 3 years from Euro 5.1 billion at the end of 2011 to Euro 12.1 billion as at 31 December 2012.

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CAPITAL

Following the request submitted by Millennium bcp, the Bank of Portugal authorised the adoption of methodologies based on Internal Rating models ("IRB") for the calculation of capital requirements for credit and counterparty risk, covering a substantial part of the risk from the activity in Portugal as from 31 December 2010. In the scope of the gradual adoption of the IRB methodologies for the calculation of capital requirements for credit and counterparty risk, the Bank of Portugal 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. Afterwards, with effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors ("CCF") for exposures of the class of risk "Companies" in Portugal and the adoption of IRB methodologies for "Loans secured by residential real estate" and "Renewable positions" of the Retail portfolio in Poland.

The Core Tier I ratio stood at 12.4% in accordance with the Bank of Portugal rules and at 9.8% in accordance with EBA rules (11.9% and 9.4%, respectively, at the end of September 2012), reflecting the positive performance in the fourth quarter of 2012 of both Core Tier I (Euro 57 million in accordance with Bank of Portugal rules and Euro 67 million with EBA rules) and risk weighted assets (that decreased by Euro 1,577 million).

The increase of Core Tier I calculated by the rules of the Bank of Portugal was mainly due to the share capital increase concluded in October 2012 (Euro 500 million) and the increase of minority interests (Euro 20 million), whose impacts were in part offset by the net loss recorded in the quarter of 2012 (Euro 423 million) and by the amortisation of the deferred impacts permitted by the Bank of Portugal (Euro 40 million). The Core Tier I calculated by the rules of the EBA also benefited from the decrease of the deduction related to the significant investments and the shortfall of impairment to expected loss (Euro 10 million), that resulted from the positive effect of using own estimates of Credit Conversion Factors for exposures of the class of risk "Companies" on 31 December 2011.

The decrease of risk weighted assets mainly reflect the adoption of IRB methodologies in Poland (Euro -294 million), the decrease of the requirements to operational risk (Euro -281 million) and the effects of deleverage and optimisation of risk weighted assets that took place in this period, despite the negative impact of the market risk (Euro +124 million).

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SOLVENCY

Euro million

	31 Dec. 12	30 Sep. 12
Own Funds		
Core Tier I	6,579	6,522
Preference shares and Perpetual subordinated debt securities with conditional coupons	173	172
Other deduction (1)	(530)	(540)
Tier I Capital	6,223	6,154
Tier II Capital	697	678
Deductions to Total Regulatory Capital	(146)	(139)
Total Regulatory Capital	**6,773**	**6,693**
Risk Weighted Assets	**53,271**	**54,847**
Solvency Ratios		
Core Tier I	12.4%	11.9%
Tier I	11.7%	11.2%
Tier II	1.0%	1.0%
Total	12.7%	12.2%
Core Tier I ratio EBA (2)	9.8%	9.4%

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

(2) Core Tier I ratio in accordance with the criteria of EBA. In this scope, Core Tier I in accordance with the rules of the Bank of Portugal was deducted of the "Other deductions (1)" and of the buffer to sovereign risks (Euro 848 million); the risk weighted assets do not have adjustments.

Note: The Bank received authorisation from the Bank of Portugal (BoP) to adopt IRB approaches for the calculation of capital requirements for credit risks, as from 31 December 2010. In the scope of the gradual adoption of the IRB methodologies for the calculation of capital requirements for credit and counterparty risk, the Bank of Portugal 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. Afterwards, with effect as from 31 December 2012, the Bank of Portugal authorised the use of own estimates of Credit Conversion Factors ("CCF") for exposures of the class of risk "Companies" in Portugal and the adoption of IRB methodologies for "Loans secured by residential real estate" and "Renewable positions" of the Retail portfolio in Poland. In the 1st half of 2009, the Bank received authorisation from BoP to adopt the advanced approaches (internal models) to the generic market risk and the standard method for the operational risk.

PENSIONS FUND

In 31 December 2012, pension liabilities were fully funded and kept at a higher level than minimum set by Bank of Portugal, with a 119% coverage rate. Pension liabilities reached Euro 2,293 million at the year-end 2012, against Euro 2,452 million in 31 December 2011. The positive 1.6% return of the pension fund registered in 2012 compared with a negative 0.7% return in 2011.

In 2012, the bank changed actuarial assumptions for the pension fund, leaving the discount rate at 4.5% (5.5% in 2011), the salary growth rate at 1% until 2016 and 1.75% after 2017 (2% in 2011) and the pension growth rate at 0% until 2016 and 0.75% after 2017 (1% in 2011). Actuarial differences in 2012, all financial, non-financial and resulting from assumption changes, reached Euro164 million (of which Euro 155 million recognised in the first half 2012).

Actuarial differences in 2012 had a negative impact after tax and after corridor impact of 25 basis points in the Group's Core Tier I ratio (no significant impact in the second half 2012). However, the impact in 2012 increases to 133 basis points considering negative effects from the transfer of pension liabilities to the Social Security (neutralised at the year-end 2011) and from depreciation of deferred impacts allowed by Bank of Portugal.

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SIGNIFICANT EVENTS

The continuation of the 1st stage of the Bank's Strategic Plan, which is to be implemented by the end of 2013 and has as priorities to achieve comfortable capital ratios, improve liquidity position, reflected in the reduction of commercial gap, and strengthening the provisions, following the inspections programme carried out under the Economic and Financial Assistance Programme, and the preparation and submission to the Government of a restructuring plan required by national law and applicable European rules on State aid, which was formally submitted by the State to the European Commission were the most significant events in the Bank's activity in the 4th quarter of 2012. For this period, it is worth mentioning the following:

- In implementing the Bank's Capitalisation Plan, the share capital increase was successfully completed, through the issue of ordinary shares in the amount of Euro 500 million, through subscription reserved for shareholders exercising their legal preference right, of 12.5 billion new shares.
- Announcement on 3 October by the European Banking Authority ("EBA") and by the Bank of Portugal, regarding the final assessment of the capital exercise and fulfilment of the EBA December 2011 Recommendation, informing that Banco Comercial Português surpassed the minimum requirement of 9% Core Tier I ratio including the sovereign buffer as stated in the aforementioned EBA recommendation.
- Preparation and submission to the Government, on 19 October, of a restructuring plan required by national law and applicable European rules on State aid, which was formally submitted to the European Commission by the State respecting the maximum period of six months after the approval of the said Decision nr. 8840-B/2012 of the Minister of State and Finance of 28 June 2012, published in Diário da República Supplement, 2. series of 3 July 2012.
- The Government's appointment of two representatives in the Bank's corporate bodies, Bernardo Sottomayor, as first non-executive director, José Rodrigues Jesus, as second non-executive director (also member of the Audit Committee), as required by the Bank's recapitalisation operation and in accordance with article 14 (2) of Law 63-A/2008 (altered and republished by Law 4/2012) and Decision nr. 8840-B/2012, dated 28 June.
- The On-site Inspections Programme ("OIP") for the exposures to construction and real estate promotion sectors in Spain and Portugal, with reference to 30 June 2012, was completed. The Bank communicated the need to reinforce the recorded impairment by a total amount of Euro 290 million.
- Formalisation of accession to the European Progress Microfinance Facility, with the Bank becoming the 1st bank in Portugal to access this mechanism, which aims to ensure Microcredit operations through support to micro entrepreneurs and creation of self employment in Portugal.
- Conducting the first auction of properties across borders, through video conferencing, enabling the sale of 40 properties.
- Using the latest technologies to present its activity in two categories (Coin Museum and Shared Art Exhibit), the Millennium bcp Foundation launched the Millennium bcp Foundation "app" in December.
- Included in Social Responsibility policy of the Bank, the Millennium bcp Foundation and the Institute of Molecular Medicine ("IMM") signed a protocol, for three years, establishing the donation of a total amount of Euro 150 thousand, which will be used by a number of IMM Research and development efforts on the treatment of brain tumors.
- As part of the Social responsibility policy, the Millennium bcp Foundation signed a protocol for three years with the League of Friends of the Santa Marta Hospital, through which it will donate a total of Euro 180 thousand, for the purpose of developing of a project researching cases of congenital heart disease.
- Millennium bcp received the exhibition "Alegria Matta Alegria", at the Millennium Gallery, in partnership with the House of Latin America and the City of Lisbon. The exhibition ran until the end of December.
- The launch, in partnership with the Expresso newspaper, of the Conference Series "Windows to the World", to inform Portuguese entrepreneurs of the options for internationalisation in markets such as Mozambique, Angola, Poland and China.

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- Launch by Banco Millennium Angola, the Subsidised Loans to Micro, Small and Medium Enterprises, in the scope of the program Angola Investe, aimed at funding investment in tangible assets and / or strengthening working capital.
- Promotion by Millennium bim of the lecture series "More Knowledge for All", involving the participation of customers, business partners and employees, and covering topics of high importance for organisations such as Management, Organisational Culture and Leadership.
- Included in the program "More Sport for All", Millennium bim organised another edition of the "Millennium bim Race" which attracted many participants including various emblematic figures in the world of sport Mozambique.
- Continuing the Social Responsibility Project "More Mozambique for Me", Millennium bim promoted an action performed in the Provincial Hospital of Xai-Xai, for the renovation and provision of furniture and courseware and other materials, for two rooms in the pediatrics wing.
- Recognition of Millennium bcp site as "Best Online Banking Website" by the prestigious "PCGuia Readers Award".
- Top Rated classifications for "Leading Clients" and "Crossborder" by the renowned magazine *Global Custodian*, the highest rating for International Institutional Custody.
- "Effectiveness of Communication 2012" awards by the Portuguese Association of Advertisers in the category of financial services, for the 2nd consecutive year, and recognition as a Portuguese Superbrand, a distinction of "Brands of Excellence in Portugal" which annually elects the best Portuguese brands.
- "Best Consumer Internet Bank in 2012" in Europe for ActivoBank from the prestigious international financial magazine Global Finance.
- Distinction of Bank Millennium in Poland, with 4 stars (second place) in the ranking of banks with best offer for companies by Forbes magazine.
- "Friendliest and Best Internet Bank" to Bank Millennium by Newsweek in the annual "Friendly Bank - Internet Banking" ranking.
- "Best Banking Group in Mozambique" award was granted to Millennium bim, for the 4th year in a row by EMEA Finance magazine.
- "Bank of the Year in Mozambique" in 2012, for the 7th consecutive year, from The Banker magazine.
- "Best Brand of Mozambique" in the banking sector for Millennium bim, for the 4th year in a row, resulting from a study conducted in all provinces by the company GFK-Intercampus.
- Reflecting the impact of credit risk deterioration resulting from the downwards revision of growth projections for the Portuguese economy in 2013, Moody's Rating Agency downgraded BCP's long term ratings from "Ba3" to "B1" on 4 December, maintaining the negative outlook.
- Following the confirmation of the long-term rating of the Portuguese Republic at "BBB (low)", DBRS Rating Agency as affirmed, on 5 December, BCP's long-term rating on senior debt and deposits at "BBB (low)" and BCP's short-term deposits and debt at "R2 (middle)", maintaining the negative trend.

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MACROECONOMIC ENVIRONMENT

The world economy is expected to have slowed in the fourth quarter of 2012 due to the cooling of the most developed countries, while emerging markets exhibited tentative signs of strength. Notwithstanding, sentiment in financial markets denoted a favourable trend.

The IMF estimates that the World GDP growth rate will increase slightly from 3.2% in 2012 to 3.5 % in 2013, with a persisting wedge between the performance of emerging economies (expected expansion of 5.5%) and that of advanced economies (growth projected at 1.4%). The euro area economy, which absorbs more than 70% of Portuguese exports, is expected to contract.

Within the sphere of central banks it is worth highlighting the change introduced by the U.S. Federal Reserve in its monetary policy goals, namely by establishing quantified, albeit non-binding, thresholds for the inflation and unemployment rates. The significant gap still prevailing between the established targets and economic reality led the Federal Reserve to intensify its debt purchase program, which together with the expansionary measures adopted by other central banks, including those of several emerging market countries, contributed to extend the degree of accommodation of monetary conditions at the global scale.

During the fourth quarter two relevant decisions designed to dissipate the risks of disintegration of the European Monetary Union were taken. The first involved the renegotiation of the conditions of the Greek financial assistance programme, which resulted in a new restructuring of the Hellenic public debt. The second consisted of the formalisation of a banking union aimed at centralising the supervision of the credit institutions in the euro area and of those of the remaining countries of the European Union that eventually decide to participate.

The abundance of liquidity at the global level and the climate of greater confidence towards the euro area had a beneficial effect on financial markets, which translated into a generalised recovery of the main equity indices and in the compression of the spreads of the riskier debt securities in both the corporate and the sovereign segments, including the significant decline of Portuguese government debt yields. The improved risk aversion mood favoured the extension of the euro’s rising trend against the US dollar.

The Bank of Portugal revised lower its projections for the growth of the Portuguese economy in 2013 from -1.6% to -1.9%, reflecting a less favourable appraisal of the behaviour of external demand. If confirmed, this scenario configures an attenuation of the economic contraction vis-à-vis 2012, something which is in line with the recent improvement of some activity indicators. The lagging nature of the labour market reaction to the underlying economic conditions hints at an additional worsening of unemployment in the coming quarters. The fiscal execution of the Portuguese state in the whole of 2012 should allow for the fulfilment of the target established in the economic and financial assistance programme (meanwhile revised from 4.5% to 5%), albeit at the expense of non-recurrent operations without which the deficit goal would not have been reached.

Despite the easing of restrictions in the access to liquidity and of the high level of capitalisation of domestic banks, total credit remained on a downward trajectory largely due to the weakness of demand intrinsic to the current recessive environment. The contraction of credit was widespread across households and firms, though regarding the latter the rise of loans extended to the exporting units is worth mentioning. The fragility of economic activity and the rise of unemployment continued to hinder the banks asset’s quality.

The widening trend of the recession perimeter that took hold during 2012 in Europe acquired added relevance with the sudden weakening of activity in the Eastern European countries, a development that could be ascribed to the deterioration of external demand and the adverse effects on domestic demand coming from the on-going fiscal consolidation. This less favourable setting triggered a determined response from the Polish central bank in the form of a cut in the key interest rates, a movement not replicated in Romania due to the need to subordinate monetary policy to the control of inflation and the stability of the leu, a goal that was achieved at the end of the year. The resilience of the commodity markets that the economies of Angola and Mozambique rest upon has allowed these two countries to sustain a steady growth pace, which combined with the macroeconomic stabilisation and the improvement of the institutional framework has continued to encourage foreign direct investment, not only in the energy sector but also in infrastructures.

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GLOSSARY

Capitalisation products - debt securities issued by the Bank and placed with customers.

Cost of risk - ratio of impairment charges (net of recoveries) to the loan portfolio.

Credit at risk – definition that, according to the Bank of Portugal, is broader than the overdue loans by more than 90 days + doubtful loans, including, in particular, the possibility that debtors with overdue payments still do not fulfil their credit responsibilities. For detailed definition see instruction no. 23/2011 from the Bank of Portugal.

Debt securities - debt securities issued by the Bank and placed with customers.

Dividends from equity instruments - dividends received from investments in financial assets available for sale.

Equity accounted earnings - results appropriated by the Group related to the consolidation of entities where, despite having a significant influence, the Group does not control the financial and operational policies.

Net interest margin - net interest income as a percentage of average interest earning assets.

Net operating revenues - net interest income, dividends from equity instruments, net commissions, net trading income, equity accounted earnings and other net operating income.

Net trading income - net gains/losses arising from trading and hedging activities, net gains/losses arising from available for sale financial assets, net gains/losses arising from financial assets held to maturity.

Operating costs - staff costs, other administrative costs and depreciation.

Other impairment and provisions - other financial assets impairment, other assets impairment, in particular provision charges related to assets received as payment in kind not fully covered by collateral, goodwill impairment and other provisions.

Other net income – net commissions, net trading income, other net operating income, dividends from equity instruments and equity accounted earnings.

Other net operating income - other operating income, other net income from non-banking activities and gains from the sale of subsidiaries and other assets.

Overdue and doubtful loans - loans overdue by more than 90 days and the doubtful loans reclassified as overdue loans for provisioning purposes.

Securities portfolio - financial assets held for trading, financial assets available for sale, assets with repurchase agreement and financial assets held to maturity.

Total customer funds - amounts due to customers (including securities), assets under management and capitalisation products.

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The financial information in this presentation has been prepared under the scope of the International Financial Reporting Standards ('IFRS') of BCP Group for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002.
The figures presented do not constitute any form of commitment by BCP in regard to future earnings.

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CONSOLIDATED INDICATORS: ACTIVITY IN PORTUGAL AND INTERNATIONAL ACTIVITY

Euro million

	Consolidated			Activity in Portugal			International activity		
	31 Dec. 12	31 Dec. 11	Change 12/11	31 Dec. 12	31 Dec. 11	Change 12/11	31 Dec. 12	31 Dec. 11	Change 12/11
Income statement									
Net interest income	1,023.6	1,579.3	-35.2%	492.7	998.8	-50.7%	530.9	580.5	-8.5%
Dividends from equity instruments	3.9	1.4	-	2.8	0.8	-	1.0	0.5	-
Net fees and commission income	690.8	789.4	-12.5%	452.0	560.9	-19.4%	238.8	228.5	4.5%
Other operating income	(56.1)	(22.7)	-	(60.1)	(24.3)	-	4.0	1.6	-
Net trading income	462.8	207.6	122.9%	312.0	(36.1)	-	150.9	243.7	-38.1%
Equity accounted earnings	55.7	14.6	-	54.3	14.6	-	1.4	-	-
Net operating revenues	**2,180.6**	**2,569.6**	**-15.1%**	**1,253.6**	**1,514.7**	**-17.2%**	**927.0**	**1,054.9**	**-12.1%**
Staff costs	815.4	953.6	-14.5%	532.3	673.3	-20.9%	283.1	280.3	1.0%
Other administrative costs	565.2	584.5	-3.3%	298.7	319.2	-6.4%	266.4	265.3	0.4%
Depreciation	78.1	96.1	-18.8%	40.5	47.9	-15.5%	37.6	48.2	-22.0%
Operating costs	**1,458.6**	**1,634.2**	**-10.7%**	**871.5**	**1,040.4**	**-16.2%**	**587.1**	**593.8**	**-1.1%**
Operating profit before impairment	**722.0**	**935.4**	**-22.8%**	**382.1**	**474.3**	**-19.4%**	**339.8**	**461.1**	**-26.3%**
Loans impairment (net of recoveries)	1,257.0	1,331.9	-5.6%	889.0	1,136.7	-21.8%	368.0	195.2	88.5%
Other impairment and provisions	352.8	825.1	-57.2%	347.0	821.8	-57.8%	5.9	3.3	-
Profit before income tax	**(887.8)**	**(1,221.6)**	**-**	**(853.8)**	**(1,484.2)**	**-**	**(34.0)**	**262.6**	**-**
Income tax	(177.8)	(458.9)	-	(179.8)	(513.2)	-	2.0	54.3	-
Non-controlling interests	81.8	85.9	-4.7%	(5.1)	0.3	-	87.0	85.6	1.6%
Net income before imp. estimated losses	**(791.8)**	**(848.6)**	**-**						
Impairment for estimated losses (*)	427.2	-							
Net income	**(1,219.1)**	**(848.6)**	**-**	**(668.9)**	**(971.3)**	**-**	**(123.0)**	**122.7**	**-**
Balance sheet and activity indicators									
Total assets	**89,744**	**93,482**	**-4.0%**	**67,459**	**71,156**	**-5.2%**	**22,285**	**22,326**	**-0.2%**
Total customer funds	**68,547**	**65,530**	**4.6%**	**50,386**	**49,615**	**1.6%**	**18,161**	**15,914**	**14.1%**
Balance sheet customer funds	**55,768**	**53,060**	**5.1%**	**38,767**	**37,948**	**2.2%**	**17,001**	**15,112**	**12.5%**
Deposits	49,390	47,516	3.9%	32,604	32,522	0.3%	16,786	14,994	12.0%
Debt securities	6,378	5,544	15.0%	6,163	5,425	13.6%	215	119	81.1%
Off-balance sheet customer funds	**12,779**	**12,470**	**2.5%**	**11,619**	**11,668**	**-0.4%**	**1,161**	**802**	**44.7%**
Assets under management	3,798	3,739	1.6%	3,025	3,203	-5.6%	773	536	44.2%
Capitalisation products	8,981	8,731	2.9%	8,594	8,465	1.5%	387	266	45.5%
Loans to customers (gross)	**66,861**	**71,533**	**-6.5%**	**49,581**	**54,552**	**-9.1%**	**17,280**	**16,981**	**1.8%**
Individuals	**33,756**	**34,805**	**-3.0%**	**23,138**	**24,458**	**-5.4%**	**10,618**	**10,348**	**2.6%**
Mortgage loans	29,509	30,308	-2.6%	20,669	21,768	-5.1%	8,840	8,540	3.5%
Consumer loans	4,247	4,497	-5.6%	2,469	2,689	-8.2%	1,778	1,808	-1.6%
Companies	**33,105**	**36,728**	**-9.9%**	**26,443**	**30,094**	**-12.1%**	**6,662**	**6,634**	**0.4%**
Services	13,524	14,802	-8.6%	11,600	12,751	-9.0%	1,924	2,051	-6.2%
Commerce	3,490	4,254	-17.9%	2,313	3,036	-23.8%	1,178	1,218	-3.3%
Construction and Other	16,091	17,672	-8.9%	12,530	14,307	-12.4%	3,561	3,365	5.8%
Credit quality									
Total overdue loans	4,362	3,476	25.5%	3,318	2,696	23.1%	1,043	780	33.7%
Overdue loans by more than 90 days	4,175	3,196	30.6%	3,204	2,497	28.3%	971	699	38.9%
Overdue loans by more than 90 days /Total loans	6.2%	4.5%		6.5%	4.6%		5.6%	4.1%	
Total impairment (balance sheet)	4,243	3,488	21.7%	2,863	2,813	1.8%	953	675	41.2%
Total impairment (balance sheet) /Total loans	6.3%	4.9%		5.8%	5.2%		5.5%	4.0%	
Total impairment (balance sheet) /Overdue loans by more than 90 days	101.6%	109.1%		89.4%	112.6%		98.2%	96.6%	
Cost of risk (net of recoveries, in b.p.)	252	186		179	208		213	115	

(*) Impairment charges related to the estimated losses in the subsidiary company in Greece, which, together with the reinforcement of impairments posted in the subsidiary's P&L, showed an increase in the level of impairment from the previous year achieving Euro 702.4 million in 2012.

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BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the years ended 31 December 2012 and 2011

	2012	2011
	(Thousands of Euros)	
Interest and similar income	3,615,922	4,060,136
Interest expense and similar charges	(2,592,337)	(2,480,862)
Net interest income	1,023,585	1,579,274
Dividends from equity instruments	3,873	1,379
Net fees and commission income	690,776	789,372
Net gains / losses arising from trading and hedging activities	401,128	204,379
Net gains / losses arising from available for sale financial assets	46,206	3,253
Net gains / (losses) arising from financial assets held to maturity	15,513	-
Other operating income	(52,047)	(22,793)
	2,129,034	2,554,864
Other net income from non banking activity	20,093	26,974
Total operating income	2,149,127	2,581,838
Staff costs	815,413	953,649
Other administrative costs	565,161	584,459
Depreciation	78,065	96,110
Operating costs	1,458,639	1,634,218
Operating net income before provisions and impairments	690,488	947,620
Loans impairment	(1,684,179)	(1,331,910)
Other financial assets impairment	(74,699)	(549,850)
Other assets impairment	(260,655)	(128,565)
Goodwill impairment	-	(160,649)
Other provisions	(17,463)	13,979
Operating net income	(1,346,508)	(1,209,375)
Share of profit of associates under the equity method	55,659	14,620
Gains / (losses) from the sale of subsidiaries and other assets	(24,193)	(26,872)
Net income before income tax	(1,315,042)	(1,221,627)
Income tax		
Current	(81,696)	(66,857)
Deferred	259,529	525,714
Net income after income tax	(1,137,209)	(762,770)
Attributable to:		
Shareholders of the Bank	(1,219,053)	(848,623)
Non-controlling interests	81,844	85,853
Net income for the period	(1,137,209)	(762,770)
Earnings per share (in euros)		
Basic	(0.10)	(0.05)
Diluted	(0.10)	(0.05)

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BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 31 December 2012 and 2011

	2012	2011
	(Thousands of Euros)	
Assets		
Cash and deposits at central banks	3,580,546	2,115,945
Loans and advances to credit institutions		
Repayable on demand	829,684	1,577,410
Other loans and advances	1,887,389	2,913,015
Loans and advances to customers	62,618,235	68,045,535
Financial assets held for trading	1,690,926	2,145,330
Financial assets available for sale	9,223,411	4,774,114
Assets with repurchase agreement	4,288	495
Hedging derivatives	186,032	495,879
Financial assets held to maturity	3,568,966	5,160,180
Investments in associated companies	516,980	305,075
Non current assets held for sale	1,284,126	1,104,650
Investment property	554,233	560,567
Property and equipment	626,398	624,599
Goodwill and intangible assets	259,054	251,266
Current tax assets	34,037	52,828
Deferred tax assets	1,755,411	1,564,538
Other assets	1,124,323	1,790,650
	89,744,039	93,482,076
Liabilities		
Amounts owed to credit institutions	15,265,760	17,723,419
Amounts owed to customers	49,389,866	47,516,110
Debt securities	13,548,263	16,236,202
Financial liabilities held for trading	1,393,194	1,478,680
Other financial liabilities at fair value through profit and loss	329,267	2,578,990
Hedging derivatives	301,315	508,032
Provisions for liabilities and charges	253,328	246,100
Subordinated debt	4,298,773	1,146,543
Current income tax liabilities	15,588	24,037
Deferred income tax liabilities	2,868	2,385
Other liabilities	945,629	1,647,208
Total Liabilities	85,743,851	89,107,706
Equity		
Share capital	3,500,000	6,065,000
Treasury stock	(14,212)	(11,422)
Share premium	71,722	71,722
Preference shares	171,175	171,175
Other capital instruments	9,853	9,853
Fair value reserves	2,668	(389,460)
Reserves and retained earnings	850,021	(1,241,490)
Net income for the period attributable to Shareholders	(1,219,053)	(848,623)
Total Equity attributable to Shareholders of the Bank	3,372,174	3,826,755
Non-controlling interests	628,014	547,615
Total Equity	4,000,188	4,374,370
	89,744,039	93,482,076

ANNEX IV

STATEMENT OF THE REMUNERATION AND WELFARE BOARD

The Remuneration and Welfare Board, with the assistance of the Human Resources Division and Mercer Portugal – Recursos Humanos, Lda., a leading company in the advising services in the areas of talent and performance of human resources, analysed the remuneration policies of the corporate bodies of Banco Comercial Português, as well as the Remuneration Plans.

The Remuneration and Welfare Board considers that the remuneration policy, adopted as described in the statement on the remuneration policy for members of management and supervision bodies, approved by the Board, is aligned with the Bank's recapitalisation plan through state aid, namely with the provisos of article 12 of the Ordinance 150-A/2012, and is duly implemented, translating, in the Board's opinion, a prudent management of institution's risk, capital and liquidity. This policy shall be presented to the General Meeting of Shareholders that will take place on 20 May 2013.

Lisbon, 22 April 2013

The Remuneration and Welfare Board

Baptista Muhongo Sumbe

Manuel Soares Pinto Barbosa

José Manuel Archer Galvão Teles

José Luciano Vaz Marcos

OPINION OF THE REMUNERATION AND WELFARE BOARD

1. The Remuneration and Welfare Board analysed the document containing the principles and rules of the remuneration policy of the members of the management and supervision bodies approved at the General Meeting of Shareholders held on 31 May 2012.

2. The Remuneration and Welfare Board also took under consideration the adjustments introduced in that policy to be in force while the Capital Core Tier 1 instruments subscribed by the State have not been fully paid. These adjustments consist in the reduction of the value of the group of the remunerations of the members of the Board of Directors to 50% of the average value of the remunerations paid to the members of those bodies during 2010 and 2011;

3. The Remuneration and Welfare Board will not issue an opinion on the adjustments mentioned above since the same result from the application of the legal requirements ruling recapitalisation operations.

4. The Remuneration and Welfare Board takes into consideration the way according to which the policy described above was applied in 2012 namely what, on this aspect, is reported in the Annual Report and in the Corporate Governance Report and also the main values of the costs incurred by the Bank with the remuneration of the members of the Board of Directors.

5. The Remuneration and Welfare Board considers that the above-mentioned policy is compatible with the principles of alignment of the company's interests with those of its shareholders and remaining stakeholders, maintains own funds at appropriate levels and complies with the applicable ratios and with a healthy and efficient assumption and management of risks.

6. The Remuneration and Welfare Board approved the remuneration policy to be presented to the General Meeting of Shareholders and recommends that the same be approved.

Lisbon, 22 April 2013

The Remuneration and Welfare Board

Baptista Muhongo Sumbe

Manuel Soares Pinto Barbosa

José Manuel Archer Galvão Teles

José Luciano Vaz Marcos

ANNEX V

SHARES AND BONDS HELD BY THE MEMBERS OF CORPORATE BODIES AND OFFICERS, SO CLASSIFIED UNDER THE TERMS OF ARTICLE 248-B (3) OF THE SECURITIES CODE AND BY THE PEOPLE CLOSELY RELATED TO THEM

Shareholders/Bondholders	Security	Nr. share as at		Type of deal and nr. of securities traded			Price/unit euros
Members of Corporate Bodies, Officers and People Closely Related to them		31-12-2011 [a]	12/31/12	Purchases	Sales	Date	
MEMBERS OF CORPORATE BODIES							
António Vítor Martins Monteiro [1]	BCP shares	2,410	6,589	4,179		04/10/2012	0.04
Carlos José da Silva	BCP shares	151,438	414,089	262,651		04/10/2012	0.04
	Obrig BCP Ret Sem Cresc III/12EUR 3/2013	0	300	300		22/03/2012	1,000.00
Nuno Manuel da Silva Amado	BCP shares	200,000	1,003,297	803,297		04/10/2012	0.04
Pedro Maria Calaínho Teixeira Duarte	BCP shares	0	0				
Álvaro Roque de Pinho Bissaia Barreto	BCP shares	0	0				
André Luiz Gomes	BCP shares	6,784	19,437	12,653		04/10/2012	0.04
António Henriques de Pinho Cardão [2]	BCP shares	102,778	281,034	178,256		04/10/2012	0.04
António Luís Guerra Nunes Mexia	BCP shares	1,507	4,120	2,613		04/10/2012	0.04
António Manuel Costeira Faustino	BCP shares	0	0				
Bernardo de Sá Braamcamp Sobral Sottomayor	BCP shares	0	0				
César Paxi Manuel João Pedro	BCP shares	0	0				
Jaime de Macedo Santos Bastos	BCP shares	537	1,468	931		04/10/2012	0.04
João Bernardo Bastos Mendes Resende	BCP shares	0	0				
João Manuel de Matos Loureiro	BCP shares	1,753	4,793	3,040		04/10/2012	0.04
José Guilherme Xavier de Basto	BCP shares	1,811	4,951	3,140		04/10/2012	0.04
	Obrig BCP Mill Rend Sem Mar 10/13	5	5				
José Jacinto Iglésias Soares	BCP shares	130,743 (b)	384,002	253,259		04/10/2012	0.04
José Rodrigues de Jesus	BCP shares	0	0	0			
Luis Maria França de Castro Pereira Coutinho	BCP shares	286,914	822,123	535,209		04/10/2012	0.04
Maria da Conceicao Mota Soares de Oliveira Callé Lucas	BCP shares	0	100,001	100,001		04/10/2012	0.04
Miguel de Campos Pereira de Bragança	BCP shares	0	623,813	623,813		04/10/2012	0.04
Miguel Maya Dias Pinheiro	BCP shares	210,000	601,733	391,733		04/10/2012	0.04
Rui Manuel da Silva Teixeira [3]	BCP shares	31,982	134,687	102,705		04/10/2012	0.04
OFFICERS							
Ana Isabel dos Santos de Pina Cabral [4]	BCP shares	(c)	74,550	47,286		04/10/2012	0.04
Dulce Maria Pereira Cardoso Mota Jorge Jacinto	BCP shares	(c)	82,031	52,031		04/10/2012	0.04
Fernando Manuel Majer de Faria	BCP shares	(c)	624,219	395,934		04/10/2012	0.04
Filipe Maria de Sousa Ferreira Abecasis	BCP shares	(c)	0				
Isabel Maria dos Santos Raposo	BCP shares	(c)	0				

(continues)

(Continuation)

Shareholders/Bondholders	Security	Nr. share as at		Type of deal and nr. of securities traded			Price/unit euros
Members of Corporate Bodies, Officers and People Closely Related to them		31-12-2011 [a]	12/31/12	Aquisições	Alienações	Data	
José Miguel Bensliman Schorcht da Silva Pessanha	BCP shares	(c)	20,879				
Mário António Pinho Gaspar Neves	BCP shares	(c)	31,500	21,500		04/10/2012	0.04
	Obrig BCP Mill Rend Trim Nov 09/14	(c)	5				
	Obrig BCP Mill Rend Sem Mar 10/13	(c)	7				
	Obrig BCP Rend Mais Abr/12	(c)	0		5	27/04/2012	1000
	Obrig BCP Invest Tot Dez 2012	(c)	0		5	21/12/2012	1000
Pedro Manuel Rendas Duarte Turras	BCP shares	(c)	25,207	22,880		04/10/2012	0.04
Rui Pedro da Conceição Coimbra Fernandes	BCP shares	(c)	0				
PEOPLE CLOSELY RELATED TO THEM							
Isabel Maria V Leite P Martins Monteiro (1)	BCP shares	1.854	5,311	3,457		04/10/2012	0.04
Maria da Graça dos Santos Fernandes de Pinho Cardão (2)	BCP shares	3.835	10,485	6,650		04/10/2012	0.04
Maria Helena Espassandim Catão (3)	BCP shares	253	1,000	747		04/10/2012	0.04
José Manuel de Vasconcelos Mendes Ferreira (4)	BCP shares	(c)	4,577	3,613		04/10/2012	0.04

(a) (a) When the person began functions after 31 December 2011, the date considered was that of the begining of functions
(b) Correction of a graphical error in the shareholding position reported in the 2011 Annual Report Volume II
(c) The information provided regards only 2012, based on the provisos of § 4 of nr. 1.2.2, of the CMVM Circular dated of 28/01/2012
Notes (1) to (4): Persons closely related to Members of Corporate Bodies ans Officers.
All the operations were made through NYSE Euronest Lisbon – Lisbon Stock Exchange

Annual Report 2012

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Banco Comercial Português, S.A.,
Company open to public investment

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Share Capital:
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