2007-01-30

Millennium bcp earnings release for 2006

- **Consolidated net income of Euro 780 million;**
- **Recurrent net income up by 28%;**
- **Earnings per share (recurrent and comparable) up 26% to € 0.20 (€ 0.16 in 2005);**
- **Return on equity (ROE) stood at 21%;**
- **Recurrent net income in Portugal reached Euro 712 million (+30%);**
- **Considerable increase in recurrent net income from international operations (+51%) - particularly in Poland, Greece and Mozambique;**
- **Millennium Programme, even after its goals for 2006 were raised, was successfully implemented, and exceeded expectations;**
- **Net interest income up by 9% and net commissions by 9%;**
- **Reduction of operating costs in Portugal by 7% (y-o-y on a recurrent basis) and cost to income improved by 9.8 p.p. to 53.2% (63.0% in 2005);**
- **Consolidated effective income tax rate up from 10.4% in 2005 to 15.5% in 2006 (16.2% for activities in Portugal);**
- **Loans to customers, including securitised loans, increased by 12% and mortgage loans increased by 18%;**
- **Loans overdue by more than 90 days stable at 0.8% of total loans; the coverage ratio stood at 287.0%;**
- **Solvency ratio at 11.9% (Core Tier I at 5.5%);**
- **Gain of Euro 7.9 million in the fourth quarter from the sale of the Bank's stake in bcpbank Canada;**
- **Non-recurrent costs related to early retirements totalled Euro 32.8 million in the fourth quarter and to the negative impact of the changes in the Portuguese Municipal Tax (changes in both the tax rate and calculation method), influencing the deferred tax assets, amounted to Euro 18.3 million;**
- **In December 2006, Heidrick & Struggles classified the corporate governance model of Millennium bcp as being "Best Practice in Europe" - Millennium bcp was the only Portuguese bank included in the 15 European banks in the top of the ranking;**
- **Proposal of an annual dividend of 0.085 euros per share, which after deducting the 0.037 euros per share already distributed in November, represents an additional payment of 0.048 euros per share.**

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Financial Highlights

(values in million euros)	31 Dez. 06 [6]	31 Dez. 05 [6]	Change 06 / 05
Total Assets	79,259	76,850	3.1%
Loans to customers (net)	56,660	52,696	7.5%
Total Customers' funds [1]	57,239	56,135	2.0%
Net interest income	1,405.8	1,291.6	8.8%
Net operating revenues [2] [5]	2,703.7	2,402.9	12.5%
Operating costs [3]	1,543.7	1,555.7	-0.8%
Loan impairment provision (net of recoveries)	127.6	23.0	--
Income taxes	150.4	86.3	74.3%
Minority interests	52.0	78.6	-33.9%
Net income (excluding non-recurrent)	780.3	610.2	27.9%
Net income	779.9	753.5	3.5%
Net operating revenues / Average net assets [4] [5]	3.5%	3.2%	
Return on average assets (ROA)	1.0%	1.0%	
Income before taxes and minority interests / Average net assets [4]	1.3%	1.2%	
Return on average equity (ROE)	20.6%	24.1%	
Return on average equity (ROE) recurrent	20.8%	19.5%	
Income before taxes and minority interests / Average equity [4]	25.5%	28.3%	
Non performing loans / Total loans [4]	1.1%	1.1%	
Non performing loans, net / Total loans, net [4]	-1.1%	-1.4%	
Impairment for loans losses / Loans overdue by more than 90 days	287.0%	301.6%	
Impairment for loan losses / Non performing loans	199.8%	216.1%	
Operating costs / Net operating revenues [4] [5]	57.1%	64.7%	
Operating costs / Net operating revenues (Portugal) [4] [5]	53.2%	63.0%	
Staff costs / Net operating revenues [4] [5]	32.1%	37.3%	
Total regulatory capital (BoP)	6,657	6,977	
Risk-weighted assets	55,784	54,171	
Tier I Solvency ratio (BoP)	7.3%	7.4%	
Total Solvency ratio (BoP)	11.9%	12.9%	
Branches in Portugal	864	909	-5.0%
Employees (domestic banking activity)	10,876	11,510	-5.5%

(1) Amounts due to customers (including securities), Assets under management and Capitalisation insurance.
(2) Net interest income, Income from securities, Net commissions, Net gains from trading activity, Income arising from the equity method of consolidation, Other net operating income (according to rule 16/2004 from the Bank of Portugal).
(3) Staff costs, Other administrative costs and Depreciation (excluding non -recurrent events).
(4) According to rule 16/2004 from the Bank of Portugal.
(5) Net operating revenues excluding non -recurrent events.
(6) On a comparable basis, adjusted from the sold companies -Banco Comercial de Macau, Interbanco and bcpbank Canada- and the reduction of the shareholdings in Banque BCP France, Banque BCP Luxembourg.

Presenting Millennium bcp's 2006 full year earnings of 2006, Paulo Teixeira Pinto, Chairman of the Executive Board, commented:

"*2006 was an excellent year for the Bank, one in which we achieved our targets and delivered on our strategic priorities. In particular, we would highlight the increase in recurrent net income, up by 28% as a result of the improvement in cost efficiency, with cost-to-income ratio down to 53% in Portugal, the very good performance of Retail Banking in Portugal which exceeded its goals and ended the year with an execution rate of 116%, and the strong growth of our international operations, which posted a 42% loans to customers increase and accounted for 13% of the Group's total loans.*"

The Chairman of the Executive Board added that: "*This encouraging progress is the result of a solid increase in the top line, namely in net interest income and commissions, which rose by 9%, coupled with strict cost management, as illustrated by the 9.5% decrease in staff costs in Portugal, and the sound credit risk policies adopted by the Bank, with credit impairment charges better than expected, confirming the good credit quality of our portfolio.*"

Commenting on the outlook for 2007, Paulo Teixeira Pinto said: "*We are confident that the progressive and consistent recovery of the Portuguese economy, particularly visible in the export sector and in private investment, will be positive for the financial sector in general and, together with indicators of increasing confidence, will benefit Millennium bcp specifically given our privileged position, given the extent of our retail branch network and our leading position in the credit market. Another area that we should highlight is the positive impact that we expect to result from the implementation of Basel II as capital requirements become more adjusted to the risk profile of each financial institution. We look ahead to adopt the IRB Advanced methodology for the loans portfolio in the Group's main operations and will be supported by the improvements in risk assessment practices and in risk management and monitoring that have been implemented.*"

The Chairman concluded his statement with a word about the offer for BPI: "*The process is still under analysis at the Portuguese Competition Authority. We would expect, however, that some remedies might be agreed, as part of the conditions under which the Competition Authority will not oppose the offer, and that thereafter the process will evolve quickly towards the definitive registration and launch of the offer phase. As we have publicly said on previous occasions, it is our understanding that only then will it be appropriate to hold a specific Shareholder Meeting to discuss the offer – until then we believe it is premature to draw any conclusions about the final decision of the shareholders. I would conclude by mentioning the agreement signed on January 29, 2007 with certain BPI shareholders for the acquisition by Banco Comercial Português of 10.5% of BPI's share capital, thus increasing our stake to 12.1% and making us BPI's third largest shareholder. We see this development as a very positive step towards acquiring control of BPI, reinforcing our confidence in the outcome of the offer.*"

SIGNIFICANT EVENTS

The main events in Millennium bcp's activities in the fourth quarter of 2006 were: (i) the reiteration of the strategy of concentrating on core businesses; (ii) the conclusion of the rebranding process of the Bank's international operations; (iii) the deepening of the operating transformation processes; (iv) the reinforcement of the Bank's commitment to social responsibility; and (v) the promotion of new commercial initiatives. Of particular note:

- Completion of the sale to Canada's BMO Financial Group (originally Bank of Montreal) of 100% of bcpbank Canada's share capital for a consideration of CAD 40.9 million (27.4 million euros);
- Agreement of Millennium bcp and Group BCP Pension Fund with EDP - Energias de Portugal for the disposal of the entire participation in ONI SGPS, corresponding to 23.062% of ONI's share capital;
- Completion of the tender offer for up to 16% of the share capital of Bank Millennium S.A. in Poland with 131,701,722 shares being acquired, corresponding to 15.51% of Bank Millennium

S.A. share capital and voting rights, at the price of PLN 7.30 per share, so increasing the Bank's holding to 556,325,794 shares, corresponding to 65.51% of Bank Millennium S.A. share capital and voting rights;

- Conclusion of the Bank's rebranding process of its international operations, with the transformation of Banque Privée BCP into Millennium Banque Privée, of NovaBank into Millennium bank and of BankEuropa into Millennium bank, proceeding the refoundation spirit and representing a key driver in the creation of a multi-domestic bank;
- Main patron of the arts of the third ANTECIPARTE, an exhibition of the contemporary art of young artists;
- Campaign to support the world's refugees, run together with the High Commissariat of the United Nations for Refugees (UNHCR/ACNUR);
- Launching of two new cards in the Polish market, the Millennium MasterCard and the Millennium MasterCard Gold, making Millennium bank the first Polish Bank to offer cards from the Visa, MasterCard and American Express networks;
- Inauguration of a new Millennium bank Financial Centre, in the centre Warsaw, gathering under one roof all the different business segments: Retail, Small Business, Private and Prestige (example of the new branch type that Millennium bank is launching as part of its expansion program);
- Opening of 12 new branches in Poland and 16 new branches in Greece in the fourth quarter, as part of the branch network expansion project in both markets, making a total of 354 and 148 branches, respectively, at the end of 2006;
- Euro 600 million RMBS issued by Millennium bank in Greece, the first securitisation operation carried out by a Portuguese bank's subsidiary;
- Millennium bcp ranked as the leading financial institution in Portugal, according to a study carried out by InterCampus, concerning the image recognition;
- Seguradora Internacional de Moçambique (SIM) reached the leadership in the Mozambique insurance market, controlled by Millennium bim;
- Millennium bcp was elected "Best Private Bank" in Portugal by the Euromoney magazine;
- The "Ermis Golden Award" was awarded to Millennium bank in Greece, in the Banking and Insurance Services category, by the 2005 Private Banking advertising campaign.

FINANCIAL REVIEW

BCP's financial statements were prepared in compliance with Regulation (EC) 1606/2002, of July 19th and in accordance with the reporting statements defined by the Bank of Portugal (Notice nº1/2005), following the adoption by the Portuguese legal system of the European Commission Directive 2003/51/EC from June 18th of the European Parliament and Council.

With the aim of simplifying the analysis of the Group's results and balance sheet developments, the financial review is presented on a comparable basis, meaning that it excludes associated companies sold and non-recurrent results.

The associated companies sold in 2005 and 2006, previously fully consolidated for the following analysis, were considered by the equity method.

Consolidated net income of Millennium bcp reached Euro 780 million in 2006. On a comparable basis, excluding the impact of non-recurrent results, consolidated net income increased by 27.9% from 2005, demonstrating positive growth, in particular, net interest income, commissions and net income from trading activity, and also a reduction in operating costs. Return on equity stood at 20.6% and the return on assets at 1.0%.

Capital gains accounted in 2006 (from the sale of the shareholding in Interbanco, of 80.1% of the share capital of Banque BCP France and Banque BCP Luxembourg and of bcpbank Canada amounting to Euro 131.4 million) were mostly offset by non-recurrent costs accounted, related to the staff-resizing in Portugal, and by the change in the tax rate and calculation method in the Portuguese Municipal Tax, with impact in the deferred tax assets.

Consolidated net income reflects the dynamism of commercial activity, driven by the performance of Retail Banking in Portugal which saw a 42.8% growth in the net contribution compared to 2005 and exceeded the goals set (even after an upward revision for the end of 2006) for the Millennium Programme. The net contribution of international operations rose by 51.0% from the previous year, evidencing the growing importance of these operations to the Group, particularly the activities in Poland, Greece and Mozambique.

Net interest income increased 8.8% to Euro 1,405.8 million in 2006, from Euro 1,291.6 million in 2005, supported by both the higher volume of total customers' funds and loans to customers, in particular mortgage loans. Despite the continuing competitive framework, namely in lower risk products and segments, the net interest margin stood at 2.17% in 2006 (2.18% in 2005).

AVERAGE BALANCES

(Values in euro million, except yields)	31 Dec. 06		31 Dec. 05	
	Balance	Yield %	Balance	Yield %
Deposits in banks	6,965	4.29	7,276	4.65
Financial assets	3,414	5.46	3,341	5.96
Loans and advances to customers	54,512	5.21	50,506	4.69
	64,891	5.13	61,123	4.76
Assets held for sale	1,025	3.98	3,352	5.28
Interest earning assets	65,916	5.11	64,475	4.78
Non interest earning assets held for sale	49		192	
Other non interest earning assets	10,964		10,666	
	76,929		75,333	
Amounts owed to credit institutions	12,169	3.96	10,186	4.64
Amounts owed to customers	33,301	1.89	33,211	1.71
Debt securities	20,105	3.31	17,845	2.33
Subordinated debt	2,784	5.16	3,703	4.28
	68,359	2.81	64,945	2.49
Liabilities associated with assets held for sale	991	1.59	3,169	1.92
Interest bearing liabilities	69,350	2.79	68,114	2.46
Non int.bearing liab. assoc. w/assets held for sale	82		374	
Other non interest bearing liabilities	2,574		2,874	
Shareholders' equity and minority interests	4,923		3,971	
	76,929		75,333	
Net interest margin (1)		2.17		2.18

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

Net commissions were up by 9.1% and amounted to Euro 702.4 million in 2006, up from Euro 643.6 million in 2005, boosted by the activity in Portugal, Poland and Greece and driven by an innovative commercial approach which focused on the excellent customer service and was supported by a diversified offer of financial products and services adjusted to the risk profile and needs of the different market segments. The improvement in revenues from asset management and securities, cards and from credit operations influenced the favourable growth of net commissions in 2006.

Net trading income totalled Euro 394.8 million in 2006, an improved performance on the previous year, reflecting both improving dynamism and the Group's ability to take advantage of business opportunities, as well as the favourable growth of financial markets compared to 2005.

In 2006, the Group accounted for capital gains from assets sold as contribution to the pension fund, which partially offset losses from the high volatility in the financial markets in Turkey and the increased costs relating to changes in the legal framework of mortgage loans.

Net trading income in 2006 was supported by an improved level of income from trading securities and exchange instruments in the Portuguese, Polish and Greek markets, as well as, in Mozambique and Angola.

Other net operating income reached Euro 120.8 million in 2006, excluding gains from the sale of the shareholding in Interbanco, of 80.1% of the share capital of Banque BCP France and Banque BCP Luxembourg, and of bcpbank Canada, which amounted to Euro 131.4 million (of which Euro 7.9 million corresponded to gains from the sale of bcpbank Canada in the fourth quarter of 2006). The 10.4% increase in other net operating income compared to 2005 was mainly attributable to the rise of revenues in network fees, related to the bancassurance intermediation activity, and also by the growth of other banking services.

Dividends recorded in 2006, as a result of the shareholdings in Eureko, EDP and in Banco Sabadell, amounted to Euro 32.5 million, a reduction from Euro 58.1 million in the previous year, driven by the sale or reduction on investments in the securities portfolio.

Group equity accounted earnings stood at Euro 47.4 million in 2006, mainly influenced by income from the 49% shareholding in Millenniumbcp Fortis, which amounted to Euro 34.8 million. As stated previously, and for comparative purposes, the net income of previously fully-owned companies (Banco Comercial de Macau, Interbanco, Banque BCP France and Banque BCP Luxembourg and bcpbank Canada) was considered in this item of the profit and loss account.

OTHER INCOME

(values in euro million)	2006	2005	Change 06/05
Net commissions			
Cards	150.3	145.3	3.4%
Asset management and securities	198.4	183.8	7.9%
Credit operations	136.2	133.2	2.2%
Other	217.5	181.3	20.0%
	702.4	643.6	9.1%
Net trading income (1)	394.8	243.5	62.1%
Other net operating income (1)	120.8	109.4	10.4%
Dividends	32.5	58.1	-44.1%
Equity accounted earnings (2)	47.4	56.7	-16.4%
Total other income	1,297.9	1,111.3	16.8%
Other income / Net operating revenues (3)	48.0%	46.2%	

(1) Excluding non-recurrent events.
(2) Includes net income of the sold or partly sold companies: Banco Comercial de Macau and Interbanco in 2005 and Banque BCP France, Banque BCP Luxembourgo and bcpbank Canada in 2005 and 2006.
(3) Calculated according to rule 16/2004 from the Bank of Portugal, excluding non-recurrent events.

Operating costs (staff costs, other administrative costs and depreciation), excluding non-recurrent operations, decreased by 0.8%, from Euro 1,555.7 million in 2005 to Euro 1,543.7 million in 2006, benefiting from initiatives focused on achieving superior levels of operating efficiency. The evolution in operating costs also reflects the impact of expansion plans implemented in Poland and Greece and the rebranding process carried out in the Group's international operations. In Portugal, operating costs reduced by 6.5%, evidencing the improved cost to income ratio of 53.2% in 2006 (63.0% in 2005).

Staff costs reduced 3.3% to Euro 866.6 million in 2006, supported by the branch network rationalisation and staff-resizing measures implemented in Portugal. Nevertheless, staff numbers increased in the international operations, relating to the current expansion plans, in particular in Poland, Greece and Angola. Non-recurrent costs associated with early retirements amounted to Euro 235.5 million in 2005 and totalled Euro 146.1 million in 2006, of which Euro 32.8 million were accounted in the fourth quarter. In Portugal, there was a reduction of 634 employees since December 31, 2005.

In 2006, the Executive Board of Directors announced that the employees' Complementary Pension Plan would be financed through a new Defined Contribution Plan. Employees who were admitted to the Bank's pension scheme before the announcement date of this Plan will keep their rights under the previous Defined Benefit Plan. This measure will gradually reduce in future years the financial risks resulting from the Pension Fund.

Other administrative costs stood at Euro 570.0 million in 2006, up from Euro 536.2 million in 2005, and were influenced by the expansion strategy carried out in Poland and Greece and by the increased activity in several markets. However, in 2006, administrative costs were favourably influenced by the impact of savings achieved through the efficiency improvement programme and by the synergies from the Group's growing status as a multi-domestic institution. The effort in cost control was evidenced by the reduction in most administrative costs, in particular the costs associated with communication and maintenance, and by the growth of specific items, namely costs related to specialised services.

Depreciation reduced 13.5% over the year and stood at Euro 107.1 million in 2006, from Euro 123.8 million in 2005, supported by the IT outsourcing policy implemented and by the selective investment criteria followed by the Group.

OPERATING COSTS (1)

(values in euro million)	2006	2005	Change 06/05
Staff costs	866.6	895.7	-3.3%
Other administrative costs	570.0	536.2	6.3%
Depreciation	107.1	123.8	-13.5%
	1,543.7	1,555.7	-0.8%
Of which:			
Activity in Portugal	1,123.6	1,202.1	-6.5%
Foreign activity	420.1	353.6	18.8%
Operating costs / Total income (2)	53.2%	63.0%	

(1) Excluding non-recurrent events.

(2) Activity in Portugal. Calculated according to rule 16/2004 from the Bank of Portugal (excluding non-recurrent events).

Impairment for loan losses (net of recoveries) amounted to Euro 127.6 million in 2006 and totalled Euro 23.0 million in 2005. This evolution was determined by the high amount of loans recoveries achieved in the previous year and by the low level of provision charges booked in 2005. The provisioning effort, calculated as the proportion of impairment charges on the total credit portfolio, stood at 22 b.p. in 2006.

Total loans (including securitised) grew 11.7% from December 31, 2005, reaching Euro 61,907 million at December 31, 2006, boosted by mortgage loans, which increased 18.1% from the end of 2005. This evolution benefited from sales force dynamism and from the attractive value proposition presented by the Group in several markets, in particular the price to quality relationship regarding the excellence of services presented. In Portugal, mortgage loans increased 12.8% from December 31,2005, and loans to companies began to show greater dynamism in the second half of the year. Particularly noteworthy was the growth of total loans granted in the Bank's international operations (+42.5%), namely in Poland and Greece, with consumer credit starting to expand and mortgage loans continuing to increase, improving 45.4% and 63.0%, respectively, from December 31, 2005.

LOANS TO CUSTOMERS [1]

(values in euro million)	31 Dec. 06	31 Dec. 05	Change 06 / 05
Individuals			
Mortgage loans	24,743	20,949	18.1%
Consumer loans	4,166	3,728	11.8%
	28,909	24,677	17.2%
Companies			
Services	10,301	9,547	7.9%
Commerce	4,719	4,520	4.4%
Other	17,978	16,695	7.7%
	32,998	30,762	7.3%
Total	61,907	55,439	11.7%
Of which:			
Activity in Portugal	53,842	49,777	8.2%
Foreign activity	8,065	5,662	42.5%

(1) Includes securitised loans.

Credit quality continues to demonstrate the rigorous process of credit proposals approval and credit granted and the efficacy of the risk control instruments, evidenced by the stabilisation of the ratio of loans overdue by more than 90 days as a percentage of total loans at 0.8%, the same level as has been maintained since the third quarter of 2005. The respective coverage ratio stood at 287.0% at December 31, 2006.

LOANS OVERDUE BY MORE THAN 90 DAYS AND IMPAIRMENTS AT 31 DECEMBER 2006

(values in euro million)	Loans overdue by more than 90 days	Impairment for loan losses	Loans overdue > 90 days / Total Loans	Coverage ratio
Individuals				
Mortgage loans	62	200	0.3%	322.8%
Consumer loans	70	124	1.7%	176.3%
	132	324	0.5%	244.9%
Companies				
Services	39	202	0.4%	517.3%
Commerce	46	175	1.0%	378.6%
Other	219	551	1.2%	252.0%
	304	928	0.9%	305.4%
Total	436	1,252	0.8%	287.0%

Total customers' funds reached Euro 57,239 million at December 31,2006, up from Euro 56,135 million at the end of 2005, mainly driven by the growth of assets under management (+12.3%) and capitalisation insurance (+8.8%), which offset the lower deposits (-2.7%), chiefly influenced by the volatility of large institutional clients' deposits in Portugal. It should also be emphasised the favourable evolution of deposits in Retail Banking in Portugal and the increase of 7% in the European Banking segment. The continuous improvement and launch of innovative and competitive products, focused on the needs of the different investors' risk profiles, contributed to the growth of customers' funds, highlighting the performance of Retail Banking in Portugal (+4.0%), European Banking (+12.9%), in particular Millennium bank in Poland, and Private Banking and Asset Management (+6.4%).

TOTAL CUSTOMERS' FUNDS

(values in euro million)	31 Dec. 06	31 Dec. 05	Change 06 / 05
Balance sheet customers' funds			
Deposits	33,244	34,167	-2.7%
Debt securities	5,169	4,952	4.4%
	38,413	39,119	-1.8%
Off-balance sheet customers' funds			
Assets under management	10,069	8,969	12.3%
Capitalisation insurance	8,757	8,047	8.8%
	18,826	17,016	10.6%
Total	57,239	56,135	2.0%
Of which:			
Activity in Portugal	47,833	47,694	0.3%
Foreign activity	9,406	8,441	11.4%

The **solvency** indicators evolution was essentially determined by net income achieved for the year. The gains obtained from the sale or reduction of the shareholdings of non-strategic operations were mostly offset by non-recurrent staff costs, related to early retirements, and by the impact in the deferred tax assets from the changes to the Portuguese Municipal Tax (changes in the tax rate and calculation method).

Actuarial gains in 2006 and the enlargement of the Pension Funds' corridor favourably influenced Tier I capital. However, the investment carried out in the fourth quarter of 2006 to reinforce the shareholding in Millennium bank in Poland from 50% to 65.51% and the impact of IFRS transition adjustments, under the rules adopted by the Bank of Portugal, had a negative impact on Tier I capital.

Despite the business expansion, the efficient risk management restricted the rise of risk-weighted assets, as well as the securitisation programs, namely the mortgage securitisation operation "Magellan Mortgages Nº 4" in the third quarter of 2006, and the reduction of the risk related to the non-core operations sold in 2006.

The consolidated solvency ratio, at December 31,2006, according to the rules of the Bank of Portugal, stood at 11.9% (Tier I ratio at 7.3%).

SOLVENCY (BoP)

(values in euro million)	**31 Dec. 06**	**31 Dec. 05**
Tier One Capital		
Core	3,056	2,894
Preference shares	1,018	1,117
Total	4,074	4,011
Tier Two Capital		
Subordinated debt	2,764	3,289
Deductions	(181)	(323)
Total	2,583	2,966
Total Regulatory Capital	6,657	6,977
Risk Weighted Assets	55,784	54,171
Bank of Portugal ratios		
Core Tier I	5.5%	5.3%
Tier I	7.3%	7.4%
Tier II	4.6%	5.5%
Total	11.9%	12.9%

SEGMENTAL REPORTING

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

SEGMENTS DESCRIPTION

The strategic approach of Retail Banking in Portugal is to target "retail" customers, who appreciate a value proposition based on innovation and speed, and "prestige" and "business" customers, who for their specific interests, financial assets or income require a value proposition based on innovation and personalisation and a dedicated Account Manager. Within the scope of the Group's cross-selling strategy, Retail Banking also acts as a distribution channel for the financial products and services of Millennium bcp as a whole.

The Companies and Corporate segment includes 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 on an overall offer of traditional banking products complemented by specialised financing, and the Corporate network in Portugal, dedicated to corporate and institutional customers with an annual turnover in excess of Euro 100 million, providing a complete range of value added products and services. Since the beginning of 2006 this business area has included the International Corporate Banking business (moved from Private Banking Network) and the activity of the International Division.

The European Banking segment comprises the operations carried out in Poland, Greece and Turkey under the commercial brand Millennium bank. In Poland the Group is represented by a universal bank, and in Greece, by an operation based on the innovation of products and services. Despite its smaller size, the activity in Turkey is performed thought an operation focused on financial advising.

The Overseas Banking segment represents the Group's activity in markets outside Europe, and carried out through markets with a close connection to Portugal. This segment includes Millennium bcpbank in the United States, a local bank that serves the local population, namely, the Portuguese community, Millennium bim in Mozambique, a universal bank, targeting both companies and individual customers, and Millennium Angola.

The Investment Banking business is undertaken essentially by Millennium bcp investimento, a company specialised in capital markets, in providing strategic and financial advisory, specialised financial services – project finance, corporate finance, securities brokerage and equity research – and in structuring risk-hedging derivatives products.

The Private Banking and Asset Management activity comprises the Private Banking network in Portugal, the Millennium Banque Privée, a private banking platform incorporated under Swiss law, the ActivoBank7, a universal Bank, which maintains a focus on brokerage and on the selection and counselling of long-term investment products, and the subsidiaries companies specialised in the asset management business. The International Corporate Banking business moved to the Companies and Corporate segment in the beginning of 2006.

BUSINESS SEGMENTS ACTIVITY FOR 2006

The figures reported for each segment result from combining subsidiaries and business units and include the impact of capital allocation and balancing process for each entity in the balance sheet and in the profit and loss account, based on average figures.

Balance sheet headings for each subsidiary / business unit were re-calculated, through capital allocation, according to regulatory solvency criteria. Each operation is balanced through internal transfers of funds, which does not impact consolidated figures.

Each segment's net contribution included the impact of the transfers mentioned above and reflected the individual results of business units, independently from the percentage held by the Group, including the impacts of the transfers of funds.

The following information is based on financial statements prepared according to IFRS and to the organisational model for Millennium bcp's business areas.

For this analysis, the non-recurrent operations were excluded from each item and from each segment.

Retail Banking in Portugal

The favourable performance of Retail Banking in Portugal led to an increase in the net contribution, which reached Euro 396.0 million in 2006, a rise of 42.8% from Euro 277.4 million registered in 2005, reflecting the successful execution of the Millennium Programme during 2006. The Millennium Programme is aimed to implement initiatives focused on increasing net revenues of this business segment and delivered an execution rate of 116%. The growth of the net contribution boosted the return of allocated capital, from 32.2% at December 31, 2005 to 42.2% at December 31, 2006.

The growth in the net interest income by 16.1% to Euro 881.0 million in 2006 was a result of a combination of factors, mainly the protection of the intermediation rates, the increase of customer funds and loans to customers, in particular the growth of mortgage loans by 16.4% between December 31, 2005 and December 31, 2006.

The reinforcement of the value proposition, in the affluent segment, and the improvement of cross-selling indicators, in the mass-market segment, resulted in a higher level of commissions, which had a positive contribution to other net income (+9.0%).

Improved income and continuing costs reduction, which reflect the implementation of the staff-resizing measures, led to an improvement of cost to income ratio by around 10 p.p., from 64.3% in 2005 to 54.1% in 2006.

(values in euro million)	2006	2005	Change 06 / 05
Profit and loss account			
Net interest income	881.0	758.9	16.1%
Other net income	438.0	401.9	9.0%
	1,319.1	1,160.8	13.6%
Operating costs	713.9	746.8	-4.4%
Impairment and provisions	59.0	31.4	88.0%
Contribution before income taxes	546.2	382.6	42.8%
Income taxes	150.2	105.2	42.8%
Net contribution	396.0	277.4	42.8%
Summary of indicators			
Allocated capital	938	860	9.0%
Return on allocated capital	42.2%	32.2%	--
Risk weighted assets	19,573	17,836	9.7%
Cost to income ratio	54.1%	64.3%	--
Loans to customers	26,840	23,667	13.4%
Total customers' funds	32,574	31,330	4.0%

Companies and Corporate

The net contribution of the Companies and Corporate business segment totalled to Euro 241.4 million in 2006 (+6.2%), which together with the effective control in capital management led to an increase in the return on allocated capital to 21.8% at December 31, 2006.

Despite high level of competition in this business area, the net interest income grew by 8.0% between 2005 and 2006, as a result of efficient spread management and by the strong performance in loans to customers (+5.0%), despite the decrease in deposits, influenced by the volatility of large companies and institutional clients' deposits.

Changes in the customers' funds were determined mainly by the reallocation of institutional customers' funds from debt securities to stocks.

Other net income saw a decrease of 8.0% from 2005, mainly due to the lower level of commissions, influencing the execution rate of the Millennium Programme, which stood at 54% in 2006.

Cost to income improved from 24.5% in 2005 to 22.2% in 2006 as a result of higher net interest income and reduction in operating costs driven by the implementation of the staff-resizing measures. The impairment charges for credit losses remained almost unchanged throughout the year.

(values in euro million)	2006	2005	Change 06 / 05
Profit and loss account			
Net interest income	323.7	299.6	8.0%
Other net income	132.4	143.9	-8.0%
	456.1	443.6	2.8%
Operating costs	101.0	108.8	-7.1%
Impairment and provisions	22.1	21.4	3.3%
Contribution before income taxes	332.9	313.4	6.2%
Income taxes	91.6	86.2	6.2%
Net contribution	241.4	227.2	6.2%
Summary of indicators			
Allocated capital	1,107	1,068	3.6%
Return on allocated capital	21.8%	21.3%	--
Risk weighted assets	22,307	21,835	2.2%
Cost to income ratio	22.2%	24.5%	--
Loans to customers	16,734	15,939	5.0%
Total customers' funds	8,216	10,805	-24.0%

European Banking

In the European Banking the net contribution grew by 28.9% to Euro 65.9 million in 2006, from Euro 51.1 million in 2005, leading to a higher return on allocated capital, from 9.6% at the end of 2005 to 11.8% at the end of 2006.

The expansion of the commercial activity in Poland and Greece led to the increase in the total income and offset the rise in the impairment charges for credit losses and the rise of operating costs, caused by the development in business and by the investments associated to the rebranding and to the network expansion carried out in these markets. The cost to income improved from 80.1% in 2005 to 75.3% in 2006.

As of December 31, 2006, loans to customers improved significantly (+49.2%) from December 31, 2005 reaching Euro 7,120 million. Total customers' funds also showed an increase during the year (+12.9%). This performance is a direct result of the strategy with the focus on organic growth developed for the Polish and the Greek markets, supported by the continuous launch of innovative and targeted products and services.

(values in euro million)	**2006**	**2005**	**Change 06 / 05**
Profit and loss account (1)			
Net interest income	240.3	149.1	61.1%
Other net income	208.4	209.2	-0.4%
	448.6	358.3	25.2%
Operating costs	337.7	286.8	17.7%
Impairment and provisions	22.5	6.5	--
Contribution before income taxes	88.4	64.9	36.2%
Income taxes and minority interests	22.5	13.8	63.0%
Net contribution	65.9	51.1	28.9%
Summary of indicators (1)			
Allocated capital	560	530	5.5%
Return on allocated capital	11.8%	9.6%	--
Risk weighted assets	6,778	4,985	36.0%
Cost to income ratio	75.3%	80.1%	--
Loans to customers	7,120	4,771	49.2%
Total customers' funds	8,181	7,248	12.9%

(1) Excludes Banque BCP France and Banque BCP Luxembourg.

Overseas Banking

Following the sale of the shareholdings in bcpbank Canada, in 2006, and in Banco Comercial de Macau, in 2005, these two companies were excluded from the analysis of the Overseas Banking business division. All financials reported are on a comparable basis

The net contribution of Overseas Banking increased by 59.9% and amounted to Euro 35.0 million in 2006 (Euro 21.9 million in 2005), benefiting from the performance of Millenium bim in Mozambique, driven by the rise in other net income, as well as the growth in the net interest income as a result of higher local interest rates. The return on allocated capital rose to 48.7% as of December 31, 2006 from 35.1% as of the end of 2005. Despite the higher operating costs, the cost to income ratio remained at the same level and stood at 67.6% in 2006.

Business volumes performed well, supported by the good performance of Millennium Angola, loans to customers increasing by 8.4% to Euro 742 million at December 31, 2006. Total customers' funds reached Euro 1,226 million, a 2.8% rise from the end of 2005.

(values in euro million)	**2006**	**2005**	**Change 06 / 05**
Profit and loss account [1]			
Net interest income	73.9	52.0	42.2%
Other net income	48.1	44.9	7.2%
	121.9	96.8	26.0%
Operating costs	82.4	65.3	26.3%
Impairment and provisions	3.1	5.5	-44.2%
Contribution before income taxes	36.5	26.1	40.0%
Income taxes and minority interests	1.5	4.2	-64.1%
Net contribution	35.0	21.9	59.9%
Summary of indicators [1]			
Allocated capital	72	62	15.1%
Return on allocated capital	48.7%	35.1%	--
Risk weighted assets	875	815	7.4%
Cost to income ratio	67.6%	67.4%	--
Loans to customers	742	684	8.4%
Total customers' funds	1,226	1,193	2.8%

(1) Excludes Banco Comercial de Macau and bcpbank Canada.

Investment Banking

Net contribution of Investment Banking amounted Euro 64.4 million in 2006 (Euro 83.0 million in 2005), mainly influenced by the evolution in the net interest income. The performance of net interest income includes the impacts from increased funding rates associated with the trading portfolio that are reflected in net trading operations, and the maturity of structured products issues that benefited from more favourable financing conditions.

Other net income saw a slight reduction from 2005, despite the improvement during the second half of 2006 supported by higher commissions and by the increase of the activity. The reduction of operating costs and improved provisioning level between 2005 and 2006 did not offset the lower revenues over the period. The return on allocated capital stood at 40.2% and cost to income ratio at 35.0%.

Loans to customers increased from the end of 2005, mainly determined by the involvement of Millennium bcp investimento as lead arranger in significant project finance operations during the fourth quarter of 2006, in which Millennium bcp was also involved through a banking syndicate.

(values in euro million)	2006	2005	Change 06 / 05
Profit and loss account			
Net interest income	(23.3)	0.2	--
Other net income	166.1	169.3	-1.9%
	142.7	169.5	-15.8%
Operating costs	50.0	53.7	-7.0%
Impairment and provisions	1.9	5.3	-65.0%
Contribution before income taxes	90.9	110.4	-17.7%
Income taxes	26.5	27.4	-3.6%
Net contribution	64.4	83.0	-22.4%
Summary of indicators			
Allocated capital	160	131	22.4%
Return on allocated capital	40.2%	63.4%	--
Risk weighted assets	3,612	2,820	28.1%
Cost to income ratio	35.0%	31.7%	--
Loans to customers	702	499	40.6%

Private Banking and Asset Management

The increase of the net contribution of the Private Banking and Asset Management segment by 23.8% (from Euro 26.3 million in 2005 to Euro 32.6 million in 2006), together with the prudent management of the allocated capital, contributed to the improvement of the return on allocated capital, from 20.3% at the end of 2005 to 29.3% at the end of 2006.

Cost to income ratio performed well, from 69.6% in 2005 to 59.3% in 2006, benefiting from operating costs reduction and the revenues increase, in particular commissions and other income, related to the higher amount of assets under management.

Assets under management reached Euro 15,484 million as of December 31, 2006, an increase of 6.4% from the end of 2005, influenced by the growth in investment funds. Loans to customers stood at Euro 2,600 million as of December 31, 2006 (Euro 2,454 million as of December 31, 2005), benefiting from the increase in the business of Millennium Banque Privée, notwithstanding, the strategy followed by the Bank to limit its risk exposure.

(values in euro million)	2006	2005	Change 06 / 05
Profit and loss account			
Net interest income	42.1	42.7	-1.4%
Other net income	65.9	55.2	19.4%
	108.0	97.9	10.3%
Operating costs	64.1	68.1	-6.0%
Impairment and provisions	3.2	0.1	--
Contribution before income taxes	40.8	29.6	37.5%
Income taxes	8.2	3.3	145.2%
Net contribution	32.6	26.3	23.8%
Summary of indicators			
Allocated capital	111	129	-14.3%
Return on allocated capital	29.3%	20.3%	--
Risk weighted assets	2,306	2,233	3.3%
Cost to income ratio	59.3%	69.6%	--
Loans to customers	2,600	2,454	6.0%
Assets under management	15,484	14,554	6.4%

ECONOMIC ENVIRONMENT

World economic grew around 5% in 2006, benefiting from an increasing contribution to GDP growth from the developing economies. This performance, together with the recovery of domestic demand in Europe, due to a pick up in investment and consumption spending, mitigated the impact of the deceleration in economic activity recorded both in the US and in Japan, during the second half of 2006.

Not withstanding the sharp decline of oil prices since the end of the summer of 2006, lagged effects stemming from the ongoing economic recovery, the diminishing slack in manufacturing capacity and the delayed effects of past increases in energy prices continued to exert inflationary pressures. Hence in Europe, China and India the "normalization" of monetary conditions proceeded. The European Central Bank increased the refinancing rate from 2.25% at the end of 2005 to 3.50% in late December 2006, while in the US the sharp downturn in the housing market led the Federal Reserve to opt for unchanged rates, leaving the Fed Funds rate at 5.25%. The same happened in Japan, where the official discount rate remained at 0.25% from July onwards.

The fear of a more protracted slowdown of the US economy contributed to keep long-term interest rates at low levels. As global financing conditions remained favourable and corporates' earnings continued to surpass expectations an overall positive climate in most financial markets prevailed. Equity markets posted strong returns in 2006, emerging market debt and corporate bond spreads remained at low levels and capital markets were particularly active recording high volumes of corporate activity. In the last quarter, the US currency fell sharply, though remaining above the all time low recorded in 2004.

GDP growth in the euro area decelerated slightly in the third quarter of 2006 reflecting the negative contribution from the change in external demand and inventories. The strength of domestic demand resulted mainly from the resumption of higher consumption spending. The consistent recovery in labour markets and increasing corporate profits lends support to the view of a robust economic activity ahead. This external environment is particularly encouraging for the Portuguese economy as the current economic recovery has mainly relied on external demand. The latest economic data points to a gradual expansion of economic activity though at a slower pace than that of the euro area average. Portuguese GDP is estimated to have grown in real terms by about 1.3% in 2006, 1p.p. higher than the year before, with domestic demand contribution meaning less to growth. For the second year in a row, investment declined in real terms, with the sharp decline in the construction sector being noteworthy. The need to proceed with fiscal consolidation efforts, constraining public spending, and the foreseen increase in the service burden are headwinds for growth in the near term. However, the favourable external environment, the expected recovery in families' disposable income and the implementation of several investment projects, within a more confident environment, are expected to further reinforce the recovery path of the Portuguese economy.

In spite of the higher financing costs, banking activity continued to show a high dynamism supported by the increase in demand for credit, continued pursuit of efficiency gains and prudent and judicious capital allocation. Domestic credit grew about 10% in annual terms, with broad based gains across market segments, as non-monetary corporations' demand for credit shown a significant acceleration, in order to restructure their debt or to revamp organizational processes. The strong competition among domestic market players continues to be reflected in a further compression of intermediation margin rates, though there are some signs of a gradual discrimination in the credit spread according to risk classes, a trend to be reinforced this year due to the implementation of Basel II rules. It is also worth mentioning the increasing weight of results from foreign operations in domestic bank's profits. GDP growth is estimated to have grown by 5.5% in Poland, beating expectations, and by 4.0% in Greece, in 2006. For Mozambique another year of strong growth (about 8.0%) is expected and Angola should once again show an expansion in economic activity of almost 20%.

SHARE PRICE INDICATORS

	2006	2005
Shares outstanding – period end (thousands)	3,611,330	3,588,331
Shares outstanding – average (thousands)	3,604,741	3,258,153
Closing price – period end (euros)	2.80	2.33
Book value per share (euros)	1.06	0.91
Recurrent earnings per share basic (euros) (1)	0.20	0.18
Recurrent earnings per share diluted (euros)	0.20	0.16
Return on equity (ROE) recurrent	20.8%	19.5%

(1) Recurrent net income excluding dividends from preference shares/average shares outstanding (annualised).

"Disclaimer"

BANCO COMERCIAL PORTUGUÊS

Consolidated Income Statement
for the years ended 31 December, 2006 and 2005

	2006	2005
	(Thousands of Euros)	
Interest income	3,367,101	3,083,733
Interest expense	(1,936,341)	(1,676,074)
Net interest income	1,430,760	1,407,659
Dividends from equity instruments	32,494	58,771
Net fees and commission income	713,508	658,725
Net gains arising from trading and hedging activities	191,954	285,171
Net gains arising from available for sale financial assets	202,964	315,939
Other operating income	118,549	119,915
	2,690,229	2,846,180
Other net income from non banking activity	11,773	14,151
Total operating income	2,702,002	2,860,331
Staff costs	1,034,678	1,187,486
Other administrative costs	579,313	580,961
Depreciation	111,492	139,789
Operating costs	1,725,483	1,908,236
	976,519	952,095
Loans impairment	(129,743)	(113,494)
Other assets impairment	(19,413)	(19,717)
Other provisions	(15,951)	(37,521)
Operating profit	811,412	781,363
Share of profit of associates under the equity method	42,047	27,011
Gains from the sale of subsidiaries and other assets	130,640	129,562
Profit before income tax	984,099	937,936
Income tax		
Current	(87,936)	(72,934)
Deferred	(64,285)	(24,515)
Profit for the period	831,878	840,487
Attributable to:		
Shareholders of the Bank	779,894	753,490
Minority interests	51,984	86,997
	831,878	840,487

BANCO COMERCIAL PORTUGUÊS

Consolidated Balance Sheet as at 31 December, 2006 and 2005

	2006	2005
	(Thousands of Euros)	
Assets		
Cash and deposits at central banks	1,679,221	1,255,893
Loans and advances to credit institutions		
Repayable on demand	917,279	875,604
Other loans and advances	6,575,060	6,034,211
Loans and advances to customers	56,660,052	52,909,115
Financial assets held for trading	2,732,724	2,346,212
Financial assets available for sale	4,410,886	4,631,036
Assets with repurchasing agreement	4,048	80,603
Hedging derivatives	182,041	80,835
Held to maturity	-	20,372
Investments in associated companies	317,610	277,021
Non current assets held for sale	-	2,396,211
Property and equipment	741,297	838,601
Goodwill and intangible assets	532,391	380,489
Current tax assets	23,498	21,927
Deferred tax assets	551,459	676,088
Other assets	3,931,180	4,025,384
	79,258,746	76,849,602
Liabilities		
Amounts owed to central banks	539,335	58,861
Amounts owed to others credit institutions	12,124,716	11,206,019
Amounts owed to customers	33,244,197	34,395,431
Debt securities	22,687,354	18,230,381
Financial liabilities held for trading	873,485	818,045
Hedging derivatives	121,561	34,957
Non current liabilities held for sale	-	2,263,554
Provisions for liabilities and charges	211,141	277,425
Subordinated debt	2,932,922	2,960,069
Current income tax liabilities	42,416	13,721
Deferred income tax liabilities	80	42,698
Other liabilities	1,413,599	1,946,421
Total Liabilities	74,190,806	72,247,582
Equity		
Share capital	3,611,330	3,588,331
Treasury stock	(22,150)	(31,099)
Share premium	881,707	870,303
Preference shares	1,000,000	1,000,000
Other capital instruments	-	-
Fair value reserves	442,889	316,711
Reserves and retained earnings	(1,851,778)	(2,250,242)
Profit for the period attributable to Shareholders	779,894	753,490
Total Equity attributable to Shareholders of the Bank	4,841,892	4,247,494
Minority interests	226,048	354,526
Total Equity	5,067,940	4,602,020
	79,258,746	76,849,602