

FINAL TRANSCRIPT

Thomson StreetEventsSM

BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

Event Date/Time: Feb. 18. 2009 / 10:00AM ET

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

CORPORATE PARTICIPANTS

Paulo Macedo

Millennium bcp - Executive Vice Chairman

Pedro Martins

Millennium bcp - IR

Carlos Santos Ferreira

Millennium bcp - CEO

CONFERENCE CALL PARTICIPANTS

Carla Rebelo

Banif - Analyst

Jagoba Garcia

Fox-Pitt Kelton - Analyst

Daragh Quinn

Nomura - Analyst

Ignacio Cerezo

JPMorgan - Analyst

Matthew Gilbert

KBW - Analyst

David Vaamonde

Fidentis - Analyst

PRESENTATION

Operator

Good afternoon, ladies and gentlemen, and welcome to the Millennium bcp conference call for analysts and institutional investors hosted by Paulo Macedo Executive Vice President

(Operator Instructions)

I am now handing you over to Paulo Macedo to begin today's conference.

Paulo Macedo - Millennium bcp - Executive Vice Chairman

Good afternoon, ladies and gentlemen. Welcome and thank you for attending this conference call. Our CEO will join us later during the session and we'll be able to answer some questions, if needed.

I would like to begin by express, as we all know, that the past year was particularly challenging for the global financial sector. During the first half of 2008 we concentrating on reestablishing the bank stability and strategic focus as well as on reinforcing the capital ratio, namely via the right issue of EUR1.3 billion that we made in April 2008.

On the second half of the year we saw an unparalleled deterioration of international financial crisis, which led us to focus particularly on liquidity management, including the increase of contingency levels, adjustments to credit risk pricing, divestment of equity stakes. As you know, we have sold the BPI bank. As you have seen, we have just also received the clearance from the

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

Bank of Portugal to the transaction. We received this yesterday. And we have made our portfolio revaluation, as also we concentrate on cost reduction.

Millennium bcp is nowadays prepared to face the challenges ahead. We have strong and resilient retail franchises. We have reinforced our brand and reputation. I would like to emphasize in Portugal, for example, our customers' satisfaction index recovered and reached the highest level of the past three years. And we capture 174,000 new retail customers, which is the highest figure for the decade in Portugal.

The Bank has a balanced portfolio being present in a limited group of countries where the Millennium franchise is distinctive and allows for the diversification and additional growth potential. And as you know, we reinforce capital and liquidity ratio.

Our tier one capital ratio increased from 5.5% in 2007 to 7.1% in 2008. It's the ratio already reflected the adoption of the IRB Advanced, which authorization process is currently being analyzed by the Bank of Portugal and we should have notice soon on this process. The tier one ratio would have stood at 8.6. Anyhow, we may issue also non-diluted tier one securities if required.

The Group posted a profit of EUR201 million, which was greatly influenced by the negative impact of the depreciation stake the Bank held in the Bank of BPI. Excluding the specific items, net income was EUR426 million. Even in this challenging environment, there are a number of aspects of the Bank's performance, which deserve to be highlighted. So first of all, the operating income, which, excluding the impact of specific items, rose 7.7%, driven by a 12% increase in net interest income.

Customer deposits increased 14.4% and loans to customers rose 10.4%. The Group commercial network in Portugal and abroad grew 11%, adding 175 new branches to our network for worldwide.

Costs remain under control despite the expansion of the network, with an overall rise of just 3.3% and a decline in Portugal of 3.8%. The improvement in the Bank's consolidated cost to income ratio to 58.6 in 2008 from 60.3 in 2007, and in Portugal to 53.7 from 57.3.

Before passing on to Pedro Martins, who is going to give you the details on the performance of the Bank in 2008, I would like to end by introducing you the priorities that have been defined for 2009.

And the three priorities are soundness and trust based on a proactive and rigorous risk management and on integrated and prudent liquidity and capital management. Second, commitment and performance, with a deepening of our commitment with customers and maximizing customer funds and revenues, and accelerating cost reduction and organizational streamline. And third, sustainability and value with the adjustment of business models and materializing growth opportunities, as well as improving talent management and employee motivation.

I now ask Pedro Martins to start the presentation and, of course, after we'll be available for your questions. Thank you.

Pedro Martins - Millennium bcp - IR

Thank you very much. Good afternoon. Let's start with the highlights for 2008. First of all, in Portugal we are seeing a recovery of the business based on the core revenues growth and cost control. On international operations we surfaced from the impact from the current crisis.

Overall, there is a sustained volume growth mainly on deposits. On the risk side we are doing a prudent evaluation of the risks and impairment increase to support the current cycle and also due to the collateral revaluation debt that we are currently doing.

We believe that we have an adequate capital position that's in line with announced target of 6%. But anyhow we may issue non-diluted tier one instruments to meet future regulatory requirement.

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

Let's move forward to the Group and I know that you all have also already see this presentation and some of the numbers already announced. So regarding net income and excluding specific items, there was decrease of 27.4%. The specific items are highlighted on the right side, with the BPI stake have an impact of around EUR233 million.

On the stated net income decrease was 64.3% to EUR201 million. Operating profit before provisions increased 14.6% and here I would like to highlight that operating profit, it includes a positive impact in the Portuguese business of the results from the financial operations related to the economic hedging strategy associated with a fixed rate issue undertaken by the Bank using an interest rate swap that had a positive impact in terms of the results from financial operations.

We had a positive intermediation margin performance in spite of adverse financial market conditions. The net interest income increased 12%, quarter-on-quarter the increase was 14.7%. We have an extremely favorable volume effect, boosted by the increase in the business volumes either in loans or deposits and in all the geographies, which exceeded an unfavorable interest rate effect hindered by higher funding costs. Last quarter of 2008 was influenced by the repricing of credit operations sales, we will see aiming to adjust this to the competition framework and also to the market evolution, focusing in pricing alignments regarding higher cost of risk.

The core banking commissions grew year-on-year and also quarter-on-quarter. We are performing better in terms of the core banking business. Of course, the market environment where we are living in, capital markets related commissions decreased year-on-year and also quarter-on-quarter.

The Bank is showing a resilient core revenues growth, 7.2% comparing 2008 and 2007. And also a stable growth on a quarterly basis.

As was already said, there is a strong cost control and 2008 was still an expansion year. We opened 175 new branches all around all geographies. We have more 1.5 thousand employees anyhow the cost on increase 3.3% on consolidated basis. And the evolution on quarter-on-quarter, mainly when comparing the fourth quarter with the third quarter, we can see now a focus on efficiency and focus on cost control, we are reducing costs even in an expansion year, as it was 2008.

Regarding volumes, we have double digit growth, both in loans and also on balance sheet funds. Loans to companies increased 10.1%. Also, on the mortgage, 11.9%, with a lower growth rate on consumer loans, 5%. You will see that in Portugal the consumer loans growth is minor or negative. And on balance sheet customer funds, this is a critical thing in our days, increase almost 14%.

Regarding the quality and the credit quality, the credit quality, as it is expected with the current economic cycle, deteriorated. And the increasing cost of risk is mainly due to a low market value in terms of collaterals. You see that impairment charges increased significantly in the fourth quarter. I would like to highlight we fully used the positive impacts from the results from financial operations to increase the impairment charges.

So the Bank took an even more prudent approach to the revaluation of the collaterals and also to the portfolio potential risks. This was something that was possible and we are assuming a prudent revaluation of the risks in this depressed market environment.

Regarding quality and coverage, you can see here by portfolios we believe that we have a strong coverage ratio in all of the portfolios, 241.5% on the companies and around 160% on individual.

Regarding and looking at the gross impairments, again to see the effort done by the Bank in the fourth quarter. Regarding the recoveries, 2008 was a difficult year. During the year and is now implemented we completely changed the recovery internal process and we expect we have a much better performance during the year 2009.

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

On the liquidity position, we have here the refinancing needs of the long term debt. This is by quarters, 1.6 in the first quarter. We issued 1.5 billions with State guaranty. We have another 0.5 for second quarter and then only on the fourth quarter is the remaining need. Therefore 2009 we have EUR4.7 billion and another EUR4 billion in 2010.

Let me do some maths on the resources side, we have now currently a liquid assets portfolio that allow us to obtain additional EUR5 billion from ECB. We expect this portfolio to achieve EUR9 billion by year end. We already issue EUR1.5 billion state guaranty. We have available on the State guaranty between EUR2.5 billion and EUR3.5 billion. Let's consider 2.5. In terms of resources already available or already issue, we have EUR13 billion that more than covers the financial needs for 2009 and 2010.

On the commercial gap, and this is an assumption that we'll be highlighting and put some pressure also internally. We have been able to decrease the commercial gap year after year. We have now a commercial gap of 143%. This is a clear message for the Bank. The growth in credit needs to be funded by the growth in deposits going forward.

Regarding the pension fund, first of all I'd like to say that the pension fund is fully funded. The effective return of the fund was minus 14% and now it currently at December 2008 the shares represent around 23% of the total portfolio of the fund. In this graph you have evolution of the outside corridor with expected return on asset valuation. The non-financial losses are very close to zero. Then we have a change in the discount rate that had a positive impact.

We changed the mortality table on women to make it more near to the reality. With this revision of the mortality table, the non-financial losses have been decreasing year after year. That shows that the assumptions that we are using are proven to be the right ones.

In terms of the capital impact of these, as you know, there were changes in terms of the legislation, the change in actuarial losses was EUR827 million, the expected return of the fund was around 293 million euros, so deferred for capital purposes was EUR534 million.

On the capital position, as was already said, we closed the year with 5.8% core tier 1 and here we are not including the impact from the capital increase in our Angolan business. Angolan operations that will deliver us another 12 bps. We have also here a pro forma with IRB Advanced. With IRB Advanced there will be an impact in terms of the core tier 1 of 156 bps, tier 1 148 bps. You need to take into account that we are using the cap on a risk weighted assets that will be in place for 2009. This is 20% in terms of the change of the risk weighted assets.

Regarding the rating agencies, the notations have been reaffirmed by all the rating agencies. Here they are. You know them.

So let's move forward to Portugal. The net income in Portugal, and we are excluding from this analysis the specific items, the net income decreased 30% anyhow the operating profit before provisions increased 16%. That's some more details regarding the margin. The margin increased 8.3%, year-over-year there was a very good volume effect with the growth in terms of the volumes. And when compare it quarter-on-quarter, the increase was 15.5%.

Regarding net interest margin, we've been stable 1.82%. Anyhow, in the fourth quarter of 2008 there was an increase from 1.75% to 1.89% of the net interest margin.

Looking at the spreads, the credit repricing is already underway. This reflects the market conditions. On the corporate loans there was a significant and material increase during the fourth quarter. Mortgage loans, as you know, this is an anchor product for the Bank, the spreads continued to be lower than the others, even though they are increasing, but they are increasing at a slower pace. Of course with the change in the interest rates and the volatility in interest rates, spreads on deposits decreased significantly.

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

On the commissions side, talking again about the core banking business, excluding the capital related commissions, year-on-year was a decrease of 1.8%. But when looking at the quarter-on-quarter, the increase compared with last year, with the fourth quarter 2007, there is already an increase of 1.6% in terms of core banking commissions.

Again, the core revenues continues to show a growth, even in an extremely difficult environment. We are growing steadily quarter after quarter and this shows the strong franchise that we have. Even in the market conditions that are extremely difficult, the bank continues to grow in terms of the core operating income.

On the other side, on the operating costs, in spite of broader branch network, we opened 51 new branches in 2008, we closed 18, the net is 33. Nowadays we have 918 branches. We decreased the number of employees of 144 employees. The cost decreased 3.8% with extremely good performance on the admin costs that decreased 7.4%. Quarter-on-quarter the costs are decreasing, quarter-on-quarter was 7.7%.

On the volume side, looking only at Portugal, the consumer loans, the most risky product, are decreasing. We continue to have a growth in terms of the mortgages, is more or less in line with the market. And on the loans to companies, we are showing a strong growth of 8%. All in all, the credit loans to customers increased 6.6%. Most importantly, something that the Bank has made a strong commitment on the balance sheet customers' funds, we were able to show a 10% increase in Portugal on this item.

On the cost of risk, we took, as I already told you when looking at consolidated figures, we have a prudent approach to a depressed economy and to a 2009 that will be a difficult year. So we did a conservative review of the portfolio risk for this depressed market environment where we are living in.

We have these impacts in the fourth quarter that was explained. We don't foresee that this cost of risk will be going forward. Regarding coverage ratios, again, we have very strong coverage ratios, almost 300% on the Company's side and almost 200% on individuals side.

Gross impairment and recoveries, this is a picture that I showed to you when looking at consolidated figures. We can move on.

Regarding Poland, and I'm sure that you all saw the presentation from our Polish operations, the net income, stated net income decreased 10.4% due to a loss on options with clients that had an impact of EUR43 million in terms of the account in Poland. And the other operating income increased 8.1%, with the financial margin and commissions growing at 21.3%.

There is a strong net interest income growth benefiting both from a volumes and price trends. The net interest margins increased from 3.1% to 3.4% and the net interest income increased 44% compared with one year ago. On the commission side, again, as expected, capital markets related commissions decreased significantly in Poland. But on the core banking business we have an increase of around 23%.

We are improving the profitability of the Bank, although operating costs reflect the expansion plan. We opened 80 new branches. We have now 490 branches. We almost have more 1,000 employees. So, as expected, the cost increase 2.6%. But in terms of the quarter-on-quarter, the costs are stable.

On the volume side, the volume, there was a very strong volume growth on the loans to customers, 53%, and also very strong performance on deposit side, with an increase of 46%. Just on the mortgage side, I would like to highlight that the Bank is insured on all the amounts that are above 80% LTD.

On the cost of risk, the asset quality has been stable, impairments ratio at 3.4%. The impairment charges are increased somehow during this year, as expected in this market environment also in Poland. I would like to highlight that the negative impact from FX options were not mainly booked here, we were mainly booked on the results from financial operations and only a very small amount was included in provisions. So the FX options impact was in results on financial operations not on impairment charges.

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

Regarding market shares, as you can see, we have performed very well, mainly on deposits, with a market share increasing 1% in this year. On the loan side the increase was mainly on deposits, being one of the strong efforts made by the Bank during 2008.

Another issue on the mortgage loan installment and we have here a sensitivity analysis and I will highlight what you can see in the first graph on the right side. And that is an illustrative example of the evolution of the monthly installments in P&L. So in January 2009 these are more or less in line with the numbers that you saw in beginning of 2008. There was a strong decrease on the Swiss franc interest rate that until now more than compensated the PLN depreciation.

Since yesterday there was some issues regarding Poland. I'm sure that you all saw the presentation that was done by our Polish operation, where we show that due to the market situations, we have implemented a revised strategy that was announced last week. Bank Millennium has been able to adapt and to take advantage of market conditions during the last years. We started to do the same thing.

We know that the market conditions are different. So we are now reinforcing the branch based banking in retail, leveraging on retail network on our strong cross-selling capacities and optimizing the affluent model. We will also be focusing on SME clients.

We are also concentrating on achieving a higher efficiency and tight cost management, aiming at reducing the cost base, as you saw from that presentation. And we are also enforcing a more conservative risk management that we will for sure deliver next year.

Regarding Mozambique, you know that we are market leaders in Mozambique. We have a market share of almost 40%. Mozambique has been performing very well. The net income increased 25% more or less. The operating income before provision also shows the very good growth with the financial margin and commissions growing at 17.4%.

The financial margin increased 16.5%, mainly on the volume side. The price effect was very tiny, not material, net interest margin decreased from 11 to 10.3%. On commissions, commissions grew 20.7%.

We were also expanding in Mozambique. We opened another 15 branches. We recruited another 167 employees so the costs reflects expectation plan and increased 11% anyhow at much lower level than the operating income that grew at almost 20%.

In terms of the volumes, the growth is continues to be very healthy, 34% on loans to customers and 23% on deposits. There are no major issues on the credit quality. The coverage ratio is above 500% and overdue ratio is 0.8%.

Regarding Greece, and here the earnings were affected by the focus of the Bank on liquidity, on the growing on deposit side with an impact from the spread on deposits and also by reduction on disbursements of new loans for the year. The net income decreased 31% and the other operating income before provisions increased 6.8% with increase on financial margin and commissions of 9.3%.

The margin continues to grow despite the price competition on deposits, as you will see in terms of spreads that I will show to you in the next slide. And also from the impact of wider Euribor-ECBon the loan portfolio. The net interest income increased 8.1% with a net interest margin decreasing from 2.46% to 2.25% year-on-year. Even during the fourth quarter there was a decrease of the net interest margin, mainly due to the spreads on the deposit side.

During the fourth quarter we did a strong effort to increase spreads on the credit side. Numbers are there. This has been, in terms of on the credit side, on the business loans, you can see there more than 100 basis points, on the revolving and also on the mortgage loans. On the deposit side, there has been a further spread compression resulting from the intensification of the financial crisis. But it was compensated specially by the widening of the spreads on loans.

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

On the commission side there is a strong performance in spite of the impact of an increased focus on liquidity, which led to a slowdown in terms of the new loans and affected commissions. The commissions anyhow increased almost 14%.

On the operating costs, we opened another 13 new branches. We have recruited 143 employees. Cost increased 12.3%. That compares well with both average headcount that increased 14% and branch network increased 12.8%. We concluded the expansion cycle that started in 2007.

We continue during the 2008 investing in the building up of the retail franchise, with cost income ratio increased mainly due to the revenue side. The operating profit before provisions decreased 7%. The cost-side is under control, despite the expansion plan, and we still have an immature branch network. One out of three branches opened in less than three years ago. So there is a strong possibility to continue to load up these branches to increase the profitability of the Bank going forward.

Regarding volumes, we have reduced the commercial liquidity gap in Greece anyhow loans to customers increased 20%. But we have shown a greater increase in terms of customer deposits, with almost 23%.

In terms of the cost of risk, we improved the collection process that allows us to lower the cost of risk. And also diminish the impact in terms of P&L from the deteriorating economic conditions. The overdue ratio increased to 2.1% anyhow. The credit risk was mitigated by an increase of the portfolio of loans that are collateralized by real estate. And the weight of consumer credit decreased significantly in 2008.

We have increased a substantial customer and deposit acquisition in 2008 and we'll continue focusing on deposit gathering in 2009. We have reached new highs with more than 500,000 customers and more than EUR3.2 billion in deposits.

Regarding Angola, the results decreased from 2007, mainly due to the branch expansion plan. We increased to 16 branch from the nine that we had last year. The volumes continue to show very strong growth, 84% on the loans to customers and 86% on the customer funds. We expect to partnership with Sonangol and BPA to boost the growth and we are very confident on our operation in Angola.

Regarding the other international operations and looking at Romania, we still have encouraging initial figures and a good market acceptance. We have shown lower than expected net loss driven by operating cost savings. We did a very good effort on controlling the cost side. This is an operation that has been highly accepted by the clients. We have currently 65 branches in Romania.

Regarding the US, the volumes on the customer side continue to show growth. We are suffering of course from the global economic crisis and sharp reduction on interest rates in the US that affected deposit volumes and margins. There was also negative impact from the US economy. Total results decreased from 2008 compared to 2007, but this is a material impact here from the reversal of a net deferred tax asset that has driven results to this EUR6.1 million. We have shown the positive performance of the operating profit.

In Turkey, we are suffering from the impact of devaluation of the Turkish lira. Looking at local currency, there was a strong growth in terms of customer loans, up 20%. Looking in euros, this was a decrease of 3.9%. Anyhow, we have now 18 new branches in Turkey and the results benefited from the sale of the headquarters building.

So, conclusion. We are recovering the performance in Portugal and we are prudently preparing for a difficult year ahead of us. We have shown strong volume growth, particularly in deposits and other balance sheet customers' funds. On international business, we continue to have a strong growth, but the profitability reduced due to market conditions.

On liquidity side, we have a stable position. And also and what we believe to be an adequate capital position. And we also strongly believe that we have an adequate strategy to the current business environment, with focus on efficiency, risk, control and retail oriented.

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

The priorities were already seen by you. just to review with a slide and then I'll pass to Mr. Carlos Santos Ferreira that already arrive. Thank you very much.

Carlos Santos Ferreira - *Millennium bcp - CEO*

Well, ladies and gentlemen, I apologize for only joining the meeting now. I believe that Mr. Paulo Macedo and Mr. Martins, they have put the essential on the table. I real appreciate anyway to underline some five or six points.

First of all, in Portugal we have seen 2.6 million active clients and we have the largest branch network, 918 branches. Also in Portugal, we increase our on balance sheet customer funds and we increase these funds by 3 billion.

It has been rewarding for all of us that to the client satisfaction index recover and reached the highest level in the last three years. This has been really rewarding for all of us that are working in BCP. At same time, as you know, we have during 2008 reinforced tier 1 from 5.5 to 7.1 and with adoption of IRB Advanced, tier 1 will be 8.6.

With 8.6 we will satisfy the requirements of the Portuguese Central Bank that, as you know, is 8%. Anyway, we have some buffer on this matter. We have not taking into account the selling of the operation in Turkey. We have not taking into account the negotiations related with the 10% share in the Mozambique. All of these are very small, means very small basis points, but they mean something.

And we have not taking into account the Angola and Angola will be ready to increase of capital will be done this first quarter. I will say these months of February but I will prefer, because can be any kind of delays, to say it's first quarter. Anyway, we have not take these into account. And we have not take into account any issue of tier 1 instrument.

I believe that during 2008 we have improve our management mechanisms and that now we are comfortable, if it's possible to be comfortable nowadays, with our liquidity levels. And we believe that Pedro has told everybody that we have instruments and we have the assets to satisfy medium and long-term needs of liquidity of the Bank for 2009 and 2010.

And as you have seen in our accounts, we keeps the commercial gap and the transformation ratio has decreased. This means that we have make some options regarding to a more prudent way that is completely in accordance with the days that we are leaving.

Thank you very much.

Operator

Thank you. (Operator Instructions)

And the first question comes from the line of Carla Rebelo from Banif. Please go ahead.

Carla Rebelo - *Banif - Analyst*

Hello. Good afternoon. I have a couple of specific questions. The first has to do with the impact from the adoption of IRB models. In the Q3 presentation you had mentioned that the impact on the tier 1 ratio would be 110 bps. Now you're talking about 148. I was wondering if you could add some color on this difference.

Then regarding provisioning coverage, we saw a gradual but sustained decline in provision coverage during 2008 to a level close to 200%. What is the minimum level you would be comfortable regarding this item.

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

And also, regarding the leveraging process in the loans to deposits ratios, you now have a 143% ratio. I was also wondering what would be the comfortable you can be targeting for 2009. Thank you.

Pedro Martins - *Millennium bcp - IR*

Carla, thank you very much. Regarding the IRB model and the impact on the tier 1. The pro form numbers are done using 2008 numbers, using the methodology that will be in place in 2009. By saying this that 2008 there was a cap of 10% of the reduction on the risk weighted assets. In 2009 this cap is at 20%. So this is something that this is on legislation issued by the Bank of Portugal, in 2008 it includes the risk weighted asset as to 10%, in 2009 is up to 20%. And that is the major reasons for the change in terms of the IRB model.

Regarding the deleveraging process to what the Bank has been saying during the last quarter and also this quarter is that going forward in for 2009, we will grow on the credit side as much as we are growing on the deposit side. There is a strong commitment from the Bank regarding this. Of course we will prefer to decrease the level of the commercial gap. But this should be in the levels of 130%. But main issue is that what we are doing in terms of transforming deposits into credit. We want grow on deposit side to be at the same level as the growth in terms of credit side.

But of course we expect to see a gap reduction at the Group level going forward.

Carla Rebelo - *Banif - Analyst*

Okay. And so the question on the provisioning?

Operator

The next question comes from the line of Jagoba Garcia. Please go ahead.

Jagoba Garcia - *Fox-Pitt Kelton - Analyst*

Hi. Good afternoon. I have a few questions. First one is regarding capital. If you could give us some expected calendar on the implementation of the advanced models in 2009.

Also, if you could give us some color on the potential negative impact from procyclicality by using these advanced models.

And also, on the estimate that you've given from the use of IRB Advanced, I don't know if I'm doing these numbers correctly, but I get to a decline of 21.3% in risk weighted assets and you're talking about a cap of 20%. How does this work out?

Second thing is if you could give us the size of the gains from the interest rate swap in Portugal that you talked about and also if this can be considered non-recurrent.

And thirdly, if you could give us the figures for variable remuneration in 2007 and in 2008 what the evolution has been on this. Thank you.

Pedro Martins - *Millennium bcp - IR*

Carla, sorry in terms of the provision coverage. Of course, in this cycle we will allow to have a lower coverage ratio of more than 100%. We expect to have lower numbers than current ones. Then if the cycle returns to normalized level, we can see an increase

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

in terms of coverage ratio. But it will be always a comfortable ratio. Of course we need to take into account where we are in terms of the economy and where the cycle is.

Regarding your answers, Jacoba, and thank you for them, regarding the implementation of the model, we can separate it three types. In terms of the calendar, three evolution. First one, in March we expect to have under operational risk we are using a standard model going forward, we are not using it still. On the market risk we also expect to see a definition very soon from Bank of Portugal and maximum by September we expect to see the credit risk approved by the Bank of Portugal.

Regarding the size of the gain on the interest rate swap using the fair value hedge, this gain was booked on the fourth quarter. As you can imagine, we had suffered during all the other quarters and there was negative impact on the other quarters on similar, not the same, but on similar instruments. We are also suffering from the decrease in terms of the deposits spreads. But if you adjust this amount from this gain on the fair value hedge, this was EUR120 million.

Regarding the variable remuneration, let me try to get the numbers to you. I don't have it on my hand. But you need to understand that in 2008 there was several issues regarding the retirement of the employees. But what I can tell you is that for 2008, the variable remuneration was EUR8 million with zero for the board. And for 2007 included all these issues was EUR42.2 million. So there is a decrease in terms of the bonus of EUR34 million, more or less.

Jagoba Garcia - *Fox-Pitt Kelton - Analyst*

Okay, thank you.

Also, could you give us some color on the reduction of the implementation of advanced models. Do you expect or could we expect the actual figures to be much lower as a result of procyclicality of this advanced models? if we see some, for example, some reductions in your internal ratings from some of your corporate portfolios, could we see these reductions in risk weighted assets actually be much lower than what you initially estimated?

Pedro Martins - *Millennium bcp - IR*

Jacoba, the initial effect of adopting the IRB Advanced would be extremely positive. That's the immediate one that we have impact. Of course, in terms of the procyclicality of IRB, we'll start from much lower level, then we can have some gains and some losses, that would depend. We are using very conservative approach nowadays to LGD and PD regarding the credit, our credit portfolio, and that's something that we already included in the analysis that we are doing.

I don't have here with me a sensitivity analysis. I can give it to you and I could try to get it to you. But in the first instance we are going to have an extremely positive impact from the adoption of IRB Advanced.

Jagoba Garcia - *Fox-Pitt Kelton - Analyst*

Thank you.

Operator

Thank you. And the next question comes from the line of Daragh Quinn from Nomura. Please go ahead.

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

Daragh Quinn - *Nomura - Analyst*

Hi, good afternoon. Just a couple of questions. One, just again on the advanced methodology, could you explain again just some of the drivers behind what seems to be a very, very large increase relative to peers from adopting the advanced methodology.

The second question would be just your outlook for margins at a group level given the outlook for further cuts in interest rates.

And a final question just on your outlook for nonperforming loans on levels of the risk premium in 2009 for Portugal and GDP scenario would that outlook be based on? Thank you.

Pedro Martins - *Millennium bcp - IR*

Thank you. I did not understand your second question. First one was on the advanced, the third one was on nonperforming loans.

Daragh Quinn - *Nomura - Analyst*

Yes, the second question was just your outlook for margins at a group level given the current interest rate environment and the possibility of additional interest rate cuts.

Pedro Martins - *Millennium bcp - IR*

Okay. Going on the advanced, the main drivers of the reduction of the risk weighted assets is mainly on the mortgage book that we have. All the real estate is used as collateral. Our loan portfolio is also highly collateralized and that has also a strong reduction in terms of the risk weighted that is putted into this kind of portfolio. This is mainly the main driver in terms of the reduction of the risk weighted assets. This is why it comes from the credit side.

Regarding the margins, mainly I can talk to you about spreads because that's something that will be on our side. In terms of the interest rate, we expect to see the interest rates continue to go down.

Regarding the spreads, what we are doing, and that's something that I think became evident from the numbers of fourth quarter, we've been doing a strong effort in revising the pricing upwards. We'll continue to do the effort in 2009. We have strong objectives in terms of repricing for all the networks. We are improving on this and this will for sure give a good impact in terms of the P&L of the Bank.

Of course on the other side, as you know, the cost of funding is increasing. We have our issue with the State guaranty that the cost was around 195 bps, that we need to put the two together and trying to see where we can move, we are trying to move the increased cost of risk to the clients and that's something that we'll continue to see in BCP going forward.

Regarding nonperforming loans, you know we are in the very difficult economical environment. It will be driven by unemployment, -and also by the economic crisis in Europe, and in the world. If Portuguese exporters will continue to export at the same level, reduce for sure, but what would be the impact in terms of the Portuguese economy. We are looking at the decrease in terms of the GDP in Portugal, a recession in Portugal, as we are in every other country.

We expect to see an increase in terms of the ratios. But it's very difficult to tell you what will be in the next future in this kind of market environment. What we can tell is that we are using a prudent and conservative approach to risk evaluation. We did a strong effort during the fourth quarter to prepare ourselves to 2009. We'll see what's going to happen in 2009. Thank you.

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

Operator

Thank you. And the next question comes from the line of Ignacio Cerezo from JPMorgan. Please go ahead.

Ignacio Cerezo - JPMorgan - Analyst

Yes, hello. Good afternoon. I just had a quick question in terms of provisions. I'm sorry if you have said that in the conference call, but basically didn't understand whether some of the provisions we have seen this quarter were conservative to offset the capital gains on the hedging. And if that is the case, which is the amount of extraordinary provisions you have on this quarter? Thank you.

Pedro Martins - Millennium bcp - IR

Ignacio, thank you very much. Regarding the provisions, we were extremely conservative on the individual analysis and that's something that we did during the fourth quarter. We were extremely conservative on the individual analysis on the cost of risk. And you can consider that a change from the third quarter to the fourth quarter to be the size of the conservativeness that the Bank introduced into the analysis.

Also let us not forget it is also an impact in the first quarter and also in the third quarter of the collateral revaluation. That is something there. So you can compare the two quarters and consider the difference to be the level of conservativeness We surely expect to see a decrease during the first quarter of 2009. That's why we chose to use this prudent approach regarding provisioning and fully using the amount that was originated in the results from financial operations But compared two quarters you can consider to be the level of conservativeness of the Bank.

Ignacio Cerezo - JPMorgan - Analyst

And in terms of the collateral, sorry, which is the instrument which has suffer most this quarter? Are we talking about equity, fixed income, property?

Pedro Martins - Millennium bcp - IR

Mainly equity.

Ignacio Cerezo - JPMorgan - Analyst

Equity.

Pedro Martins - Millennium bcp - IR

As you could expect.

Ignacio Cerezo - JPMorgan - Analyst

Okay, thank you.

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

Operator

Thank you. And we have a question coming through the line of Matthew Gilbert from KBW. Please go ahead, Matthew.

Matthew Gilbert - KBW - Analyst

Hi. Good afternoon. I have a couple left questions. Concerning the 43 main losses on FX options in Poland, can you specify how much was booked in the trading line and how much in provisions? And how much additional impact can we expect in 2009?

Finally, have you any debt for asset swaps clients and particularly those invested in equities? Thank you.

Pedro Martins - Millennium bcp - IR

Matthew, thank you. I could not understand your second question.

Matthew Gilbert - KBW - Analyst

Have you needed to do any debt for asset swaps with clients, in particular those who are invested in equities.

Pedro Martins - Millennium bcp - IR

So, Matthew, are you talking about asset swaps with clients?

Matthew Gilbert - KBW - Analyst

Yes, for debts.

Pedro Martins - Millennium bcp - IR

No, no. Regarding the losses in Poland, the major part of them were done on results from financial operations. On provisions we are talking about around 10 million zlotys. That depends, then, on the numbers but there was mainly results from financial operations, I don't know if you attended the conference call during the presentation of Bank Millennium. But we were the first movers, -the one of the first banks, not to say the first bank, to attack the issue. We were one of the first banks to go to the clients and trying to see what's happening. We reduced the number of this kind of product that were sold to the client by more than half. We are mainly looking at the natural hedges that these clients have with us.

Regarding the numbers, and I will give you these numbers in zlotys and you can have it in euros in terms of the provisioning was around EUR11 million zlotys and in trading is EUR152 million zlotys, more or less.

Matthew Gilbert - KBW - Analyst

Okay, thank you. Do you expect an impact in 2009 from this?

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

Pedro Martins - *Millennium bcp - IR*

It will depend on the evolution of zloty but we have attacked all the major issues. Now what we are having, we have analyzed this case by case, client by client, situation by situation and this was fully looked by the auditors in Poland. They looked at all the contracts, all the cases, all the clients to make sure that the Bank was fully protected on that side.

We used not the year-end numbers in those cases. We went through the month of January and what we have nowadays is mainly other natural hedges, the exporters that have a natural position, that they need to hedge. We don't foresee to have a material impact going forward, the material impact was mainly already in 2008 figures.

Matthew Gilbert - *KBW - Analyst*

Thank you.

Operator

Thank you. And the next question is a follow-up question from Jagoba Garcia from Fox-Pitt Kelton. Please go ahead.

Jagoba Garcia - *Fox-Pitt Kelton - Analyst*

Hi. Just one last question. You booked EUR29 million of other provisions in the quarter in Portugal. Can you explain what this provisions are related to? Thank you.

Pedro Martins - *Millennium bcp - IR*

Jagoba, this was mainly due to the revaluations of some of real estate that we received and some of the resets of the Bank. These are the main issues. Those are mainly foreclosed properties and the revaluations of these.

Jagoba Garcia - *Fox-Pitt Kelton - Analyst*

Thanks.

Operator

Thank you. And the next question comes from the line of David Vaamonde from Fidentis. Please go ahead.

David Vaamonde - *Fidentis - Analyst*

Yes, hello, Pedro. I was wondering if BCP were to issue preferred shares to support capital, what would be the interest rate you are planning to pay, if there is any reference you can give.

And secondly, what would be the buyer of those securities? I'm thinking of the wholesale market, which is pretty tight at the moment. I'm thinking of private institutional investor through the branch network. Or to the government. I know that the Portuguese government has a fund of EUR4 billion for this purposes, so I was wondering if you are planning to use that fund. I know that the chairman yesterday said that that's not a possibility at the moment, but I was wondering if you could comment on that. Thank you.

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

Pedro Martins - *Millennium bcp - IR*

Thank you, David. But since we are talking about a non-dilutive instrument, in terms of the Portuguese law, these these are non-dilutive instruments.

Regarding the potential buyer of this kind of instruments, we have not yet defined the amount nor the cash basis nor the quarter when we'll be issuing this to depend on the evolution of all the other projects that we are running. And I don't know if you saw the press release that we...

David Vaamonde - *Fidentis - Analyst*

Yes.

Pedro Martins - *Millennium bcp - IR*

...sent today. So there are several things that we are doing to increase the capital position. This will be mainly on the supplementary basis. Regarding State, I think it became clear yesterday from what the president of the Bank said, no?

David Vaamonde - *Fidentis - Analyst*

Yes.

Pedro Martins - *Millennium bcp - IR*

This is not the issue for this space. If you have institutional investors in Portugal, of course we have the wholesale market that would be accepting this type of instrument. We also have our retail network that would be also accepting this type of instrument. Is not clear yet where we are going to put our most effort, it could be a mix of this

David Vaamonde - *Fidentis - Analyst*

Okay, thank you.

Operator

Thank you. And we have no further questions coming through, so I'd like to hand you back to your host to conclude today's conference. Thank you.

We have no further questions coming through, so I'll hand you back to your host to conclude today's conference. Thank you.

Carlos Santos Ferreira - *Millennium bcp - CEO*

Okay, ladies and gentlemen, I hope that we have achieved to answer properly your questions. I want you to know that we in the Bank, and I hope this is your view, we feel more comfortable now than some months before. And I must thank you for all the attention that you have been giving -- that you give to BCP, and I hope that we can meet again in two or -- I would say in two months to discuss the results of the first quarter that must be seen, I hope, as a more normal year. Thank you very much.

Feb. 18. 2009 / 10:00AM, BCP.F - Q4 2008 Millennium bcp Earnings Conference Call

Operator

Thank you, ladies and gentlemen, for joining today's conference. You may now replace your handset.

DISCLAIMER

Thomson Financial reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES THOMSON FINANCIAL OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2009, Thomson Financial. All Rights Reserved.