

10 February 2010

Millennium bcp earnings release as at 31 December 2009

HIGHLIGHTS

- Consolidated net income of Euro 225 million in 2009
- Reinforcement of Core Tier I pro forma to 7.1% in accordance with IRB approach (*)
- Consolidated net income of Euro 225 million in 2009, up by 12% from 2008;
- In accordance with IRB approach (*), the pro forma ratios Tier I and Core Tier I reached 9.2% and 7.1%, respectively, and the pro forma solvency ratio stood at 10.5%. In accordance with the standard approach Tier I increased to 9.3% and Core Tier I improved to 6.4% and total solvency ratio to 11.5%;
- Stabilisation of the commercial gap from the end of 2008, with improvement in the fourth quarter of 2009, and reinforcement of assets eligible as collateral in potential refinance operations with Central Banks;
- Medium- and long-term debt issued in 2009 exceeded the amount to be refinanced, thus partially anticipating the medium- and long-term financing needs for 2010, which were lower than the issues matured in 2009;
- Customer deposits increased 3.9%, growing 4.1% in Portugal and 3.5% in the international activity;
- Off-balance sheet customer funds up by 10.7%;
- Loans to customers grew 1.5% to Euro 77,348 million, with mortgage increasing by 2.7%, from 31 December 2008;
- Net interest income and net commissions with growths of 4.1% and 5.8%, respectively, in the 4th quarter from the previous quarter;
- Bank Millennium in Poland showed increases in net interest income and in net commissions, from the previous quarter, of 8.9% and 14.1%, respectively, improving the results of the quarter;
- Operating costs fell 7.8%. Operating costs decreased 5.1% in Portugal and 12.2% in the international activity. Other administrative costs fell 11.3%, decreasing 15.5% in Portugal;
- Overdue loans by more than 90 days stood at 2.3% of total loans, coverage ratio stood at 119.0%;
- Proposed dividend of Euro 0.019 per share, representing an increase of 12% from the previous year and a payout ratio of 40%.

(*) Considering the evolution of the revision process, by the Bank of Portugal, of the submission of the proposal to adopt the IRB approach, including estimates for the probability of default and of losses given default (IRB advanced) for the retail portfolio collateralized by commercial and residential real estate, and estimates of the probability of default (IRB Foundation) for the corporate portfolio, in Portugal, determined on a pro forma basis.

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SUMMARY

ECONOMIC ENVIRONMENT

The world economy continued to expand over the fourth quarter though with distinctively differing performances across the various economic areas. Indeed, while in the U.S. and China the economic performance strengthened, in Japan and in Europe it tended to weaken somewhat. The world economy still faces many risks going forward but there is a growing consensus that the recessionary environment of the past two years has ended. This positive expectation lies at the heart of the recurrent positive revisions of the growth scenarios for 2010 presented by the main supranational institutions.

This transition phase in the economic cycle might end up being a challenging situation for authorities. They will have to judge carefully the economic environment in order to assess whether it is appropriate to remove the supportive measures for economic activity and financial systems that were put in place during 2008 and 2009. In this sense, there is an appreciable risk of some turbulence returning to financial markets and harming the business climate, as central banks review their monetary policies and Governments withdraw part of the stimulus measures. In the euro area, the European Central Bank announced changes to the lending procedures that will eventually be reflected in short term interest rates moving higher and closer to the main refinancing rate of the ECB. That means slightly tighter financial conditions ahead.

At the same time, public finances have weakened due to the efforts committed to steering the economic activity and to rein in unemployment. Assessing the sustainability of public finances over the long run, plus an evaluation of the underlying competitiveness framework and the available financial slack of each country, have become a key issue for financial markets, pushing the initial concerns with private sector credit risks up to the sovereign level. In fact, while over the past months risk premiums charged on

Maintenance of a growing trend for world economic activity during the 4th quarter of 2009, growing consensus that the recessionary environment has ended.

Revision of monetary policies and potential removal of supportive measures for economic activity may imply appreciable risk of some turbulence returning to financial markets and harming the business climate.

Sustainability of public finances over the long run, after the efforts to steer economic activity and to rein in unemployment, restrains expansive policies.

Evolution of economic activity in Portugal and in Poland, in the second half of 2009, points to an improvement in the growth perspectives for 2010.

private sector debt have been declining, the opposite has happened to some sovereign issuers, particularly those countries where the indebtedness levels were higher, restraining the margin of manoeuvre for further accommodative fiscal measures.

Economic activity in Portugal has also improved over the second half of 2009, as it has with other EMU countries. For the whole year, real GDP is estimated to have decreased slightly less than 3%. For 2010, it is expected that GDP will post a modest gain of 0.5% to 1% in real terms. Poland seems to have been the sole EU country to record positive GDP growth in 2009, and prospects for 2010 continue to improve. This positive environment has been highly favourable for the zloty while ending the monetary easing cycle of the National Bank of Poland. In Greece, the comprehensive fiscal consolidation path endorsed in the stability and growth plan and the more stringent financing conditions in the global market will probably weigh on the country's growth potential over the medium term. In Angola and Mozambique, the improvement of world trade and the vigour of the main importers of basic raw materials are supportive of a better outlook for 2010.

RESULTS

In a particularly complex and difficult environment, Millennium bcp showed a positive global performance in 2009, with the Core Tier I increasing to 6.4%, and according to the IRB approach, Core Tier I pro forma reached 7.1%.

In a complex and difficult environment for the financial and banking sector, Millennium bcp in 2009 was able to adapt and respond to the challenges, and was flexible enough to take advantage of market opportunities, aiming to strengthen the business portfolio and to achieve adequate levels of profitability. Consolidated net income in 2009 was favourably influenced by the resilience of the franchise in Portugal, offsetting the lower level of the contribution from the international activity. Volumes also showed a positive evolution, benefiting from both customer deposits and loans to customers, notwithstanding the slowdown in the growth of loans granted from the previous year. Despite the adverse environment, the focus of the Group on strict capital and liquidity management aimed at achieving adequate levels of liquidity and reinforcing capital ratios, led the consolidated solvency ratio to increase to 11.5%, the Tier I to improve to 9.3% and Core Tier I to 6.4%, as at 31 December 2009. In accordance with the IRB approach Tier I pro forma and Core Tier I pro forma reached, respectively, 9.2% and 7.1%.

Consolidated net income up by 12% to €225.2 million.

Evolution of net income positively influenced by the reduction in operating costs, despite the drop in net interest income.

Reduction in operating costs materialise initiatives implemented to streamline and optimize the Bank's operations

Customer deposits increased 3.9% and off-balance sheet customer funds grew 10.7%, sustained by the performance of total customer funds in 2009.

Loans to customers grew 1.5% to €77,348 million, with mortgage loans increasing 2.7%.

Millennium bcp's consolidated net income up by 11.9% to Euro 225.2 million in 2009, compared to Euro 201.2 million in 2008.

The evolution of net income was positively influenced by the reduction in operating costs and by the rise in equity accounted earnings, despite the drop in net interest income, reflecting the increase in the cost of funding and the more narrow spreads on customer deposits, and the evolution in loan impairment charges (net of recoveries), as a result of the coverage of impairment indicators in the loan portfolio, as well as other provisions.

The reduction in operating costs benefited from the decrease in most items, namely in other administrative costs and in staff costs, due to the initiatives implemented to streamline and optimize the Bank's operations, in particular in Bank Millennium in Poland and in the activity in Portugal.

BALANCE SHEET

Total assets reached Euro 95,550 million as at 31 December 2009, compared to Euro 94,424 million booked on the same date in 2008.

Total customer funds increased to Euro 67,002 million as at 31 December 2009, compared to Euro 65,803 million on the same date in 2008, on a comparable basis, sustained by the growth of 3.9% in customer deposits, highlighting the growth of 4.1% in deposits in Portugal, and the increase of 10.7% in off-balance sheet customer funds.

Loans to customers totalled Euro 77,348 million as at 31 December 2009, showing an increase of 1.5% from Euro 76,233 million, on a comparable basis, posted on 31 December 2008, sustained by the growth of 3.1% in loans to individuals, in particular mortgage (up by 2.7%), and by more moderate growth in loans to companies, restrained by the adverse economic environment and by the drop in private investment, reflecting the slowdown in loans granted in Portugal.

Financial Highlights

<i>Euro million</i>	31 Dec. 09	31 Dec. 08	Change 09 / 08
Balance sheet			
Total assets	95,550	94,424	1.2%
Loans to customers ⁽¹⁾	77,348	76,233	1.5%
Loans to customers (net) ⁽¹⁾	75,191	74,756	0.6%
Total customer funds ^{(1) (2)}	67,002	65,803	1.8%
Balance sheet customer funds ⁽¹⁾	50,993	51,336	-0.7%
Customer deposits ⁽¹⁾	46,307	44,561	3.9%
Results			
Net interest income	1,334.2	1,721.0	-22.5%
Net operating revenues ⁽³⁾	2,493.2	2,602.0	-4.2%
Operating costs ⁽⁴⁾	1,540.3	1,670.8	-7.8%
Loan impairment charges (net of recoveries)	560.0	544.7	2.8%
Income taxes	46.2	84.0	-45.0%
Minority interests	24.1	56.8	-57.6%
Net income	225.2	201.2	11.9%
Profitability			
Net operating revenues / Average net assets ⁽⁵⁾	2.6%	2.8%	
Return on average assets (ROA)	0.2%	0.2%	
Income before taxes and minority interests / Average net assets ⁽⁵⁾	0.3%	0.4%	
Return on average equity (ROE)	4.6%	4.5%	
Income before taxes and minority interests / Average equity ⁽⁵⁾	6.1%	7.6%	
Credit Quality			
Overdue loans according to Bank of Portugal / Total loans ⁽⁵⁾	3.4%	1.3%	
Overdue loans according to Bank of Portugal, net/ Total loans, net ⁽⁵⁾	0.6%	-0.6%	
Impairment for loan losses / Overdue loans by more than 90 days	119.0%	211.6%	
Impairment for loan losses / Overdue loans	106.1%	173.9%	
Efficiency ratios			
Operating costs / Net operating revenues ^{(5) (6)}	63.6%	58.6%	
Operating costs / Net operating revenues (Portugal) ^{(5) (6)}	60.2%	54.0%	
Staff costs / Net operating revenues ^{(5) (6)}	35.7%	32.2%	
Capital			
Total regulatory capital	7,541	7,057	
Risk weighted assets	65,769	67,426	
Tier I solvency ratio ⁽⁵⁾	9.3%	7.1%	
Total solvency ratio ⁽⁵⁾	11.5%	10.5%	
Branches			
Portugal activity	911	918	-0.8%
Foreign activity ⁽¹⁾	880	868	1.4%
Employees			
Portugal activity	10,298	10,583	-2.7%
Foreign activity ⁽¹⁾	11,195	11,686	-4.2%

(1) Adjusted from the consolidation of Millennium bank Turkey.

(2) Amounts due to customers (including securities), assets under management and capitalisation insurance.

(3) Net interest income, dividends from equity instruments, net commissions, net trading income, equity accounted earnings, other net operating income (according to rule 16/2004 from the Bank of Portugal).

(4) Staff costs, other administrative costs and depreciation.

(5) According to rule 16/2004 from the Bank of Portugal.

(6) Excludes the impact of specific items.

At the 2009 earnings presentation, the Chairman of the Executive Board of Directors of Millennium bcp, Carlos Santos Ferreira, commented on the economic and financial environment in which the Portuguese banks operate and stressed that, despite the continuing turbulence, a significant group of economists suggests that the recovery has already begun and that 2010 will see a moderate recovery.

Commenting on the earnings, the Chairman said that:

“In 2009, consolidated net income totalled Euro 225 million, an increase of 12% compared with the results of 2008.”

In addition, the Chairman highlighted a number of aspects of 2009 that deserved particular attention:

- i) Loans to customers increased 1.5%, reaching Euro 77,348 million, with mortgage loans showing a positive growth of 2.7% when compared to 31 December 2008;
- ii) Customer funds rose 1.8% with customer deposits growing 3.9%. In Portugal, deposits improved 4.1% when compared with 31 December 2008;
- iii) Operating costs fell 7.8% overall, decreasing 5.1% in Portugal and 12.2% in international operations;
- iv) Net interest income reversed its trend, starting on an upward path in the third quarter of 2009;
- v) Commissions showed a recovery during the year, mainly in domestic activity, showing an increase of 2.0% compared with 2008;
- vi) The capital ratios pro forma were further reinforced, with Core Tier I rising to 7.1% and Tier I to 9.2%, taking into consideration the evolution of the revision process, by the Bank of Portugal, of the submission of the proposal to adopt IRB approach for credit and counterparty risks. In accordance with the standard approach Tier I increased to 9.3% and Core Tier I improved to 6.4%, respectively;
- vii) The Bank successfully placed Euro 1,000 million of perpetual subordinated debt securities and anticipated the funding plan for 2010, with Euro 5,600 million in medium- and long-term debt issued in 2009;
- viii) The Bank achieved the highest index in customer satisfaction (80.3 index points) since the launch of the single Millennium brand (78.6 index points in the 4th quarter of 2004), well above the lowest value, registered at the end of 2007 (77.2 index points);
- ix) The turn-around of the Polish operation, which reduced operating costs by 14.2% compared with the previous period and culminated with a successful capital increase, concluded in February 2010, of approximately Euro 258 million through a rights issue. The shares available to minority shareholders were almost four times oversubscribed;
- x) The maintenance of expansion plans in Angola and Mozambique. Millennium Angola has by now 23 branches (an increase of 7 since December 2008) and Millennium bim has 116 branches (an increase of 16 since December 2008). Jointly these operations presented Euro 66.6 million of net income in 2009 (up 19.3% year-on-year).”

As for Millennium bcp’s strategy for the medium term, the Chairman underlined that: “We will continue to focus on European markets that sustain a competitive presence and on affinity markets, while promoting transformation in Portugal, with initiatives to enhance our leadership in Retail banking.”

The Chairman also announced that the Bank signed an agreement to sell 95% of Millennium Bank in Turkey, which fits the bank’s strategy established to focus on priority markets.

Concluding the presentation, the Chairman stressed the purpose of distributing dividends every year, even in difficult environments and highlighted the proposed dividend of Euro 0.019 per share, which the Executive Board will submit to the Annual General Shareholders Meeting. This represents an increase of 12% compared with the dividend distributed in the previous year.

In accordance with the agreement established to the sale of 95% of Millennium Bank AS in Turkey and in accordance with IFRS 5, as at 31 December 2009, the total assets and liabilities of this subsidiary company will be presented, respectively, in the item of “Non current assets held for sale” and “Non current liabilities held for sale” in the Consolidated Balance sheet, while the total expenses and income for the year will be represented line by line in the consolidated income statement. Until the date of sale, the Group continues to consolidate, in reserves and income, any changes occurred in the net assets of Millennium bank Turkey.

In accordance with the business area restructuring in 2009, the subsidiary companies Millennium Banque Privée Switzerland and Millennium bcp Bank & Trust Cayman are no longer considered as complementary commercial networks of the activity in Portugal and will be included in the foreign business activity. To ensure comparability, the breakdown of the consolidated information, between activity in Portugal and international activity, was recalculated for the 2008 figures.

RESULTS

Millennium bcp’s consolidated net income stood at Euro 225.2 million in 2009, compared to Euro 201.2 million in 2008. Net income in 2009 includes the gain accounted from the entry of new shareholders in Banco Millennium Angola’s share capital, amounting to Euro 21.2 million, the gain related with the sale of assets, in the amount of Euro 57.2 million, and the accounting of costs related with early retirement of employees, in the sum of Euro 2.9 million (net of tax). Net income in 2008 includes the impacts related to the impairment losses determined by the devaluation of the shareholding in Banco BPI, S.A., in the amount of Euro 232.6 million (net of tax), the reduction of the variable remuneration already accrued in 2007, in the amount of Euro 13.2 million (net of tax), and the restructuring costs related with the early retirement of employees, in the sum of Euro 5.7 million (net of tax).

The evolution of net income, excluding the impacts previously mentioned, was positively influenced by the reduction in operating costs and by the rise in equity accounted earnings, despite the drop in net interest income, reflecting the increase in the cost of funding and the more narrow spreads on customer deposits, and by the evolution in loan impairment charges (net of recoveries), as a result of the coverage of impairment indicators in the loan portfolio, as well as other provisions. The reduction in operating costs benefited from the decrease in most items, namely in other administrative costs and in staff costs, due to the initiatives implemented to streamline and optimize the Bank’s operations.

Net income in Portugal reached Euro 213.8 million in 2009 compared to Euro 116.7 million in 2008. This evolution reflects the growth of net operating revenues, led by higher net trading income - which includes in 2008 the impairment losses determined by the devaluation of Banco BPI, S.A. shares, which have since been sold. The growth of net income also benefited from the savings in operating costs, in particular the 15.5% reduction in other administrative costs, driven by the improvement in operating efficiency.

Net income from the international activity was determined by the evolution in net operating revenues and in the loan impairment charges in most international operations, led by the additional volume of loans to customers and by the need for coverage of impairment indicators in the loans portfolio. Net income from the international activity was favourably influenced by savings in operating costs, benefiting from the effort to streamline the organisational structure, highlighting the activity in Poland, which more than offset the increase in operating costs at Banco Millennium Angola and Millennium bim in Mozambique, related with the organic growth strategy in these markets.

Net interest income totalled Euro 1,334.2 million in 2009, compared to Euro 1,721.0 million in 2008. The evolution in net interest income was mainly determined by the decrease in customers’ interest rates, in line with the reduction of reference market interest rates, causing an unfavourable impact from a higher reduction in average interest earning asset rates than in average interest bearing liabilities rates. Net interest margin stood at 1.57% in 2009 compared to 2.06% in 2008. This performance reflects the increase in the cost of funding, as a result of the instability and uncertainty in the financial markets, and also the

decline in spreads from customer deposits, reflecting the strong competition in capturing customer funds. However, this was partially offset by the repricing of loans to customers, reflecting the adjustment in the implicit cost of risk of loans granted, which has been progressively implemented in the business areas, determining an improvement of net interest income in the third and fourth quarter of 2009 compared with previous quarters.

In addition, net interest income was boosted by the positive volume effect, supported by the increase in business volumes, in particular in customer deposits and in loans to individuals and to companies. The performance of net interest income in Portugal benefited from the repricing of loans granted, despite the more narrow spreads in customer deposits. In the international business, particularly the operation in Poland, the evolution of net interest income was determined by the unfavourable interest rate effect, driven by narrower spreads in term deposits, notwithstanding the fast repricing carried out as a result of the decline in market interest rates. Even so, net interest income benefited from the positive volume effect in most foreign subsidiaries, both in customer deposits, in particular at Millennium bank in Greece, and in loans to customers.

AVERAGE BALANCES

<i>Euro million</i>	2009		2008	
	Balance	Yield %	Balance	Yield %
Deposits in banks	3,733	1.97	7,255	4.33
Financial assets	5,012	4.82	5,845	6.01
Loans and advances to customers	75,325	4.15	69,206	6.47
Interest earning assets	84,070	4.09	82,306	6.24
Non interest earning assets	10,083		9,635	
	94,153		91,941	
Amounts owed to credit institutions	8,671	2.65	9,875	6.33
Amounts owed to customers	44,334	2.52	41,769	3.07
Issued debt and financial liabilities	30,051	2.27	29,042	4.72
Subordinated debt	2,553	3.73	2,954	5.77
Interest bearing liabilities	85,609	2.48	83,640	4.12
Non interest bearing liabilities	2,000		2,557	
Shareholders' equity and minority interests	6,544		5,744	
	94,153		91,941	
Net interest margin ⁽¹⁾		1.57		2.06

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

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

Net commissions amounted to Euro 731.7 million in 2009, compared to Euro 740.4 million in 2008. The increase in net commissions more directly associated with the banking business partially offset the evolution in net commissions related with financial markets, in particular asset management and securities operations commissions. The evolution in net commissions includes the growth showed by the activity in Portugal (+2.0%) and the lower contribution of net commissions from international activity, mostly influenced by Bank Millennium in Poland, which were hindered by the impact of the foreign exchange devaluation of the Polish zloty against the Euro, despite the favourable evolution in the subsidiary companies in Angola, Mozambique, Romania and Greece, benefiting from the growth in business volumes and services provided.

Net trading income, which includes net gains arising from trading and hedging activities and net gains arising from available for sale financial assets, amounted to Euro 225.4 million in 2009, a favourable evolution from Euro 18.1 million in 2008, determined by the activity in Portugal. In 2008, net trading income included the impact of the accounting of impairment losses, in the amount of Euro 268.1 million, related to the shareholding in Banco BPI, S.A., which has since been sold. In the fourth quarter of 2008, net trading income includes the income related to the Bank's decision to interrupt the hedging strategy for the interest rate risk associated with a fixed-rate issue undertaken by the Bank through an interest rate swap, in accordance with IAS 39. In 2009 net trading income includes the negative impact of Euro 106.1 million, of which Euro 91.6 million booked in the second half of 2009, related to the improvement of Millennium bcp's own credit risk, as a result of the valuation of instruments recorded at fair value option.

Other net operating income, which includes other operating income, other net income from non banking activities and gains from the sale of subsidiaries and other assets, amounted to Euro 132.3 million in 2009, when compared to Euro 66.6 million in 2008. Other net operating income was driven both by the increase in income and by reduction in costs, reflecting the improvement in other net operating income in the business in Portugal, which includes, in 2009, the amount of Euro 21.2 million related to the gain with the dispersal of 49.9% of Banco Millennium Angola's share capital and the amount of Euro 57.2 million, related to the gains from the sale of assets.

Dividends from equity instruments, which include dividends received on investments in the available for sale portfolio, totalled Euro 3.3 million in 2009, compared to Euro 36.8 million in 2008. Income accounted in this item includes dividends from shares and investment funds units. The sale of the stake of in Banco BPI, S.A. in the beginning of 2009 and the non-payment of dividends by Eureko determined the evolution of this item compared to 2008.

Equity accounted earnings include the results appropriated by the Group related to consolidation of companies over which the Group has significant influence, though without exercising control over their financial and operational policies. This item totalled Euro 66.3 million in 2009, compared to Euro 19.1 million booked in 2008. Equity accounted earnings essentially include the appropriation of earnings from the 49% shareholding in Millenniumbcp Fortis, a joint-venture between Millennium bcp and the Fortis Group that focuses on the bancassurance business, which reported an increase in net income in 2009 compared to the previous year, benefiting from the growth in insurance premiums both in the life and non-life business, comparing favourably with the overall Portuguese market.

OTHER NET INCOME

<i>Euro million</i>	Dec. 09	Dec. 08	Change 09/08
Net commissions			
Banking commissions			
Cards	187.3	190.0	-1.4%
Credit and guarantees	170.4	172.9	-1.5%
Other commissions	249.9	204.9	22.0%
Subtotal banking commissions	<u>607.6</u>	<u>567.8</u>	7.0%
Market related commissions			
Securities	76.2	94.7	-19.5%
Asset management	47.9	77.9	-38.5%
Subtotal market related commissions	<u>124.1</u>	<u>172.6</u>	-28.1%
Total net commissions	<u>731.7</u>	<u>740.4</u>	-1.2%
Net trading income ⁽¹⁾	225.4	18.1	-
Other net operating income ⁽²⁾	132.3	66.6	98.8%
Dividends from equity instruments	3.3	36.8	-90.9%
Equity accounted earnings	66.3	19.1	247.3%
Total other net income	<u>1,159.0</u>	<u>881.0</u>	31.6%
Other income / Net operating revenues ⁽³⁾	46.5%	33.9%	

(1) Includes in 2008 the impairment losses related to the shareholding in Banco BPI, S.A. in the amount of Euro 268.1 million.

(2) Includes in 2009 the gain booked related to the dispersal of 49.9% of Bank Millennium Angola's share capital, amounting to Euro 21.2 million, and the gain associated with the sale of assets, in the amount of Euro 57.2 million.

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

Operating costs, which include staff costs, other administrative costs and depreciation, fell by 7.8% to Euro 1,540.3 million in 2009 from Euro 1,670.8 million in 2008. This favourable performance resulted from the savings achieved in most items, in particular the other administrative costs and staff costs lines. Operating costs include, in 2009, the amount of Euro 3.9 million related with early retirement of employees and, in 2008, the Euro 18.0 million reduction in variable remuneration accrued in 2007 and restructuring costs amounting to Euro 7.8 million. Excluding these impacts, operating costs dropped 8.6%. The operating costs reduction was driven by the favourable performances achieved both in the activity in Portugal and the international activity.

In the activity in Portugal, operating costs dropped by 5.1%, reflecting lower administrative costs and depreciation, supported by the implementation of initiatives to simplify and streamline the organisational structure, focused in achieving superior levels of efficiency. Excluding the impacts previously mentioned operating costs in Portugal decreased 6.4% in 2009. In the international activity, operating costs dropped 12.2%, mainly influenced by the performance of Bank Millennium in Poland, which reflects the impact of the foreign exchange devaluation of the Polish zloty and, above all, the efforts to streamline the organisational structure and processes at this operation, with a reduction of 11.4% in the number of employees in this operation. The decrease of operating costs in Bank Millennium in Poland more than offset the evolution in operating costs in Banco Millennium Angola and in Millennium bim in Mozambique, as a result of the organic growth strategy in place in these markets.

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

Staff costs totalled Euro 865.3 million in 2009, showing a reduction of 5.5% from Euro 915.3 million in 2008. Staff costs include, in 2009, the amount of Euro 3.9 million related with early retirements, and in 2008, the

Euro 18.0 million reduction in variable remuneration accrued in 2007 and Euro 7.8 million of restructuring costs. Excluding these impacts, staff costs decreased by 6.9%. The evolution of staff costs reflects the decrease in costs in most items, in particular remuneration of staff and of the corporate boards, despite the increase in pension costs, supported by cost control achieved in Portugal and above all by lower costs posted in the international activity. In Portugal, staff costs were influenced by lower remunerations, offsetting the evolution in pension costs, and globally dropped by 0.4% on a comparable basis. Staff costs in the international activity decreased by 19.1% mainly determined by Bank Millennium in Poland, supported by the reduction in the number of employees, and, to a lesser extent, by Millennium bank in Greece and by Millennium bcpbank in the United States of America, while the evolution in staff costs in the subsidiaries in Angola and Mozambique resulted from the expansion plans in these operations and the consequent increase in the number of employees.

Other administrative costs fell 11.3%, to Euro 570.2 million in 2009, compared to Euro 642.6 million in 2008. The reduction in other administrative costs benefited from savings in most items, in particular specialised services, advertising, consumables, maintenance, travel and independent labour. The decrease in other administrative costs was favourably influenced both by the activity in Portugal and by the international activity. In the activity in Portugal, other administrative costs dropped 15.5%, as a result of savings achieved in most items. Other administrative costs in the international activity were driven by the performance of Bank Millennium in Poland, favourably influenced by the review of the expansion plan and consequent adjustment of the cost structure to activity levels and by the currency effects of the Polish zloty against the euro, which more than offset the growth in Angola, Mozambique and Romania, in line with the strategy of organic growth carried out in these international operations.

Depreciation costs stood at Euro 104.8 million in 2009, a reduction of 7.2% from Euro 112.9 million in 2008, mainly determined by the activity in Portugal, but also by the international activity, notwithstanding the expansion plans in place, namely in Angola and in Mozambique, and by the devaluation against the euro posted by some foreign operations. Depreciation costs in Portugal fell 9.9%, supported by lower depreciation in most items, reflecting the gradual end of the period of depreciation of investments as well as the sale of assets.

OPERATING COSTS

<i>Euro million</i>	Dec. 09	Dec. 08	Change 09/08
Staff costs ⁽¹⁾	865.3	915.3	-5.5%
Other administrative costs	570.2	642.6	-11.3%
Depreciation	104.8	112.9	-7.2%
	<u>1,540.3</u>	<u>1,670.8</u>	-7.8%
Of which:			
Portugal activity	978.7	1,031.1	-5.1%
Foreign activity	561.6	639.7	-12.2%
Operating costs / Net operating revenues ^{(2) (3)}	60.2%	54.0%	

(1) Includes in 2009 Euro 3.9 million of costs with early retirements in Portugal. Includes in 2008 the Euro 18.0 million reduction in the variable remuneration already accrued in 2007 and Euro 7.8 million of restructuring costs in Portugal.

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

(3) Excludes the impact of specific items.

Impairment for loan losses (net of recoveries) totalled Euro 560.0 million in 2009, compared with Euro 544.7 million in 2008, despite the performance in the activity in Portugal, but still reflecting the difficulties of the economic cycle, and by the efforts undertaken in the prevention and management of risk. In most international operations, namely in Bank Millennium in Poland, impairment charges for loans to companies

and consumer loans showed an increase, reflecting, on one hand, the deterioration of the financial situation in some companies and the decrease in the value of collateral in consumer loans, and on the other hand, the simultaneous review of the loan portfolio, including restructured cases due to foreign derivatives transactions, which triggered additional impairment charges (net of recoveries) aimed at covering further potential deterioration. The cost of risk, measured by the ratio of impairment charges (net of recoveries) in the loan portfolio, excluding loans represented by securities, stood at 76 b.p. in 2009, compared with 74 b.p. in 2008.

Other provisions, which comprise other asset impairment and other provisions, in particular provision charges related to assets received as payment in kind not fully covered by collateral, and provisions charged for several risks and contingencies. Other provisions amounted to Euro 97.4 million in 2009, compared to Euro 44.5 million in 2008, mostly reflecting the higher level of charges booked in Portugal, in particular, the charges related to impairment losses associated with real estate, resulting from the termination of loan contracts with customers, which subsequent to a regular process of revaluation, posted reductions from market valuations, and also includes the provisions charged for several contingencies.

BALANCE SHEET

Total assets reached Euro 95,550 million as at 31 December 2009, compared to Euro 94,424 million booked on the same date in 2008.

Loans to customers totalled Euro 77,348 million as at 31 December 2009, showing an increase of 1.5% from Euro 76,233 million (on a comparable basis) posted on 31 December 2008, benefiting from the performances in Portugal (+0.8%) and, most of all, from the international activity (+4.1%), in particular, from subsidiary companies in Greece, in Mozambique and in Poland.

The performance of mortgage loans benefited mostly from the activity in Portugal, which increased 3.0%, between 31 December 2008 and 31 December 2009, sustained by historically low market interest rates, despite the slowdown in mortgage loan demand. The international activity increased 2.0% in mortgage loans from 31 December 2008, highlighting the activity at Millennium bank in Greece. Consumer loans grew 5.3% to Euro 5,089 million as at 31 December 2009, sustained by the activity in Portugal, which rose 4.7%, and by the international activity, which increased 6.4%, benefiting from the performances at Bank Millennium in Poland and at Millennium bim in Mozambique. Loans to companies, the main component of the loans portfolio, stood at Euro 43,191 million, from Euro 43,105 million as at the end of 2008, which were restrained by the adverse economic framework and by the reduction in private investment. The performance in loans to companies was favourable influenced by the international activity, which registered a rise of 5.7%, highlighting the Millennium bank in Greece and Millennium bim in Mozambique. Loans to companies in Portugal remained at the same level, reflecting the lower exposure to Corporate companies and, simultaneously, the reinforcement in financing Small and Medium Enterprises (PME), through the growing support to entrepreneurship, in particular by the credit lines "PME Investe" available in commercial networks.

The structure of the loan portfolio remained stable and well balanced, between 31 December 2008 and 31 December 2009, with loans to companies representing the main component of loans to customers' portfolio (55.8% of total loans), while loans to individuals represented 44.2% of total loans to customers.

LOANS TO CUSTOMERS

<i>Euro million</i>	31 Dec. 09	31 Dec. 08	Change 09 / 08
Individuals			
Mortgage loans	29,068	28,294	2.7%
Consumer loans	5,089	4,834	5.3%
	<u>34,157</u>	<u>33,128</u>	3.1%
Companies			
Services	16,579	15,175	9.3%
Commerce	5,230	5,399	-3.1%
Other	21,382	22,531	-5.1%
	<u>43,191</u>	<u>43,105</u>	0.2%
Subtotal	<u>77,348</u>	<u>76,233</u>	1.5%
Of which:			
Portugal activity	60,625	60,167	0.8%
Foreign activity	16,723	16,066	4.1%
Loans associated with assets in the process of sale ⁽¹⁾	--	412	
Total	<u>77,348</u>	<u>76,645</u>	

(1) Millennium bank Turkey.

Credit quality, measured by the non-performing loan indicators, in particular the overdue loans by more than 90 days as a percentage of total loans, stood within the range expected given the current economic and financial environment at 2.3%, as at 31 December 2009 (0.9% on the same date of 2008). The credit quality indicator reflects the effect of the change in the accounting procedures of the Group, in which fully provisioned overdue loans were written off from assets when impairment losses achieved 100%. But subsequent to the Circular Letter 15/2009 from the Bank of Portugal, the Bank started to write off from assets only fully provisioned overdue loans that after an economic analysis are considered uncollectible and without possibility of recovery. The adoption of this new requirement had an impact of Euro 241.1 million in the amount of overdue loans accounted in the Balance sheet. The coverage ratio of overdue loans by more than 90 days stood at 119.0% as at 31 December 2009, compared to 211.6% on the same date in 2008.

OVERDUE LOANS BY MORE THAN 90 DAYS AND IMPAIRMENTS AT 31 DECEMBER 2009

<i>Euro million</i>	Overdue loans by more than 90 days	Impairment for loan losses	Overdue loans more than 90 days / Total loans	Coverage ratio
Individuals				
Mortgage loans	139	160	0.5%	114.8%
Consumer loans	330	317	6.5%	96.3%
	<u>469</u>	<u>477</u>	1.4%	101.8%
Companies				
Services	423	454	2.6%	107.3%
Commerce	311	357	5.9%	115.0%
Other	610	869	2.9%	142.3%
	<u>1,344</u>	<u>1,680</u>	3.1%	125.0%
Total	<u>1,813</u>	<u>2,157</u>	2.3%	119.0%

Total customer funds increased 1.8% to Euro 67,002 million as at 31 December 2009, compared to Euro 65,803 million on the same date in 2008, on a comparable basis. This evolution was influenced by the growth of 3.9% in customer deposits and of 15.2% in capitalisation insurance, partially offset by the decrease of 30.8% in debt securities. Total customer funds benefited from the performance in off-balance sheet customer funds, which increased 10.7%, boosted by the 15.2% rise in capitalisation insurance. Additionally, assets under management showed an inversion of the decreasing trend registered in the previous years, increasing 1.6%, reflecting the signs of recovery in investor confidence and growing dynamism in capital markets. Balance sheet customer funds totalled Euro 50,993 million (Euro 51,336 million at the end of 2008), due to the reduction in debt securities, despite the increase in customer deposits, reflecting the customer preference for financial solutions with lower risk, in particular for traditional term deposits. In the activity in Portugal, total customer funds showed a rise of 0.6% to Euro 50,803 million, mainly supported by the growth in the Corporate & Investment Banking and Retail Banking & Companies segments. In the international activity, total customer funds increased 5.9% to Euro 16,199 million at the end of 2009, highlighting the performance achieved by Bank Millennium in Poland and by Millennium bank in Greece.

TOTAL CUSTOMER FUNDS

<i>Euro million</i>	31 Dec. 09	31 Dec. 08	Change 09 / 08
Balance sheet customer funds			
Deposits	46,307	44,561	3.9%
Debt securities	4,686	6,775	-30.8%
	<u>50,993</u>	<u>51,336</u>	-0.7%
Off-balance sheet customer funds			
Assets under management	4,887	4,812	1.6%
Capitalisation insurance	11,122	9,655	15.2%
	<u>16,009</u>	<u>14,467</u>	10.7%
Subtotal	<u>67,002</u>	<u>65,803</u>	1.8%
Of which:			
Portugal activity	50,803	50,505	0.6%
Foreign activity	16,199	15,298	5.9%
Customer funds related to assets in the process of sale ⁽¹⁾	--	461	
Total	<u>67,002</u>	<u>66,264</u>	

(1) Millennium bank Turkey.

LIQUIDITY MANAGEMENT

The liquidity management of Millennium bcp, in 2009, continued to be centred on prudential criteria and on flexibility of action, in order to adapt the Bank to the capital and credit markets constraints, ensuring it could (i) take advantage of access to alternative sources of funding, (ii) optimise the cost of funding in the wholesale funding market, focused on medium- and long-term instruments with relatively favourable pricing conditions, (iii) diversify the sources and maturities of funding, suited to the balance sheet structure and (iv) reinforce the effort to retain and further increase balance sheet customer funds. The growth in customer deposits was particularly important as a funding instrument and also to support the loan granting business, simultaneous with the global execution of the Group's financing plan, established for 2009 for wholesale funding. This was established to maintain adequate liquidity levels and also to provide the sustainability in the future, as well as to support the development of the intermediation activity and, therefore, to broadly satisfy the financial needs of the customer base.

In 2009, the Group successfully placed a 3-year fixed-rate debt issue (Euro Fixed Rate Notes), guaranteed by the Portuguese Republic, in the amount of Euro 1.5 billion. Additionally, under the Euro Medium Term Notes (EMTN) the Bank successfully placed a 5-year and a 2-year fixed-rate debt issue, without the State guarantee, in April and in June 2009, respectively, in the total amount of Euro 2.0 billion, and three floating rate debt issues (3-year; 1-year and; 3-year and 3-months), without the State guarantee, in August, September and December, respectively, in the global amount of Euro 1.1 billion. In October 2009 the bank placed a Covered Bond issue, in the total amount of Euro 1.0 billion, with a 7-year maturity. In March 2009 Millennium bcp carried out an asset securitisation operation in Portugal, associated with the mortgage portfolio, in the sum of Euro 3.6 billion. The bank also issued a financial instrument, the "Perpetual Subordinated Debt Securities with Conditional Coupons", in the global amount of Euro 1.0 billion, under the Bank's "Debt Securities Programme", of which Euro 300 million were issued in June 2009, Euro 600 million were issued in August 2009 and Euro 100 million were issued in December 2009.

In addition, part of the funds obtained by the Group were mobilised to acquire securities to reinforce the pool of assets eligible as collateral in potential refinancing operations with Central Banks, which amounted to Euro 10.6 billion, as at 31 December 2009, compared with Euro 7.3 billion as at 31 December 2008.

CAPITAL

The capital ratios of the Group as at 31 December 2009 were determined in accordance with the Basel II guidelines, with the calculation of capital requirements following the standard approach in respect to credit risk. In 2009, subsequent to the authorization from the Bank of Portugal, the Group applied the standard approach for operational risk and the internal models approach for generic market and foreign exchange risk, in the perimeter centrally managed by Portugal.

The consolidated solvency ratio reached 11.5% as at 31 December 2009, with Tier I reaching 9.3%, well above the minimum limit recommended by the Bank of Portugal. The Core Tier I also improved to 6.4% compared with 5.8% at the end of 2008.

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

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

The improvement in solvency ratios in 2009 reflects the positive impact related to the performance of the pension fund, with the issue of perpetual subordinated debt securities with conditional coupons, with the sale of assets and with the organic generation of capital, notwithstanding the negative impacts in Core Tier I mainly related with the deferred adjustments related to the transition to IFRS authorised by the Bank of Portugal, with the devaluation of the investment in Eureko and with the deduction of the gap recorded between regulatory provisions and impairments.

The pension fund had a positive impact on capital ratios, due to actuarial gains booked, including the change in the corridor, and to the change in actuarial assumptions compared to 31 December 2008, in particular the change in the discount rate (from 5.75% to 5.50%) and the wage (from 3.25% to 2.50%) and pensions (from 2.25% to 1.65%) increase rates.

Tier I benefited from the issue of Euro 1.0 billion of perpetual subordinated debt securities with conditional coupons, approved by the Bank of Portugal to be included in Tier I up to 35% of the respective amount (+148 b.p. in Tier I and Total solvency ratio, but with no impact on the Core Tier I ratio).

Moreover, risk weighted assets also contributed to the favourable performance of capital ratios, showing a reduction in the amount of Euro 1,657 million in 2009, reflecting reinforced control over risk and efficient management of business expansion, in particular regarding loans collaterals, and the adoption of standardised approach for operational risk.

SOLVENCY

<i>Euro million</i>	<i>Standardised</i>		<i>Pro forma IRB ⁽¹⁾</i>
	<i>31 Dec. 09 ⁽²⁾</i>	<i>31 Dec.08</i>	<i>31 Dec. 09 ⁽²⁾</i>
Own Funds			
Tier I Capital	6,102	4,780	5,642
of which: Preference shares and Perpetual Subordinated Debt Securities with Conditioned Coupons	1,934	955	1,934
Other deduction ⁽³⁾	(19)	(60)	(641)
Tier II Capital	1,566	2,358	943
Deductions to Total Regulatory Capital	(127)	(81)	(127)
Total Regulatory Capital	7,541	7,057	6,458
Risk Weighted Assets	65,769	67,426	61,240
Solvency Ratios			
Core Tier I	6.4%	5.8%	7.1%
Tier I	9.3%	7.1%	9.2%
Tier II	2.2%	3.4%	1.3%
Total	11.5%	10.5%	10.5%

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

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

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

SEGMENTAL REPORTING

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

Segment descriptions

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

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

The Private Banking and Asset Management segment comprises the Private Banking network in Portugal, and subsidiary companies specialised in the asset management business.

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

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

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, based on average figures. Balance sheet headings for each subsidiary and business unit are re-calculated, given the replacement of their original own funds by the outcome of the capital allocation process, according to regulatory solvency criteria.

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

To ensure comparability for this information the structural changes that occurred in 2009 in the organisation of the segments were reflected in the 2008 figures. Companies was incorporated in the Retail Banking and Companies segment, while Corporate became part of the Corporate and Investment Banking segment. Also, ActivoBank7 was transferred from Retail Banking to Private Banking and Asset Management and Banque Privée BCP and Millennium bcp Bank Trust have been incorporated into Foreign Business, having previously been a part of Private Banking and Asset Management segment.

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

Retail Banking and Companies

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

Simultaneously, the margin from loans showed a favourable evolution, benefiting from the growth in average spread, following the repricing implemented.

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

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

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

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

<i>Euro million</i>	<u>31 Dec.09</u>	<u>31 Dec.08</u>	<u>Change 09 / 08</u>
Profit and loss account			
Net interest income	814.5	1,094.0	-25.5%
Other net income	485.3	465.7	4.2%
	<u>1,299.8</u>	<u>1,559.7</u>	-16.7%
Operating costs	774.9	800.7	-3.2%
Impairment	272.9	266.9	2.3%
Contribution before income taxes	252.0	492.1	-48.8%
Income taxes	66.8	130.4	-48.8%
Net contribution	<u>185.2</u>	<u>361.7</u>	-48.8%
Summary of indicators			
Allocated capital	1,522	1,656	
Return on allocated capital	12.2%	21.8%	
Risk weighted assets	30,449	33,122	
Cost to income ratio	59.6%	51.3%	
Loans to customers	45,369	45,710	-0.7%
Total customer funds	37,697	35,567	6.0%

Corporate and Investment Banking

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

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

Operating costs contributed positively, down from last year and showing sustained reductions since 2008, as well as synergies related to the merger process of Banco Millennium bcp Investimento into Banco Comercial Português.

Total customer funds were up by 18.5%, to Euro 11,150 million as at 31 December 2009, from Euro 9,406 million as at 31 December 2008. The growth in customer funds was determined by the 22.6% increase in customer deposits.

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

<i>Euro million</i>	31 Dec.09	31 Dec.08	Change 09 / 08
Profit and loss account			
Net interest income	209.4	145.5	43.9%
Other net income	201.9	190.2	6.2%
	411.3	335.7	22.5%
Operating costs	73.2	89.0	-17.7%
Impairment	135.1	101.0	33.8%
Contribution before income taxes	203.0	145.7	39.3%
Income taxes	54.5	41.1	32.2%
Net contribution	148.6	104.6	42.1%
Summary of indicators			
Allocated capital	729	735	
Return on allocated capital	20.4%	14.2%	
Risk weighted assets	14,569	14,707	
Cost to income ratio	17.8%	26.5%	
Loans to customers	12,962	13,131	-1.3%
Total customer funds	11,150	9,406	18.5%

Private Banking and Asset Management

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

The increase in net interest income, from the same period of 2008, reflects the increased cost of funding, as a result of the volatility and uncertainty evidenced by financial markets and the narrowing of spreads from deposits, due to the strong competitiveness to further increase customer funds. The reduction of the average spread for customer funds more than offset the increase in net interest income, which was influenced by the rise in the volume of loans to customers and by the rise in loans average spread. The lower level of commissions recorded in 2009 was hindered by the unfavourable volume effect related to commissions from asset management and investment funds and by lower trading commissions.

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

Loans to customers amounted to Euro 2,237 million as at 31 December 2009, a 10.5% growth from Euro 2,025 million as at 31 December 2008, sustained by the performance achieved in the Private Banking network in Portugal, following the efforts to expand the business base.

<i>Euro million</i>	31 Dec. 09	31 Dec. 08	Change 09 / 08
Profit and loss account			
Net interest income	37.3	40,1	-6.9%
Other net income	32.0	34,2	-6.5%
	69.3	74,3	-6.7%
Operating costs	42.3	48,9	-13.5%
Impairment	20.4	26,9	-24.0%
Contribution before income taxes	6.5	(1,5)	
Income taxes	1.6	(1,9)	
Net contribution	4.9	0,4	
Summary of indicators			
Allocated capital	67	86	
Return on allocated capital	7.3%	0.4%	
Risk weighted assets	1,348	1,711	
Cost to income ratio	61.1%	65.8%	
Loans to customers	2,237	2,025	10.5%
Total customer funds	7,328	7,277	0.7%

Foreign Business

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

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

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

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

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

<i>Euro million</i>	31 Dec. 09	31 Dec. 08	Change 09 / 08
Profit and loss account			
Net interest income	401.1	509.7	-21.3%
Other net income	383.2	391.8	-2.2%
	784.3	901.5	-13.0%
Operating costs	561.6	639.6	-12.2%
Impairment and provisions	193.6	103.6	86.9%
Contribution before income taxes	29.1	158.3	-81.6%
Income taxes	17.3	35.2	-50.6%
Net contribution	11.8	123.1	-90.4%
Summary of indicators			
Allocated capital	1,081	1,056	
Return on allocated capital	1.1%	11.7%	
Risk weighted assets	14,381	15,221	
Cost to income ratio	71.6%	71.0%	
Loans to customers	16,270	15,758	3.3%
Total customer funds (1)	16,199	15,297	5.9%

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

SIGNIFICANT EVENTS

The systematic process of adjustment of pricing conditions in Portugal and in international operations, seeking to reflect the real cost of credit and liquidity risk; the strict management of leakages/commercial exemptions, including net interest income and commissions, on all networks; the programs to expand business volumes and increase customer base retention across the Group's operations; increased efforts to reduce operating costs; integrated and prudent management of liquidity by focusing on optimising the funding cost in wholesale markets and the strengthening of customers' funds acquisition, and proactive risk and capital management, were the main events in the fourth quarter of 2009. Of particular note were:

- Already in 2010, an agreement was signed with the financial institution CREDIT EUROPE BANK, N.V., a wholly owned subsidiary of FIBA, HOLDING, A.S., in order to sale 95% of Millennium Bank AS in Turkey, by Banco Comercial Português Group;
- In February 2010 was successfully concluded the capital increase of Bank Millennium in Poland, of approximately Euro 258 million through a rights issue. The shares available to minority shareholders were almost four times oversubscribed;
- Conclusion of the Mediation Process, on November 9, organised by the Portuguese markets regulator, the "Comissão do Mercado de Valores Mobiliários" (CMVM), regarding disputes with shareholders over supposedly incorrect commercial approaches by the Bank's employees, in the so called "Shareholder Campaigns" in 2000 and 2001;
- Decision by the Supervisory Board of Banco Comercial Português, S.A., at a meeting held on 11 November 2009, to accept Mr. Armando Vara's request to suspend his mandate as Vice President of the Executive Board of Directors until the facts are established relating to investigation process, in which he is involved, as has been published in the media. The Supervisory Board also decided, in accordance with the law and its articles of association, to appoint Mr. Miguel Maya Dias Pinheiro as a Member of the Executive Board of Directors, as a substitute for Mr. Armando Vara;
- Nomination, on 13 November 2009, of the Board Member Mr. Vítor Manuel Lopes Fernandes as Deputy Chairman of the Executive Board of Directors, during the period of suspension of the mandate of Mr. Armando Vara, in addition to the Deputy Chairman of the Executive Board of Directors Mr. Paulo Macedo;
- Suspension of the negotiations with a Mozambican Group for the acquisition of a shareholding of up to 10% of Millennium bim, by mutual agreement;
- Millennium Meetings in Évora, on 14 and 15 October and in Funchal, on 16 and 17 November, as part of the strategy of strengthening the institutional and commercial dynamism of Millennium bcp, and inauguration of the exhibition "Shared Art Millennium bcp" at the Museum of Contemporary Art of Funchal;
- Participation of Millennium bcp in two new briefings, "ABC Markets", dedicated to Angola, organised by the Agency for Investment and External Commerce of Portugal;
- Participation of ActivoBank7 in the "Infovalor - 1st Savings and Investment Forum", to present the Bank's value proposition;
- Organisation by Millennium bcp of two conferences "Euro 2012 - Business opportunities in Poland and Ukraine", together with the Embassies of Poland and Ukraine, with the aim of presenting to Portuguese companies the projects related to European Football Championship in 2012 which will take place in these countries, and the investment opportunities arising from the event;
- Distinction of Millennium bcp as "Best Commercial Bank in Real Estate" in Portugal, by "Euromoney" magazine;
- Distinction of Millennium bcp as "Best Foreign Exchange Bank" in Portugal, by "Global Finance" magazine;

- Positioning of Millennium bcp in 35th place among the 55 largest European leasing companies, regarding to 2008 performance, making it the first Portuguese company in the ranking prepared by “Leaseurope”;
- Distinction of Millennium bcp as 6th among the 25 largest companies in Portugal in the scope of the Portugal’s Accountability Rating 2009, conducted by a leading consultancy firm in sustainable development;
- Distinction of Millennium bcp as “Leading Commended” in the category “Agent Banks in developed markets” in the annual survey conducted by “Global Custodian” magazine;
- Distinction of Ocidental Vida with the award “Great Life Insurance” in 2008, according to Exame magazine;
- Positioning of Bank Millennium in Poland in 18th place in the list of 50 largest Eastern banks, according to the study “Europe 500 - Major Companies in Central and Eastern Europe”, organised by the daily newspaper “Rzeczpospolita” and consultants “Deloitte”;
- Distinction of Millennium bank in Greece with the “Ermis Award”, from the Greek Advertising & Communications Association, in the “Greek Advertising Festival 2009”, for the Bank campaign dedicated to the product “Savings for All - Gnome”;
- Nomination of Millennium bim as 74th among the 100 largest banks in Africa, being the only bank in Mozambique to join this list prepared by “African Business” magazine;
- Election of Millennium bim’s brand by Mozambican consumers as the “Best Brand of Banking & Insurance”, in a study promoted by GfK, a renowned international expert, confirming that Millennium bim is the Mozambican bank with most spontaneous brand awareness.

ECONOMIC ENVIRONMENT

The world economy continued to expand over the fourth quarter though with distinctively differing performances across the various economic areas. Indeed, while in the U.S. and China the economic performance strengthened, in Japan and in Europe it tended to weaken somewhat. The world economy still faces many risks going forward but there is a growing consensus that the recessionary environment of the past two years has ended. This positive expectation lies at the heart of the recurrent positive revisions of the growth scenarios for 2010 presented by the main supranational institutions.

This transition phase in the economic cycle might end up being a challenging situation for authorities. They will have to judge carefully the economic environment in order to assess whether it is appropriate to remove the supportive measures for economic activity and financial systems that were put in place during 2008 and 2009. In this sense, there is an appreciable risk of some turbulence returning to financial markets and harming the business climate, as central banks review their monetary policies and Governments withdraw part of the stimulus measures. In the euro area, the European Central Bank (ECB) announced changes to the lending procedures that will eventually be reflected in short term interest rates moving higher and closer to the main refinancing rate of the ECB. That means slightly tighter financial conditions ahead. At the same time, public finances have weakened due to the efforts committed to steering the economic activity and to rein in unemployment. Assessing the sustainability of public finances over the long run, plus an evaluation of the underlying competitiveness framework and the available financial slack of each country, have become a key issue for financial markets, pushing the initial concerns with private sector credit risks up to the sovereign level. In fact, while over the past months risk premiums charged on private sector debt have been declining, the opposite has happened to some sovereign issuers, particularly those countries where the indebtedness levels were higher, restraining the margin of manoeuvre for further accommodative fiscal measures. Within this context, the upward trend in stock markets halted and a mild correction ensued. The US dollar appreciated against the euro, benefiting from both a stronger relative growth dynamic and from the uncertainty that recently erupted involving EMU institutions.

Economic activity in Portugal has also improved over the second half of 2009, as it has with other EMU countries. For the whole year, real GDP is estimated to have decreased slightly less than 3%. For 2010, it is expected that GDP will post a modest gain of 0.5% to 1% in real terms. Poland seems to have been the sole EU country to record positive GDP growth in 2009, and prospects for 2010 continue to improve. This positive environment has been highly favourable for the zloty while ending the monetary easing cycle of the National Bank of Poland. In Greece, the comprehensive fiscal consolidation path endorsed in the stability and growth plan and the more stringent financing conditions in the global market will probably weigh on the country's growth potential over the medium term. In Angola and Mozambique, the improvement of world trade and the vigour of the main importers of basic raw materials are supportive of a better outlook for 2010.

The banking business continues to deal with the lagging effects of the economic and financial crisis, namely deteriorating asset quality and subdued business volumes. The underlying economic condition is weak enough to prevent investment spending to pick up meaningfully and there is great uncertainty on accessing medium-to-long term stable funding. As such, in the euro area, on average, credit granted to domestic residents decreased versus a year ago, whereas in Portugal credit dynamics proved slightly better as credit volumes were barely unchanged over the same period and some revival in mortgage loans took place late in the year. Currently there are several proposed amendments to the financial system's regulatory framework being considered predominantly targeting capital adequacy and liquidity. These proposals may have far reaching consequences for the banking industry, as they might bring about changes in risk-taking capacity, in the composition of capital and in liquidity management. They will be under careful examination and further calibration through the year and their final implementation is expected only to take place gradually over the next few years. The simultaneous profound changes in the regulatory and supervisory framework will surely be of relevance for the financial sector and might encourage institutional changes along with it.

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The 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.

Figures for 2008 and 2009 were subject to an audit by External Auditors.

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the years ended 31 December, 2009 and 2008

	<u>2009</u>	<u>2008</u>
	(Thousands of Euros)	
Interest income	3,639,479	5,269,597
Interest expense	<u>(2,305,324)</u>	<u>(3,548,549)</u>
Net interest income	1,334,155	1,721,048
Dividends from equity instruments	3,336	36,816
Net fees and commission income	731,731	740,417
Net gains / losses arising from trading and hedging activities	249,827	280,203
Net gains / losses arising from available for sale financial assets	(24,457)	(262,104)
Other operating income	<u>41,137</u>	<u>57,580</u>
	2,335,729	2,573,960
Other net income from non banking activity	<u>16,233</u>	<u>17,390</u>
Total operating income	2,351,962	2,591,350
Staff costs	865,337	915,307
Other administrative costs	570,177	642,641
Depreciation	<u>104,736</u>	<u>112,843</u>
Operating costs	1,540,250	1,670,791
	811,712	920,559
Loans impairment	(560,029)	(544,699)
Other assets impairment	(70,485)	(60,024)
Other provisions	<u>(26,871)</u>	<u>15,500</u>
Operating profit	154,327	331,336
Share of profit of associates under the equity method	66,262	19,080
Gains from the sale of subsidiaries and other assets	<u>74,930</u>	<u>(8,407)</u>
Profit before income tax	295,519	342,009
Income tax		
Current	(65,634)	(44,001)
Deferred	<u>19,417</u>	<u>(39,997)</u>
Profit after income tax	<u>249,302</u>	<u>258,011</u>
Attributable to:		
Shareholders of the Bank	225,217	201,182
Minority interests	<u>24,085</u>	<u>56,829</u>
Profit for the year	<u>249,302</u>	<u>258,011</u>

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 31 December, 2009 and 2008

	2009	2008
	(Thousands of Euros)	
Assets		
Cash and deposits at central banks	2,244,724	2,064,407
Loans and advances to credit institutions		
Repayable on demand	839,552	1,048,348
Other loans and advances	2,025,834	2,892,345
Loans and advances to customers	75,191,116	75,165,014
Financial assets held for trading	3,356,929	3,903,267
Financial assets available for sale	2,698,636	1,714,178
Assets with repurchase agreement	50,866	14,754
Hedging derivatives	465,848	117,305
Financial assets held to maturity	2,027,354	1,101,844
Investments in associated companies	438,918	343,934
Non current assets held for sale	1,343,163	826,276
Investment property	429,856	436,480
Property and equipment	645,818	745,818
Goodwill and intangible assets	534,995	540,228
Current tax assets	24,774	18,127
Deferred tax assets	584,250	586,952
Other assets	2,647,777	2,904,447
	<u>95,550,410</u>	<u>94,423,724</u>
Liabilities		
Amounts owed to central banks	3,409,031	3,342,301
Amounts owed to others credit institutions	6,896,641	5,997,066
Amounts owed to customers	46,307,233	44,907,168
Debt securities	19,953,227	20,515,566
Financial liabilities held for trading	1,072,324	2,138,815
Other financial liabilities held for trading		
at fair value through results	6,345,583	6,714,323
Hedging derivatives	75,483	350,960
Non current liabilities held for sale	435,832	-
Provisions for liabilities and charges	233,120	221,836
Subordinated debt	2,231,714	2,598,660
Current income tax liabilities	10,795	4,826
Deferred income tax liabilities	416	336
Other liabilities	1,358,210	1,383,633
	<u>88,329,609</u>	<u>88,175,490</u>
Equity		
Share capital	4,694,600	4,694,600
Treasury stock	(85,548)	(58,631)
Share premium	192,122	183,368
Preference shares	1,000,000	1,000,000
Other capital instruments	1,000,000	-
Fair value reserves	93,760	214,593
Reserves and retained earnings	(243,655)	(274,622)
Profit for the year attributable to Shareholders	225,217	201,182
	<u>6,876,496</u>	<u>5,960,490</u>
Total Equity attributable to Shareholders of the Bank	6,876,496	5,960,490
Minority interests	344,305	287,744
	<u>7,220,801</u>	<u>6,248,234</u>
Total Equity	<u>95,550,410</u>	<u>94,423,724</u>