

# **Earnings Presentation Full Year 2007**

**19 February 2008**

# DISCLAIMER

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- The information in this presentation has been prepared under the scope of the International Financial Reporting Standards ('IFRS') project of BCP Group for the purposes of the preparation of the consolidated financial statements under Regulation (CE) 1606/2002.
- The figures presented do not constitute any form of commitment by BCP in regard to earnings.

# Main Topics

- **2007 earnings detail**
- Economic and Financial Environment
- Priorities and mid-term targets

# Highlights

**1**

Internal issues, demanding market conditions with increased cost of funding, increased competition and regulatory changes in Portugal.

**2**

Commercial activity strong in Portugal, particularly in customers funds. Mortgage loans growth in line with market.

**3**

Specific items and increased provisions with negative impact on profitability in Portugal. Costs strictly under control.

**4**

Strong volume growth in International Operations with sustained growth of profitability despite substantial investment in course.

**5**

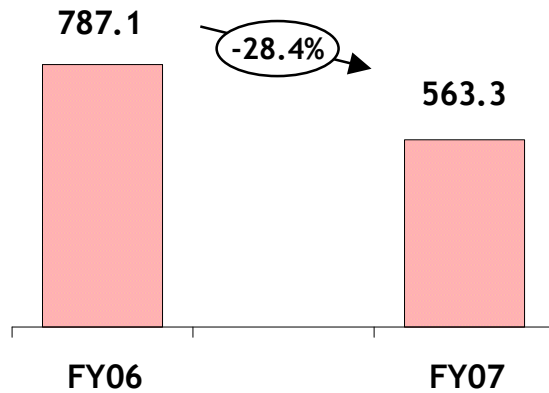
ROE at 13.7% due to specific items.

# Agenda

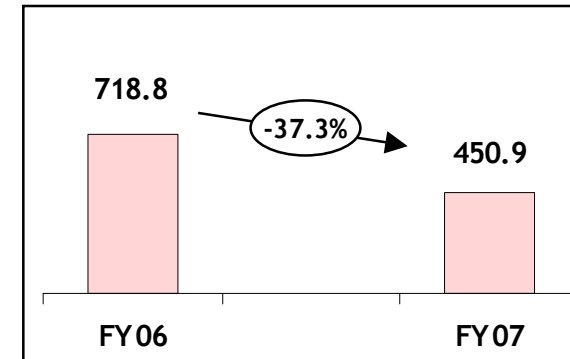
- Group
- Portugal
- Poland
- Greece
- Other International operations

# Lower consolidated net income despite strong performance in international activity

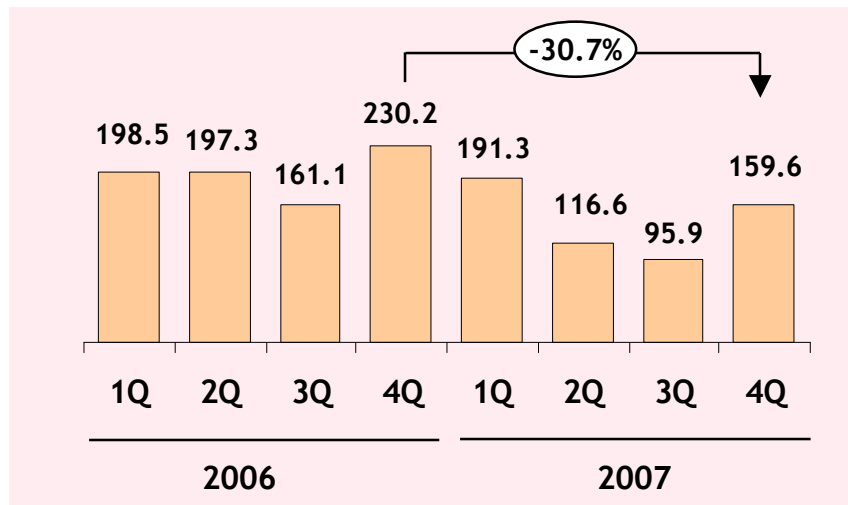
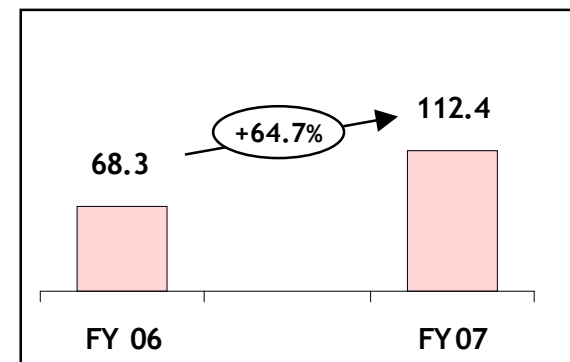
(Eur million)



Portugal



International



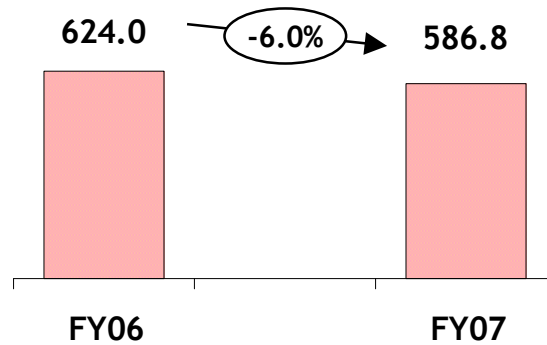
## Specific items excluded from the analysis

<i>(Eur million)</i>	2007	2006
1. Sale of Operations		131.4
- Interbanco		82.2
- Banque BCP (France)		26.5
- Banque BCP (Luxembourg)		14.8
- BCP Bank (Canada)		7.9
2. Sale of AFS portfolio	290.2	181.2
- Sale of EDP	173.3	39.7
- Sale of Sabadell	116.9	69.4
- Sale of Magellan		72.1
3. Early retirements	-121.8	-146.1
- Early retirements	-121.8	-146.1
4. Other costs	-258.1	9.8
- BPI related (bid costs and impairment)	-183.0	
- Impairment on securities	-14.2	
- Loan impairments		9.8
- Other impairment and contingencies	-60.9	
Tax effect	66.2	-13.2
<b>Total</b>	<b>-23.5</b>	<b>163.1</b>

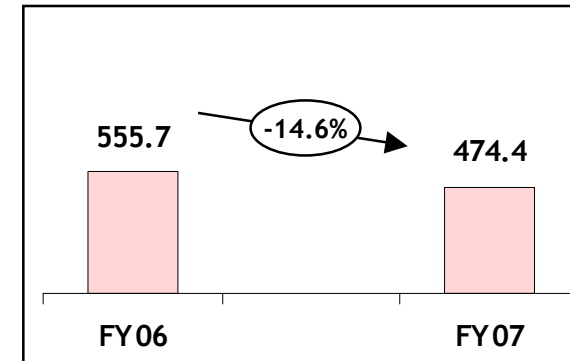
# Consolidated net income excluding specific items decreased due to reduction in Portugal

SPECIFIC  
ITEMS EXCLUDED

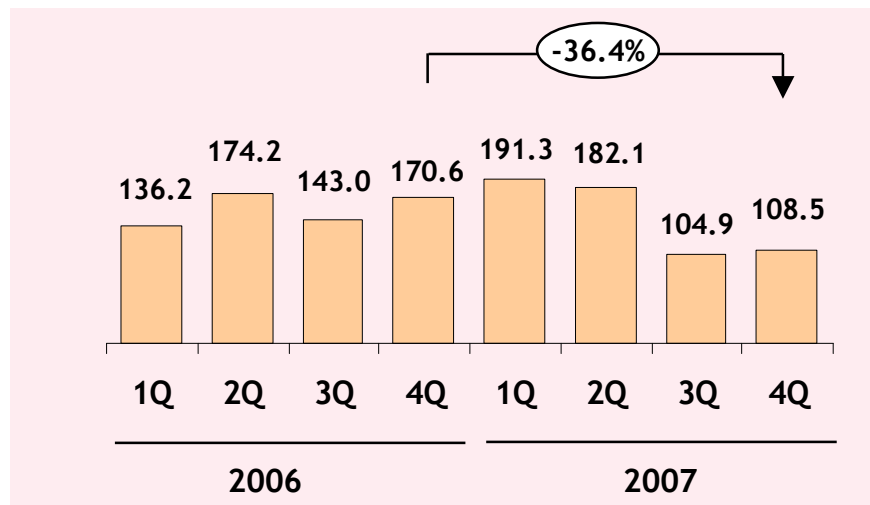
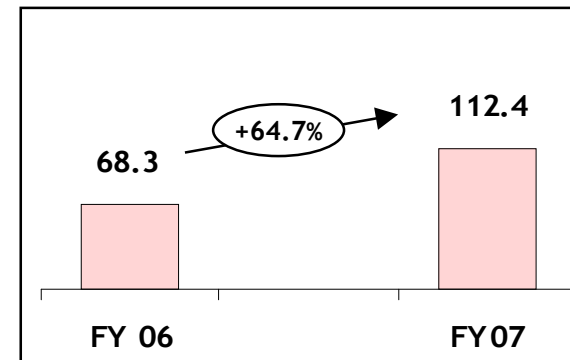
(Eur million)



Portugal



International

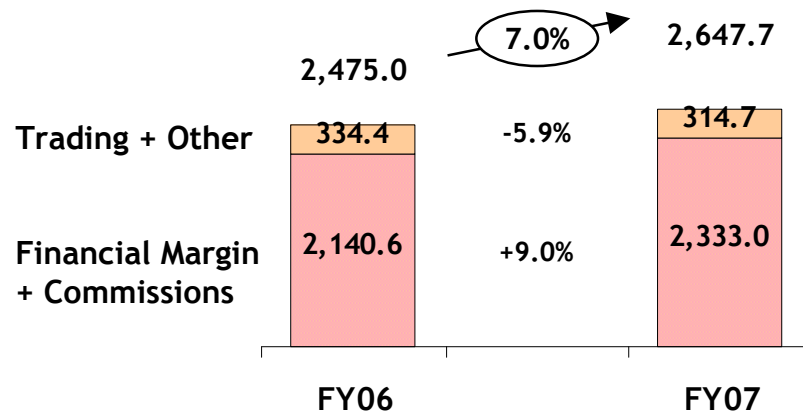




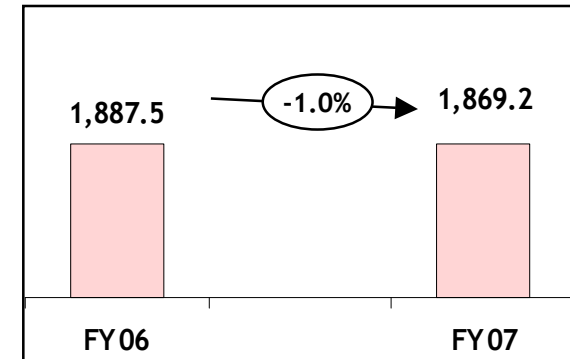
# Good performance of consolidated operating income driven by financial margin and commissions

SPECIFIC  
ITEMS EXCLUDED

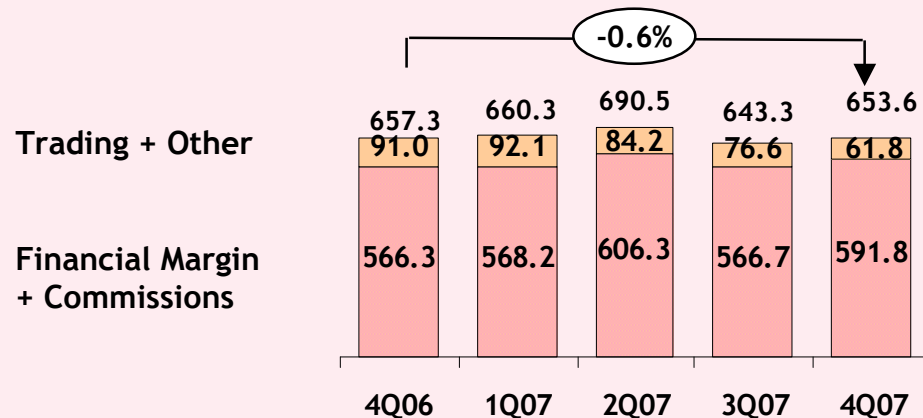
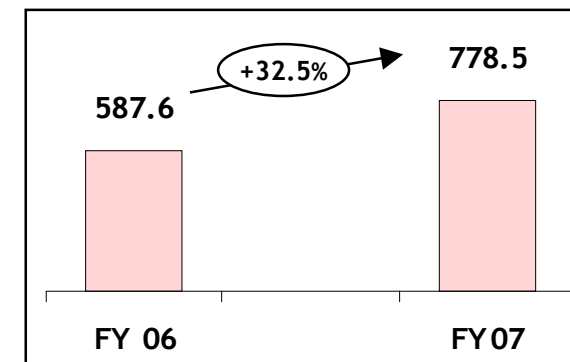
(Eur million)



## Portugal



## International



Note: For comparative purposes the figures of Banque BCP (France and Luxembourg) and bcpbank (Canada) for 2006, were equity accounted, as these operations were disposed meanwhile.

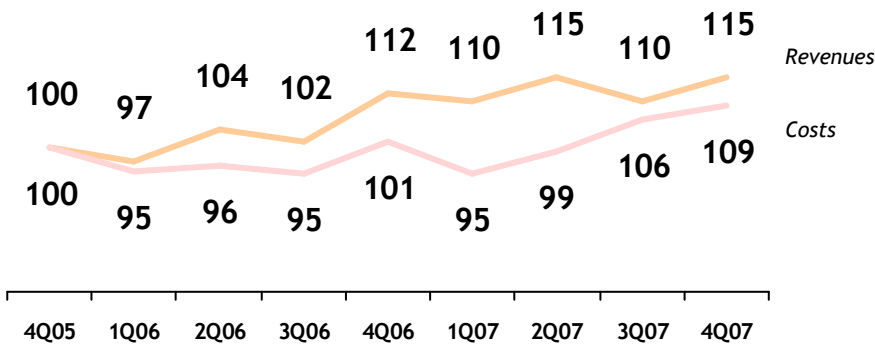


# Improved efficiency from accelerating revenue growth and cost control

SPECIFIC  
ITEMS EXCLUDED

## Jaws

Basic Revenues and Costs  
Base 100: 4Q05

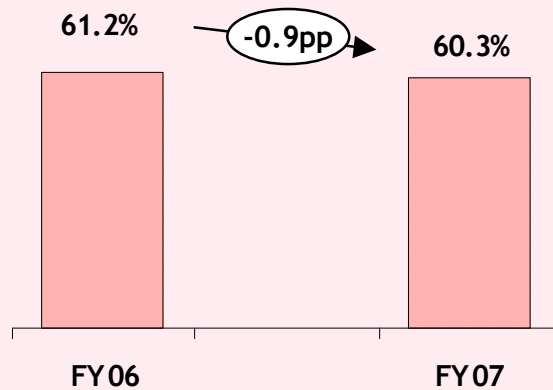


## Highlights

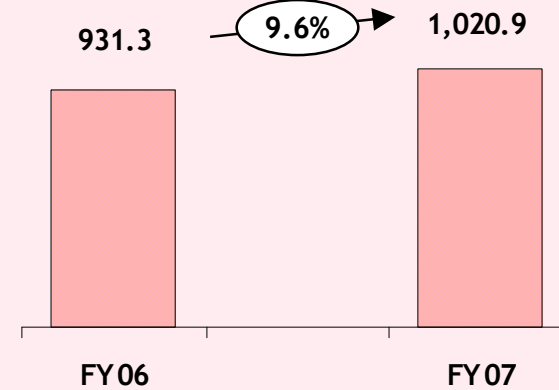
- Recovering revenues growth
- Operating costs growing with expansion plans
- Slight improvement of cost to income ratio

(Eur million)

### Cost / Income ratio



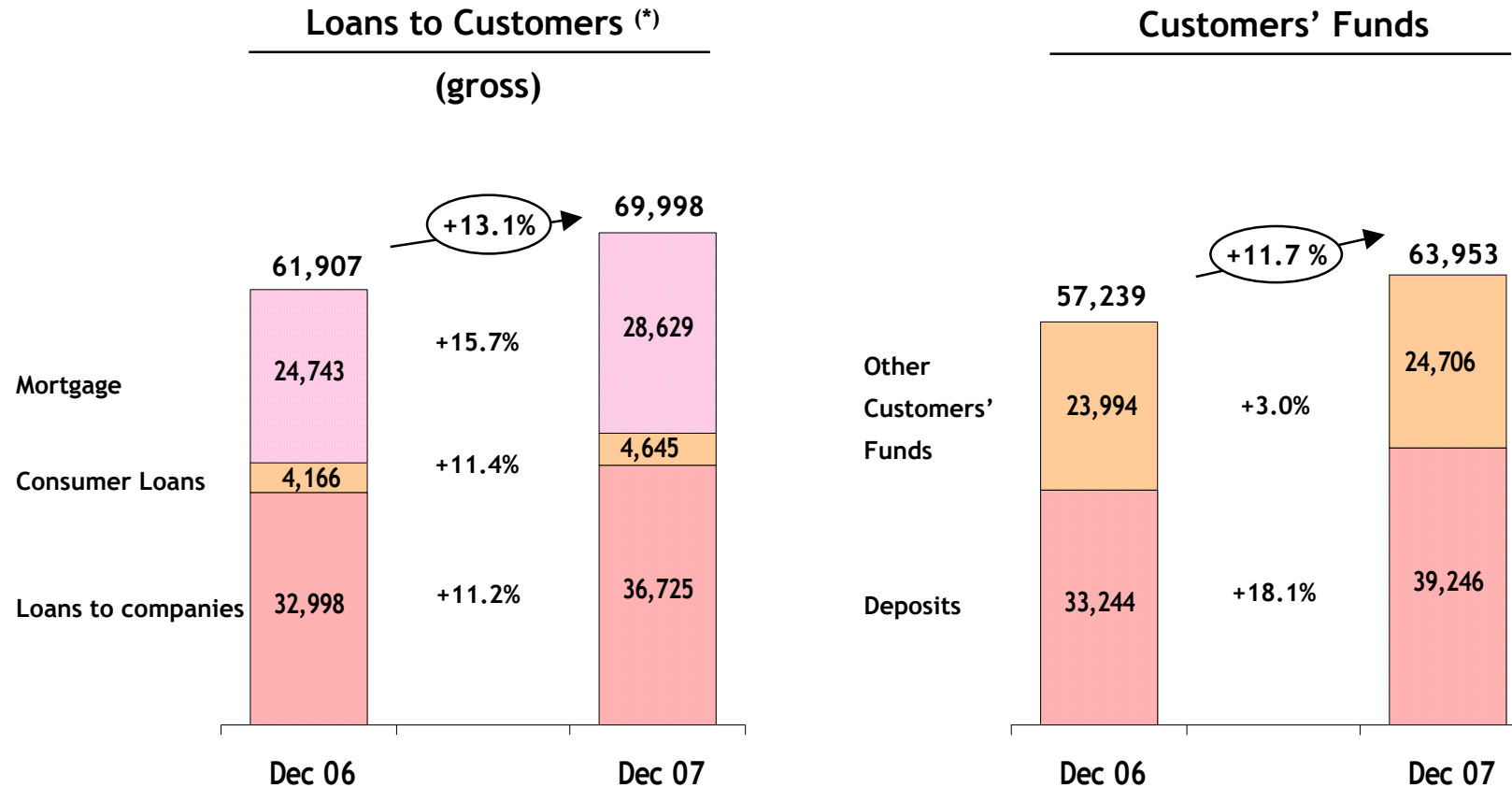
### Operating Profit



Note: For comparative purposes the figures of Banque BCP (France and Luxembourg) and bcpbank (Canada) for 2006, were equity accounted, as these operations were disposed meanwhile.

# Double digit growth in volumes in both credit and funds

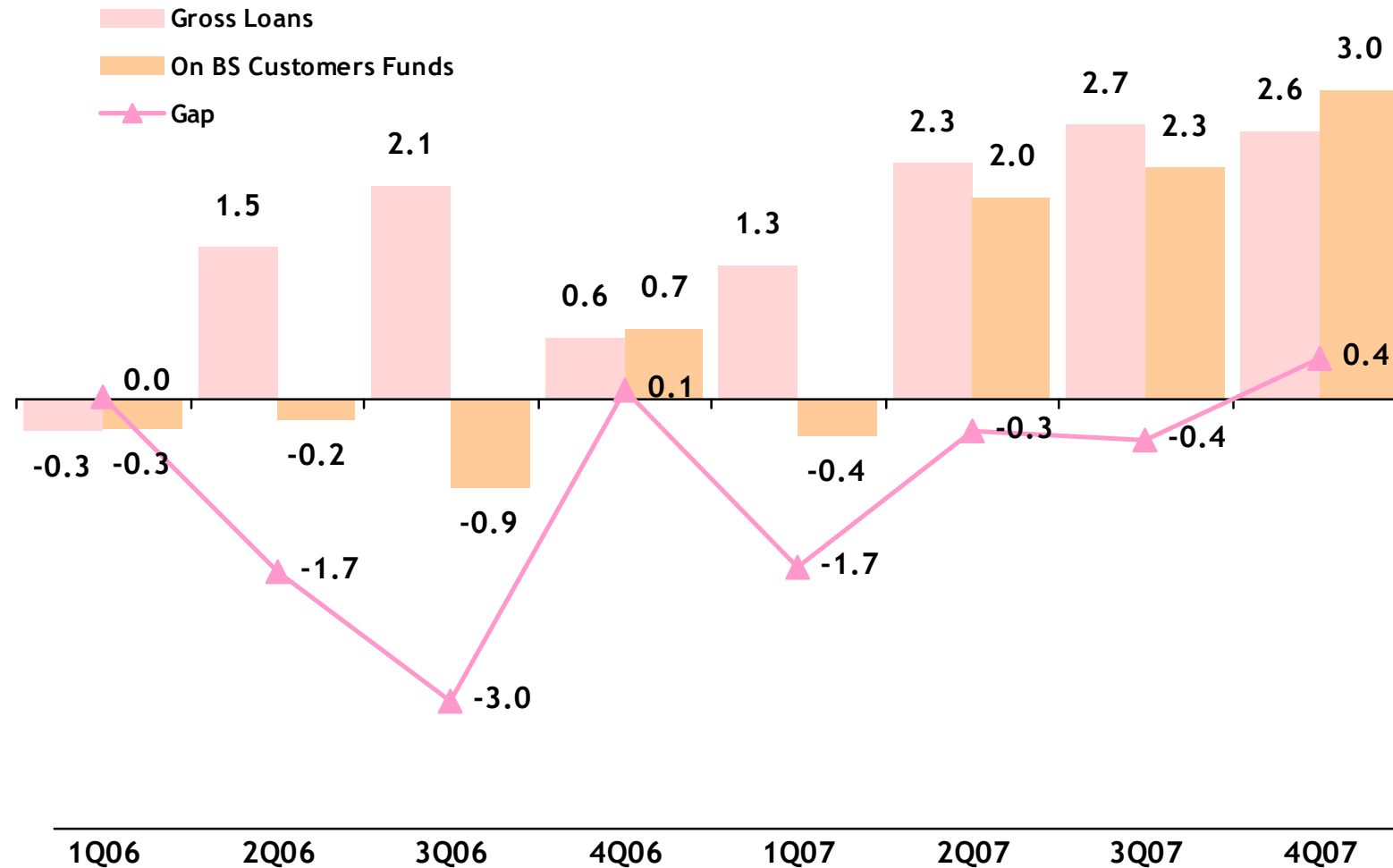
(Eur million)



(\*) Includes securitized loans.

# Successful closure of commercial gap in the last quarter of 2007

(Eur billion)

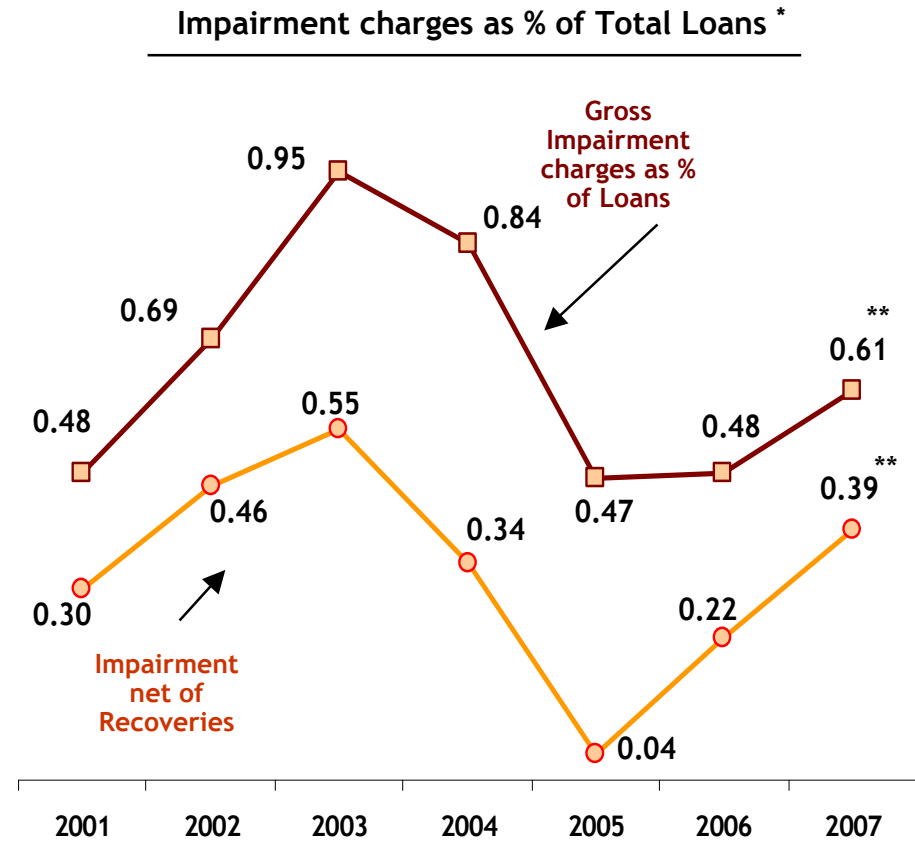
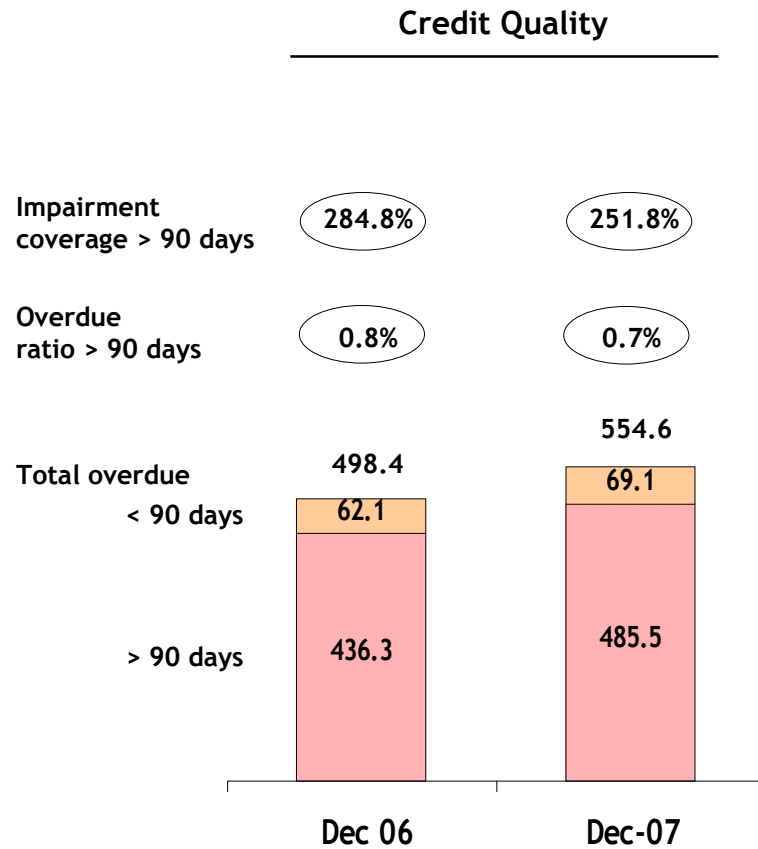


Note: For comparative purposes the figures of Banque BCP (France and Luxembourg) and bcpbank (Canada) for 2006, were equity accounted, as these operations were disposed meanwhile.

# Stable cost of risk in the context of strong credit volume growth

SPECIFIC  
ITEMS EXCLUDED

(Eur million)



No exposure to US subprime, no consumer credit issues and no exposure to insurance monoliners

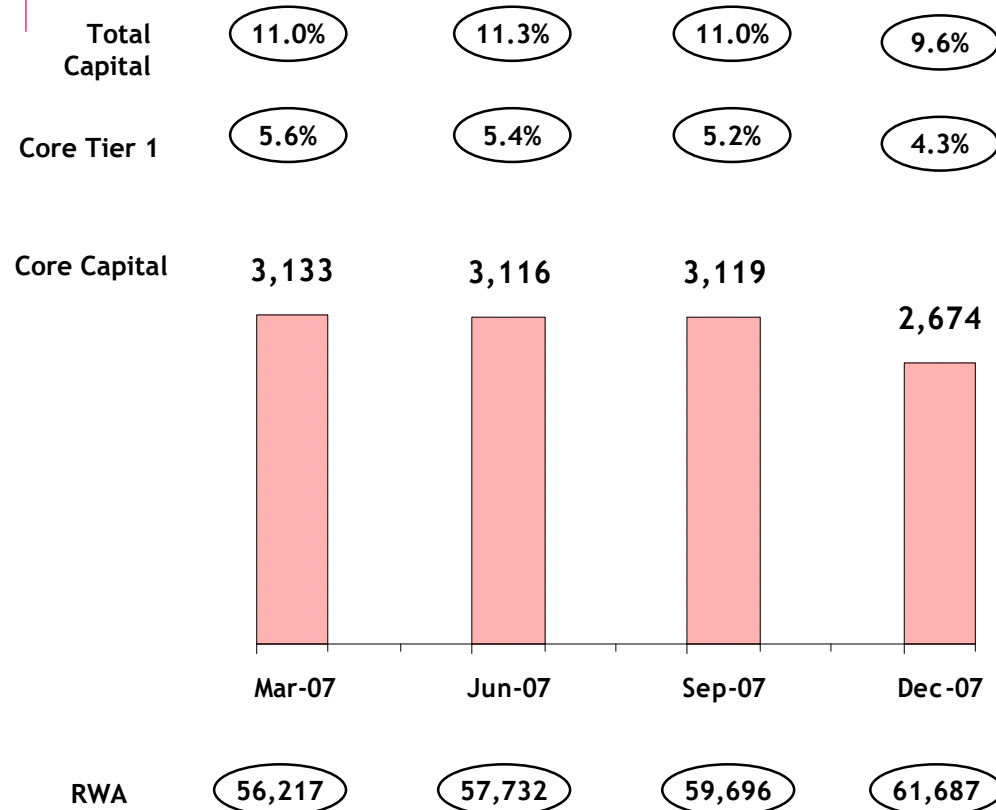
\* Impairment charges on a comparable basis

\*\* Of the yearly increase, 9 bps were justified by two particular cases. Excluding these cases, the impairment net of recoveries would have been 30 bps



# Capital ratios negatively impacted in the fourth quarter by specific items

(Eur million)



## 4th Quarter 2007

The performance of Core Tier 1 between 30.Sep.07 and 31.Dec.07 reflects the following impacts:

- a) Actuarial differences: The joint impact from financial markets performance and changes to the actuarial assumptions (discount rate and growth rates for wages and pensions) drove an increase of actuarial differences above the corridor amounting to Eur 140 million;
- b) Major transactions in 4<sup>th</sup> quarter (net of taxes):

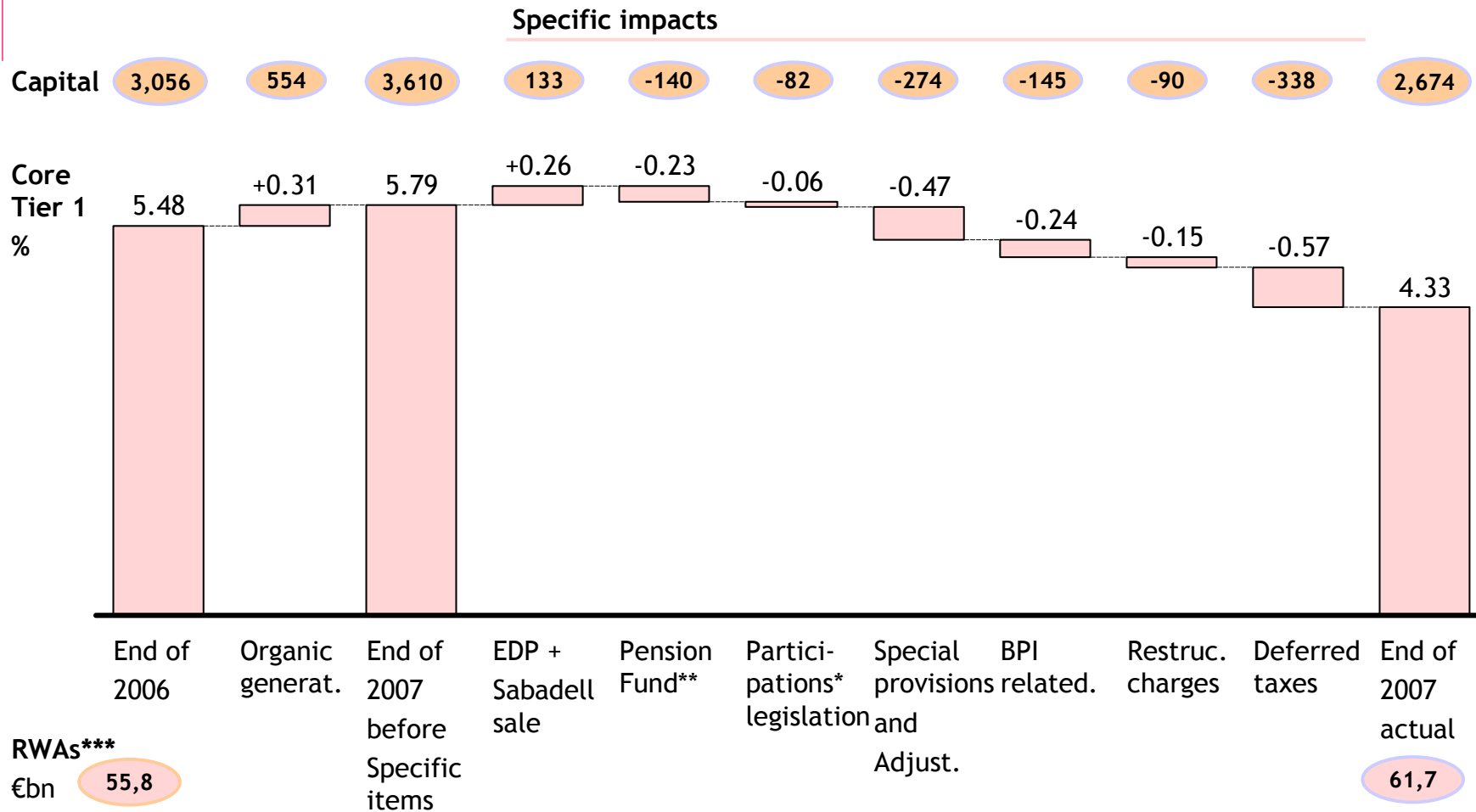
	(Eur million)
EDP	65
Sabadell	68
Securities Impairment	-44
Assets Revaluation Impairment	-223
Restructuring Costs	-81
Costs related to BPI Merger Project	-11
Other Provisions for Contingencies	-41
	<u>-267</u>

- c) Deferred taxes: the increase of this heading, together with the decrease of Tier 1, led to the deduction of an Eur 255 million surplus, in 4 Q 07, versus the 10% limit of deferred taxes on Tier 1;
- d) Organic capital generation (net of IFRS transition deductions) amounted to Eur 217 million, partially offsetting the negative impact of transactions referred above.

# Core Tier 1 increased by 31 bps before specific items

Core Tier I. Percentage. Euro Million

BASEL I



\* Impact from the regulatory change in the capital ratio computation

\*\* Actuarial losses and assumptions changes

\*\*\* Risk-weighted Assets, measure of implicit risk calculated as a percentage of the different assets on the balance sheet



# Adjustment to capital

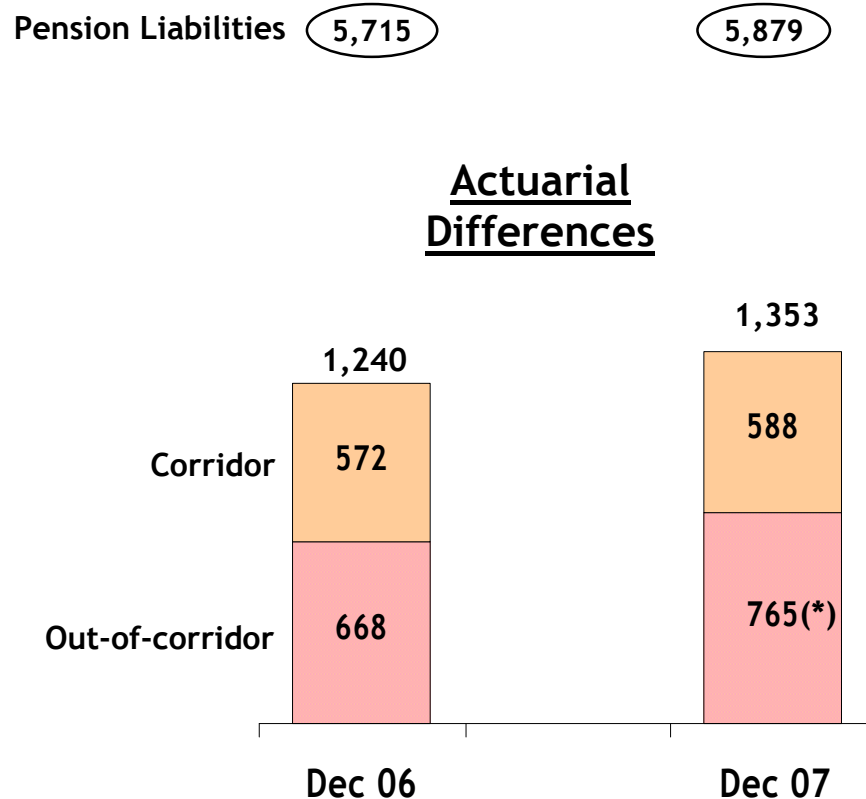
(Eur million)

	31.12.2006		01.01.2006
	Shareholders Equity Restated	Net Income Restated	Shareholders Equity Restated
Reported value	4,841.9	779.9	4,247.5
Adjustment:			
Credit gross amount	(300.0)		(300.0)
Credit provisions	9.8	9.8	
Deferred Taxes	76.9	(2.6)	79.5
Total	(213.3)	7.2	(220.5)
Restated value	4,628.6	787.1	4,027.0



# Increase in pension fund liabilities due to higher than anticipated restructuring costs

(Eur million)



## 2007 Developments

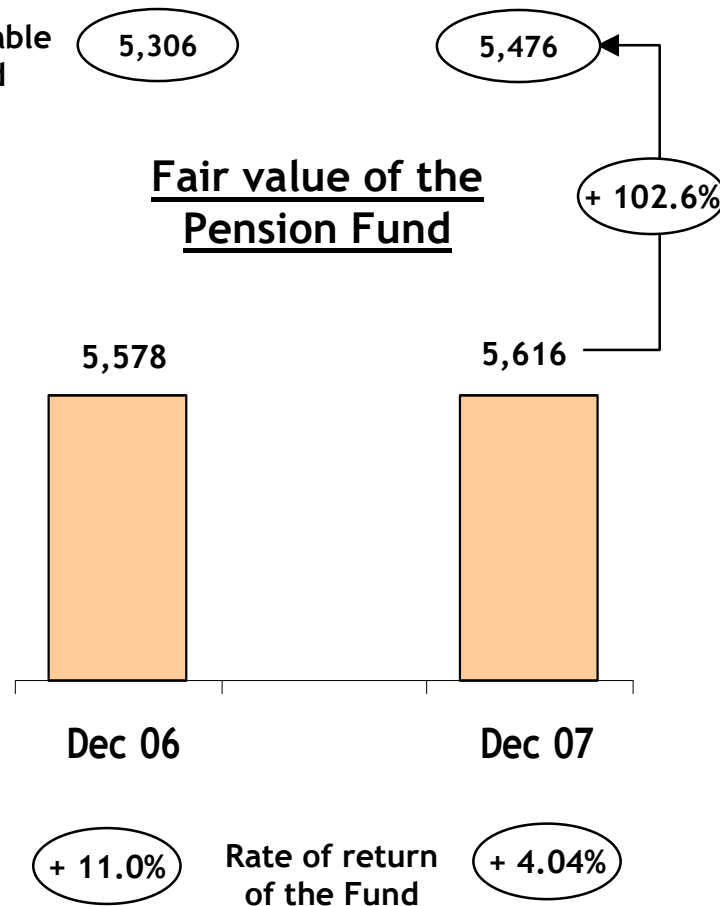
- ✓ Increase of Pension Liabilities to € 5,879 million, namely as a result of restructuring costs of €122 million (early retirements)
- ✓ Increase of Actuarial Differences in € 113 m mainly due to the impact of the adverse capital conditions on the performance of the fund
- ✓ Change of assumptions :
  - Discount rate: 5.25%
  - Increase in future compensation: 3.25%
  - Pension increase: 2.25%
- ✓ Other assumptions remained unchanged :
  - Rate of return of the Fund: 5.50%
  - Mortality tables

(\*) Depreciation of excess of corridor to take place in 20 years (i.e. € 38.3 million per year)

# Solid pension fund performance despite below than expected rate of return

(Eur million)

Total Pension Liabilities, attributable to the Pension Fund



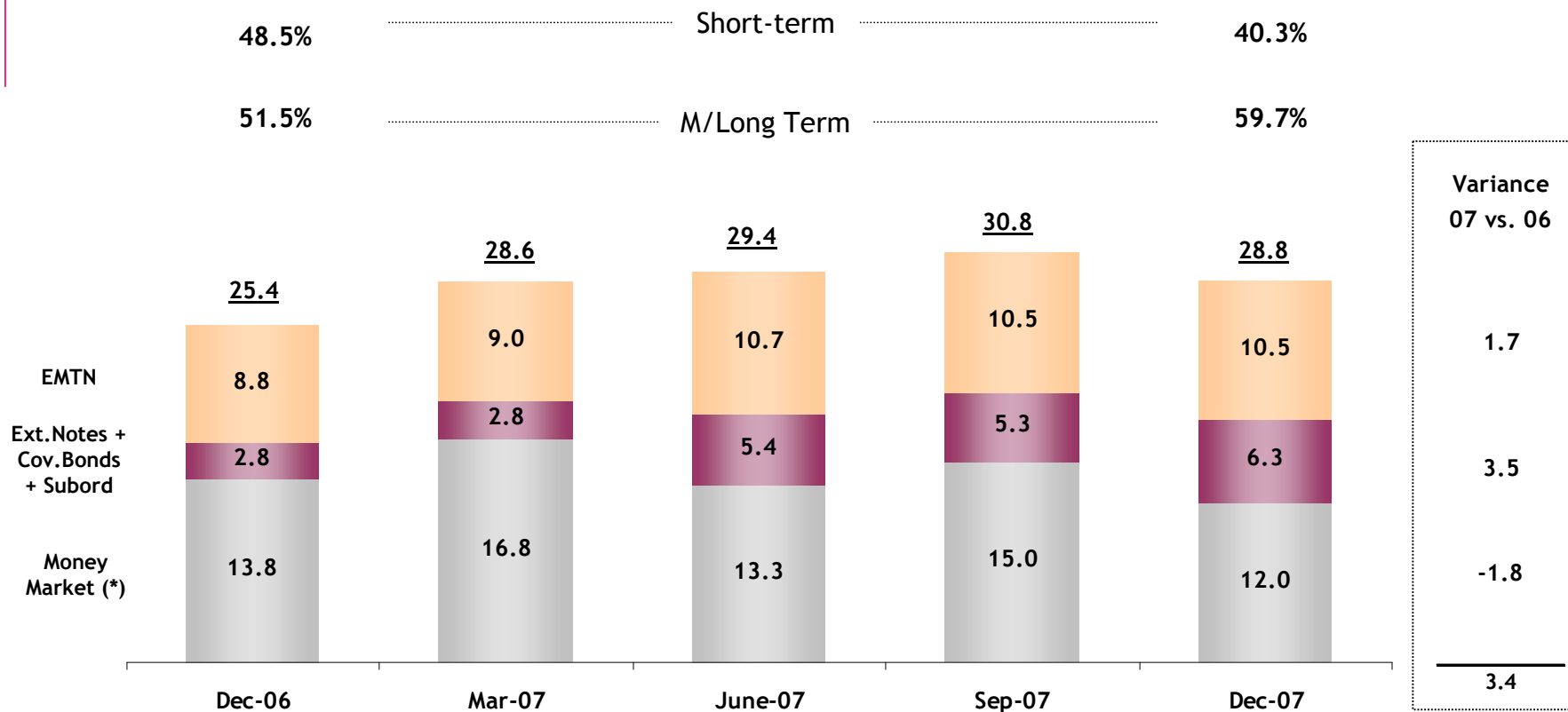
## 2007 Development

- ✓ Pension Fund is overcovered
- ✓ Contribution to the Fund made in 2007 totalled € 94 million
- ✓ The actual return of the Pension Fund Reached 4.04%, below the return assumption (5.5%)
- ✓ More conservative asset mix considering long term nature of its return liabilities (Shares: 39%, Bonds/Cash: 49%, Real Estate: 12%)

# Positive evolution of liquidity position

## Wholesale funding

(Eur billion)



(\*) Include commercial paper and other short-term instruments

## 2007 Group performance recap

- **Consolidated net income of 563.3m€**, down 28.4% from 2006 due to specific events; Recurring net income down 6.0% to 586.8 m€, due to decrease in Portugal
- **Consolidated revenues of 2,647.7m€**, up 7.0% driven by financial margin and commissions
- **Cost to income ratio improved by 0.9 pp to 60.3%**, due to a strong cost control
- **Customer funds increased 11.7% to 64.0 b€**, driven by customer deposits (up 18.1%), while **credit volume grew 13.1%**, to 70.0 b€, driven by mortgages (up 15.7%)
- Stable cost of risk, but with **>90 days overdue credit ratio at 0.7%**, down from 0.8%
- Capital position negatively impacted by specific events in the fourth quarter leading to a **core tier I ratio of 4.3%**
- **Increase in pension fund liabilities mainly from restructuring costs**; solid position despite return lower than expected

# Agenda

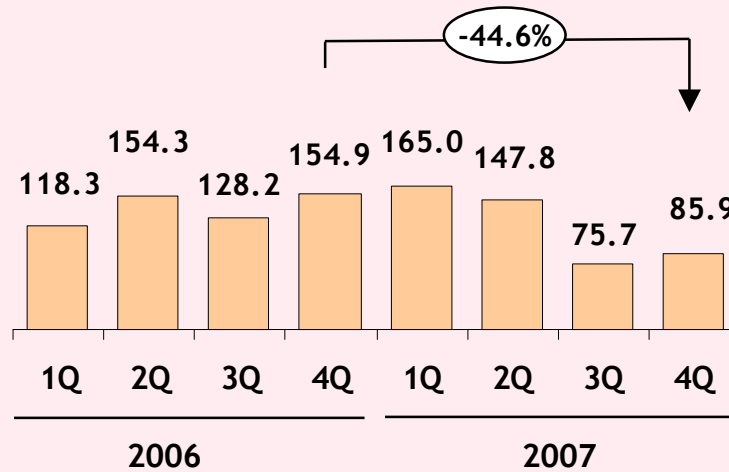
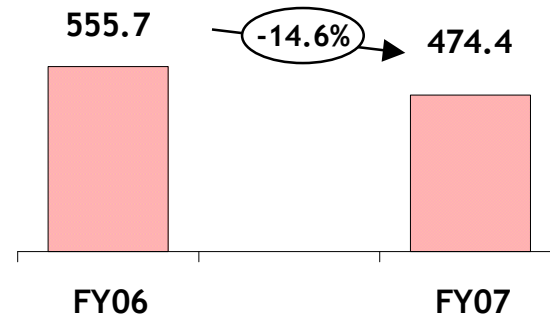
- Group
- Portugal
- Poland
- Greece
- Other International operations

# Reduction of net income

(Eur million)



SPECIFIC  
ITEMS EXCLUDED

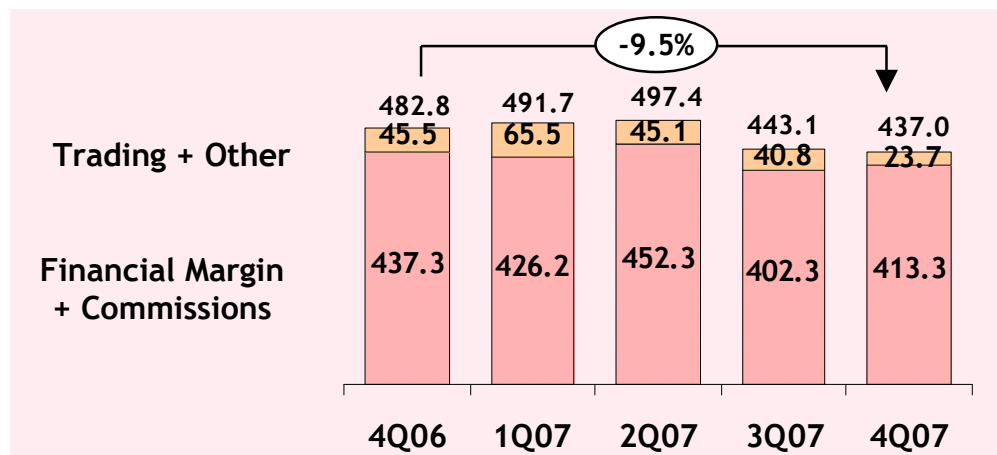
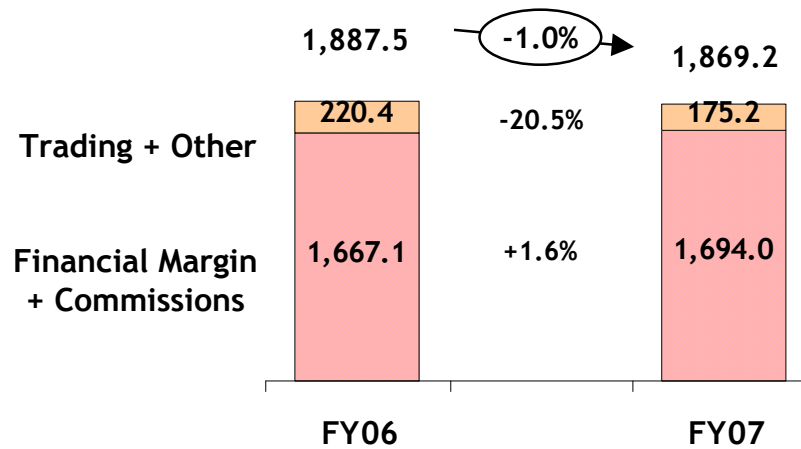




# Stable operating income from core performance

(Eur million)

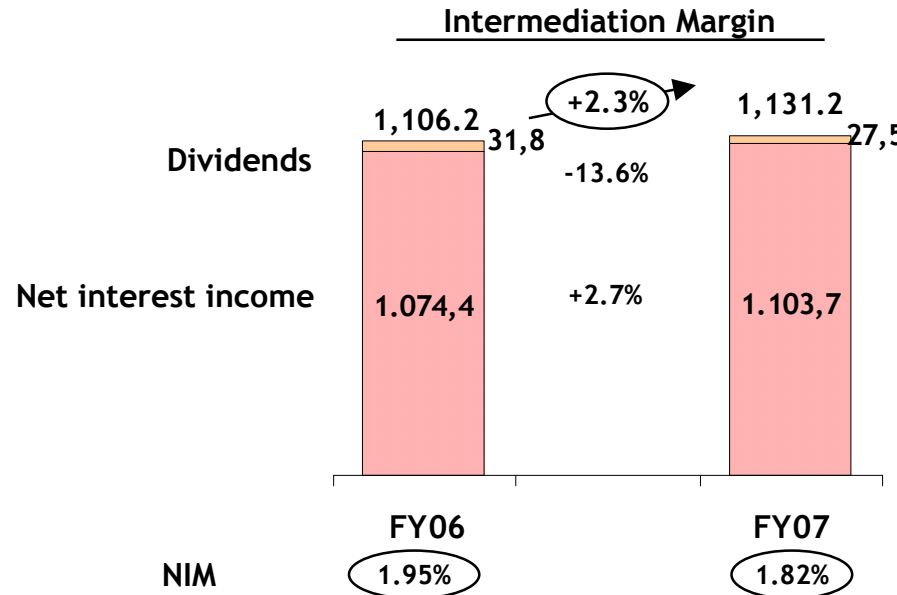
SPECIFIC  
ITEMS EXCLUDED



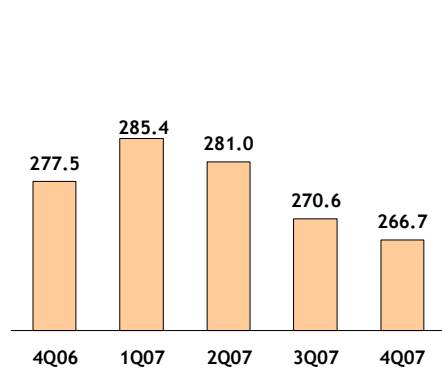


# Solid net interest income performance with credit margin recovery starting in the fourth quarter

(Eur million)

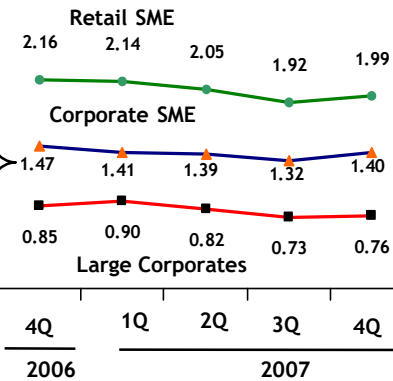


Quarterly Net Interest Income

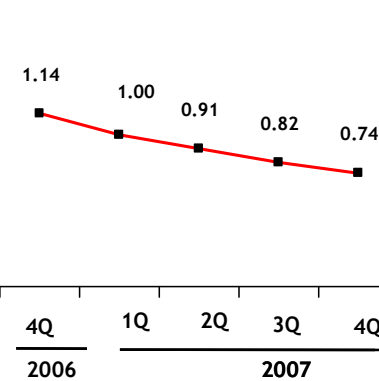


NIM (1.94%) (1.94%) (1.88%) (1.76%) (1.70%)

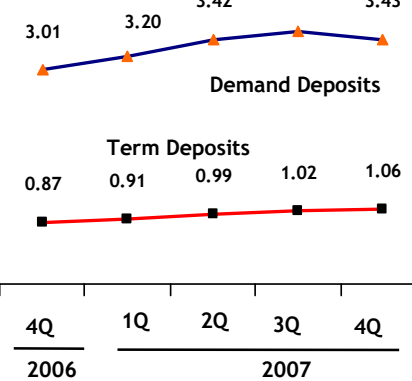
Spreads on Corporate Loans (%)



Spreads on Mortgage Loans (%)



Spreads on Deposits (%)



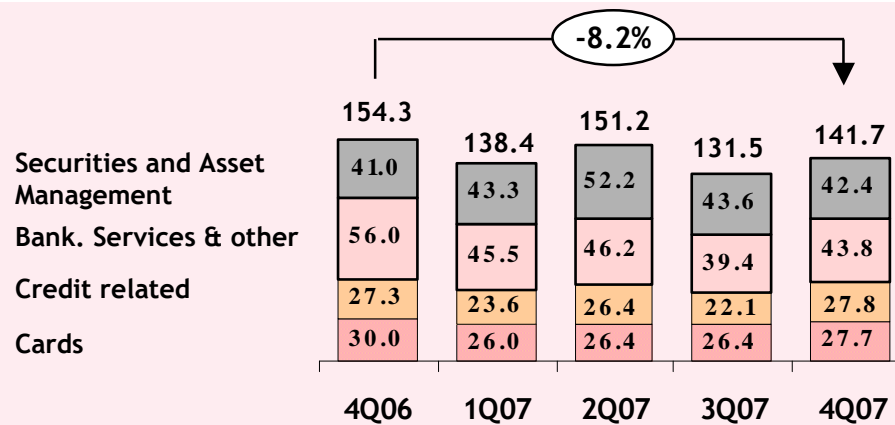
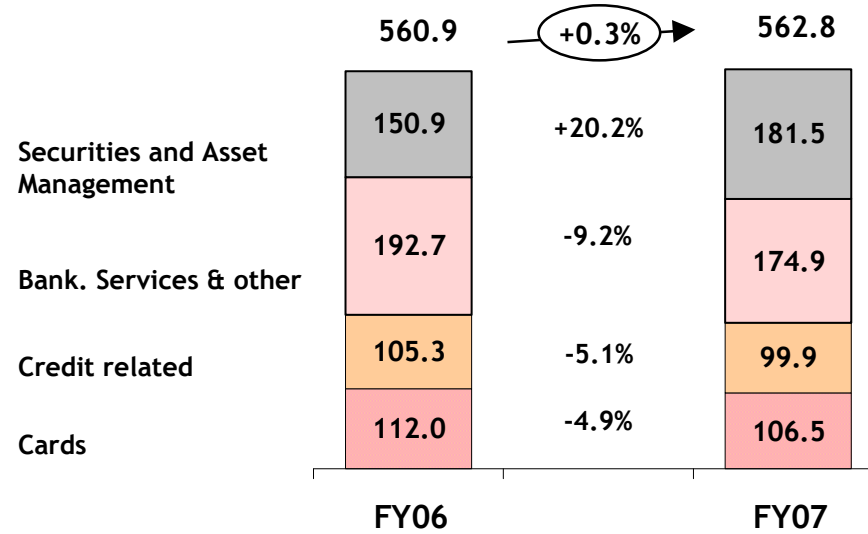




# Stable commission contribution

(Eur million)

SPECIFIC  
ITEMS EXCLUDED

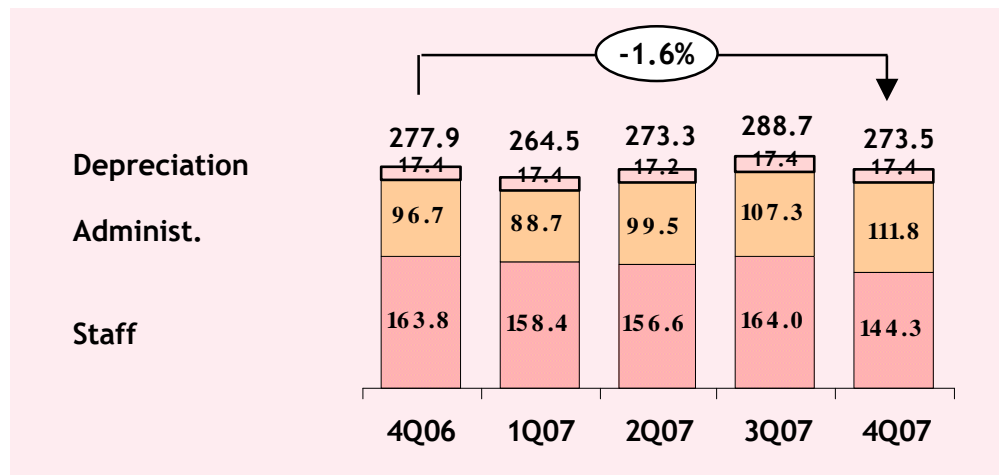
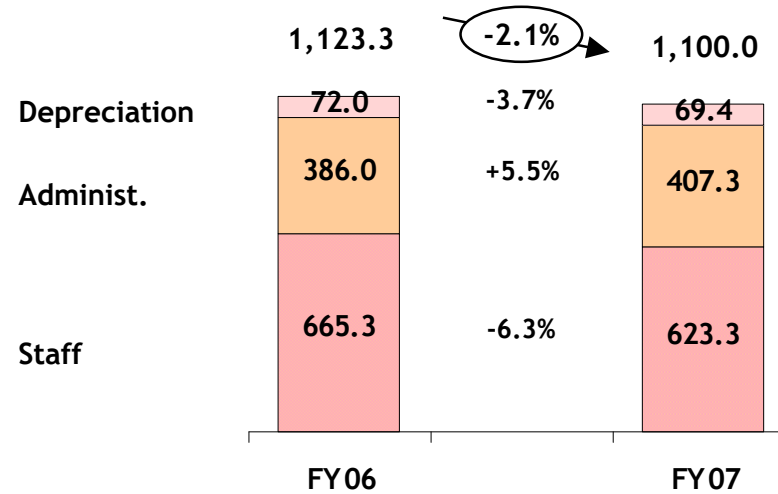


# Strong reduction in operating costs from greater focus in efficiency



SPECIFIC  
ITEMS EXCLUDED

(Eur million)



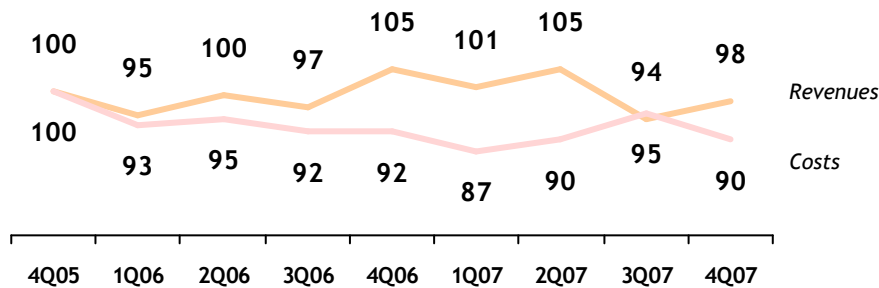
# Improved C/I position in the face of a challenging credit margin context



SPECIFIC  
ITEMS EXCLUDED

## Jaws

Basic Revenues and Costs  
Base 100: 4Q05

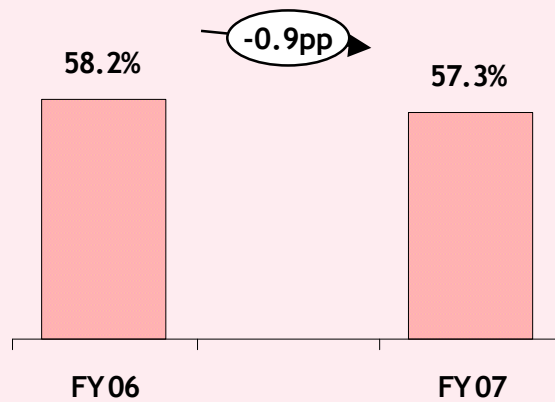


## Highlights

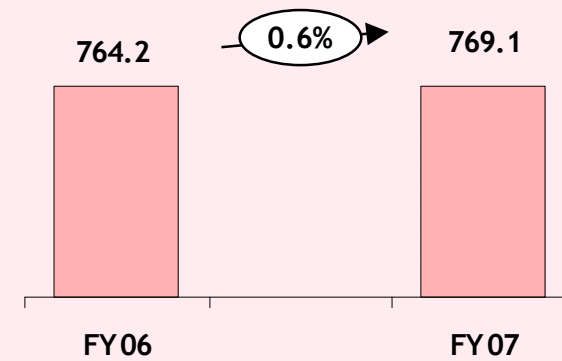
- Recovering revenues growth after poor third quarter
- Cost under tight control
- Slight improvement on cost to income

(Eur million)

## Cost / Income ratio



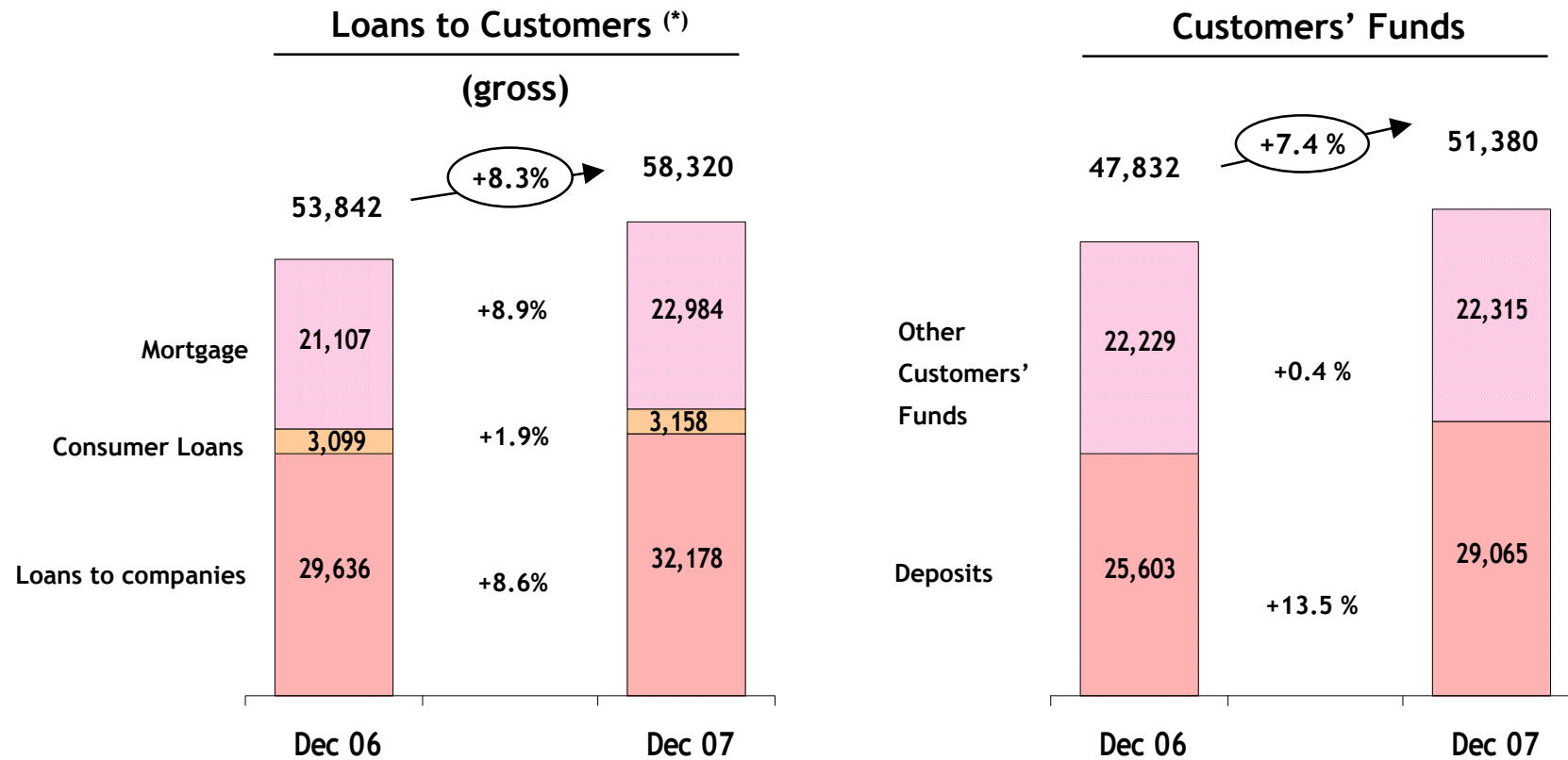
## Operating Profit





# Strong volume growth in both loans and funds position

(Eur million)

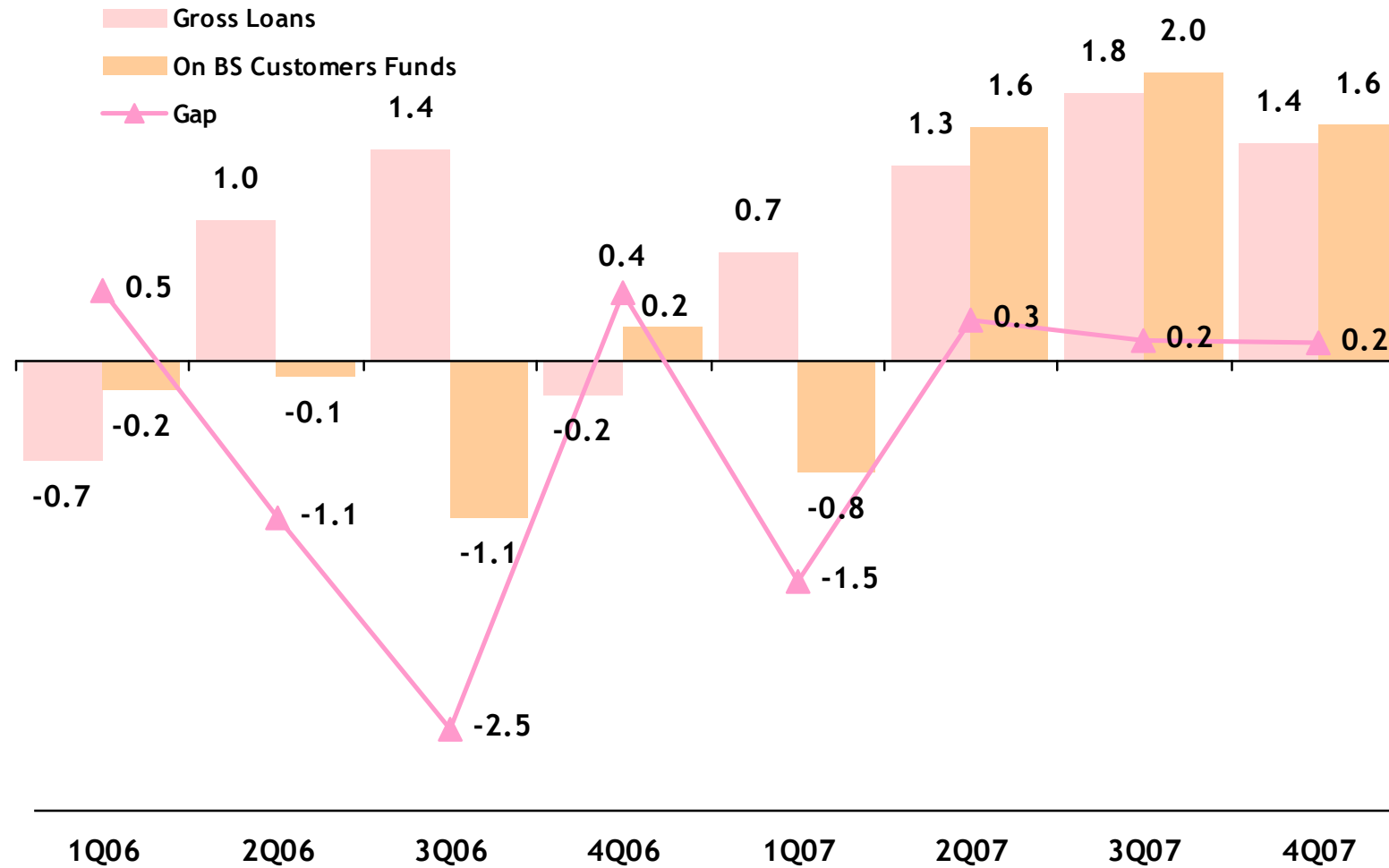


(\*) Includes securitized loans.



# Commercial gap showing a positive evolution since the second quarter

(Eur billion)





# Solid growth across all business segments

(Eur million)

Retail Banking

Companies

Corporate and Investment  
Banking

Private Banking and  
Asset Management



Note: Given the allocation to the business areas (2Q07) of credit booked at BII and commercial paper issued by their clients, this information is presented on comparable terms.

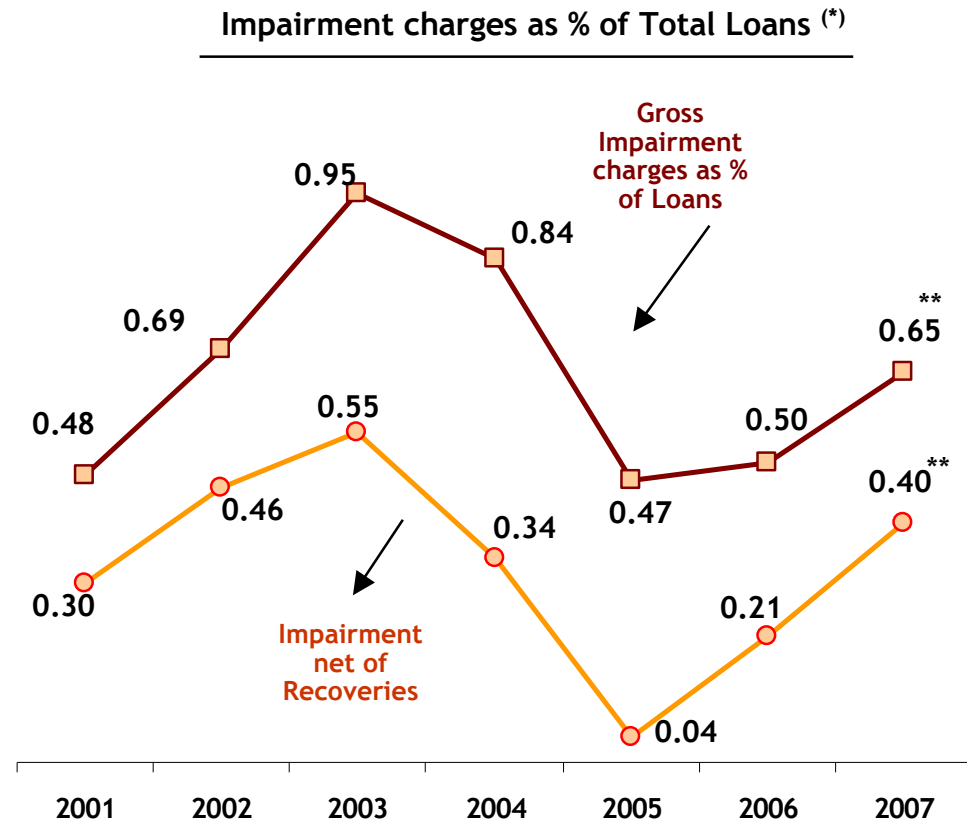
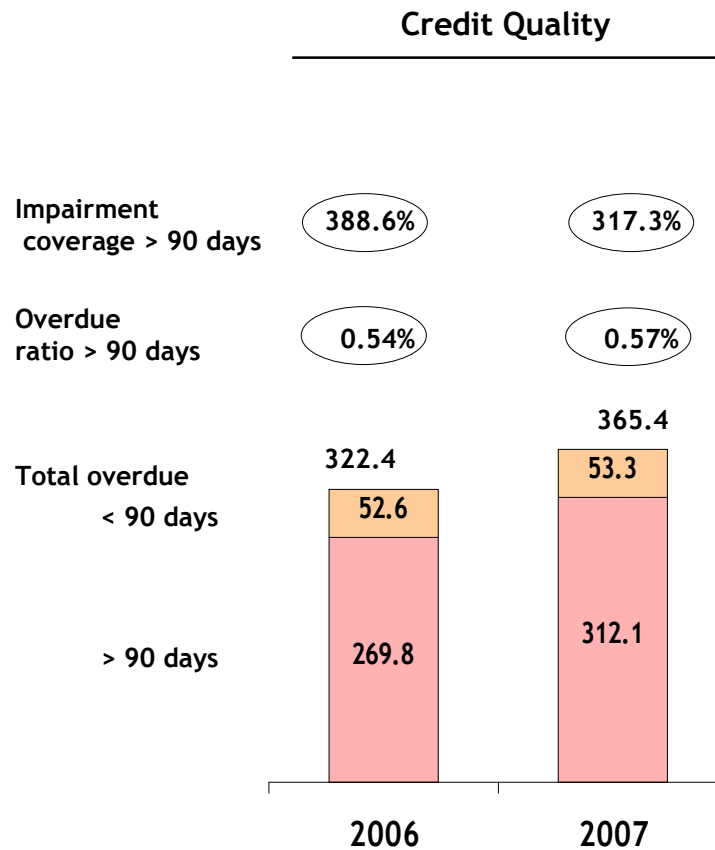


# Stable asset quality & cost of risk in the context of strong credit volume growth



SPECIFIC  
ITEMS EXCLUDED

(Eur million)



\* Impairment charges on a comparable basis

\*\* Of the yearly increase, 11 bps were justified by two particular cases. Excluding these cases, the impairment net of recoveries would have been 29 bps



## Portugal recap

- Net Income of 474.4 m€, down by 14.6% vs 2006
- Stable operating income of 1,869 m€, with decrease in trading results offset by increase in financial margin and commissions; increased competition led to credit margin compression during 2007, but trend was inverted in last quarter.
- Decrease in absolute costs base, in line with cost reduction track record and goal.
- Balanced volume growth of 8.3% in credit and 7.4% in funds (13.5% deposits growth).
- Stable asset quality and cost of risk despite strong credit volume growth.



# Agenda

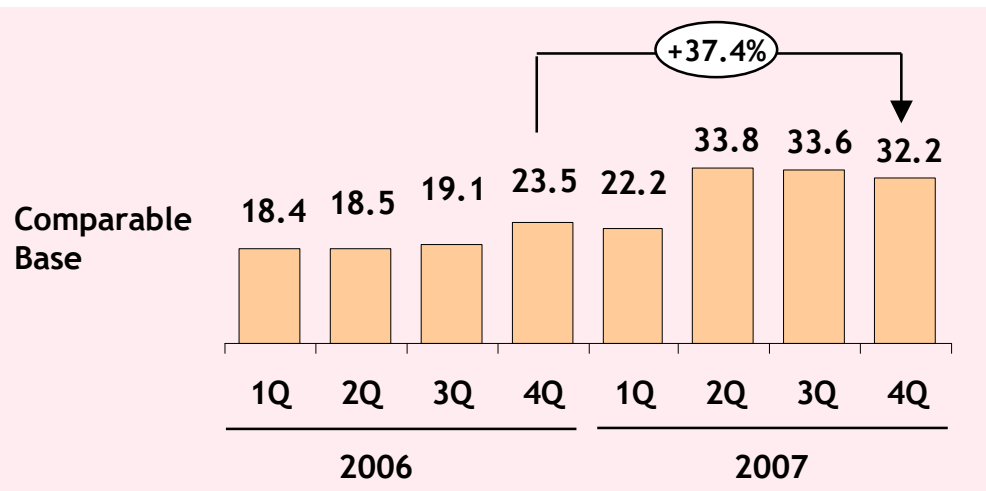
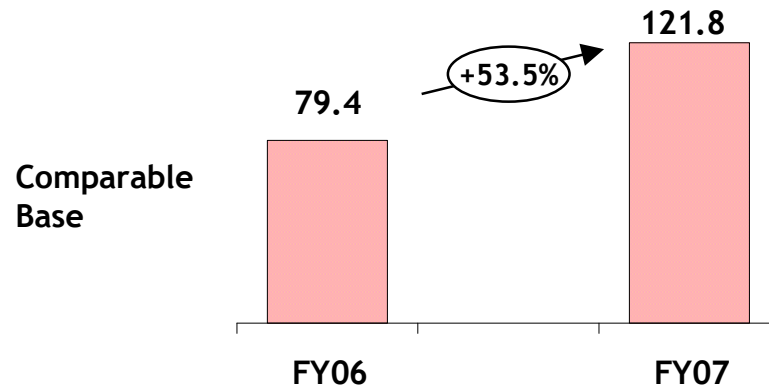
- Group
- Portugal
- Poland
- Greece
- Other International operations

Exchange rate: fixed exchange rate was used for comparison purposes

(Balance sheet: 1€ =3.7888 PLN; P/L: 1€ = 3.5935 PLN)

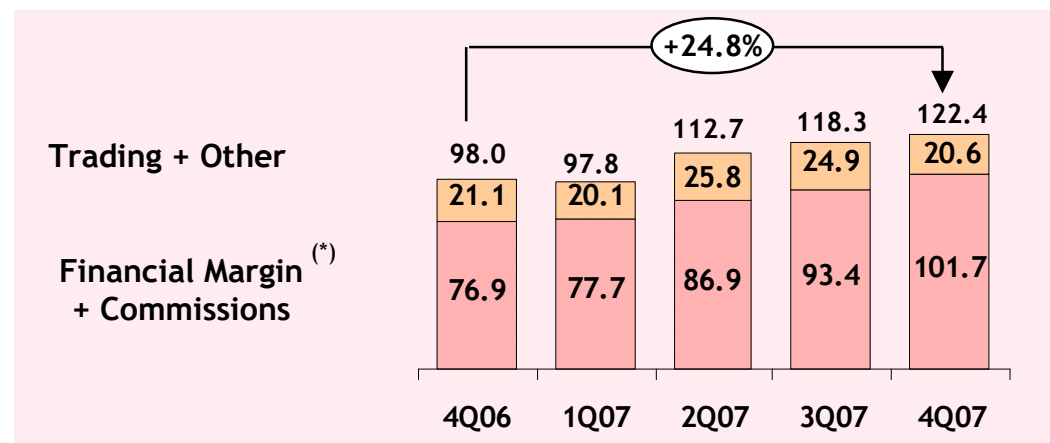
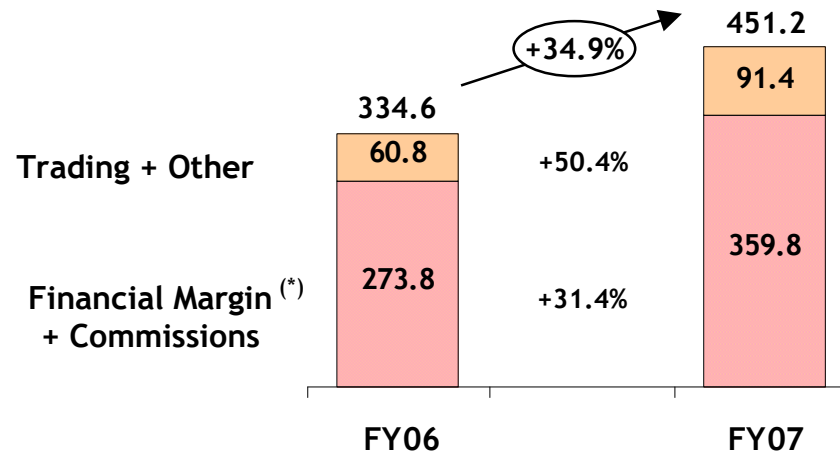
# Sustained increase of net income growth

(Eur million)



# Strengthened operating income performance along all revenue lines

(Eur million)

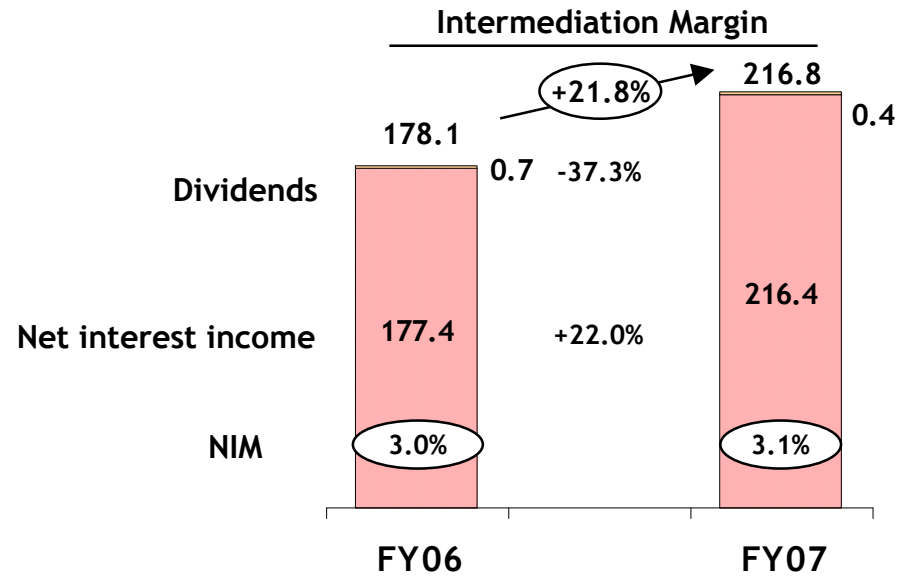


(\*) Pro-forma data. Margin from all derivatives hedging FX denominated loan portfolio is presented in Net Interest Income, whereas in accounting terms part of this margin is presented in Result on Financial Operations

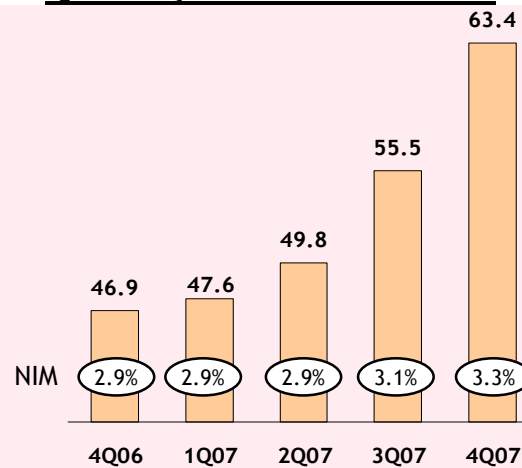
# Strong net interest income growth quarter by quarter



(Eur million)



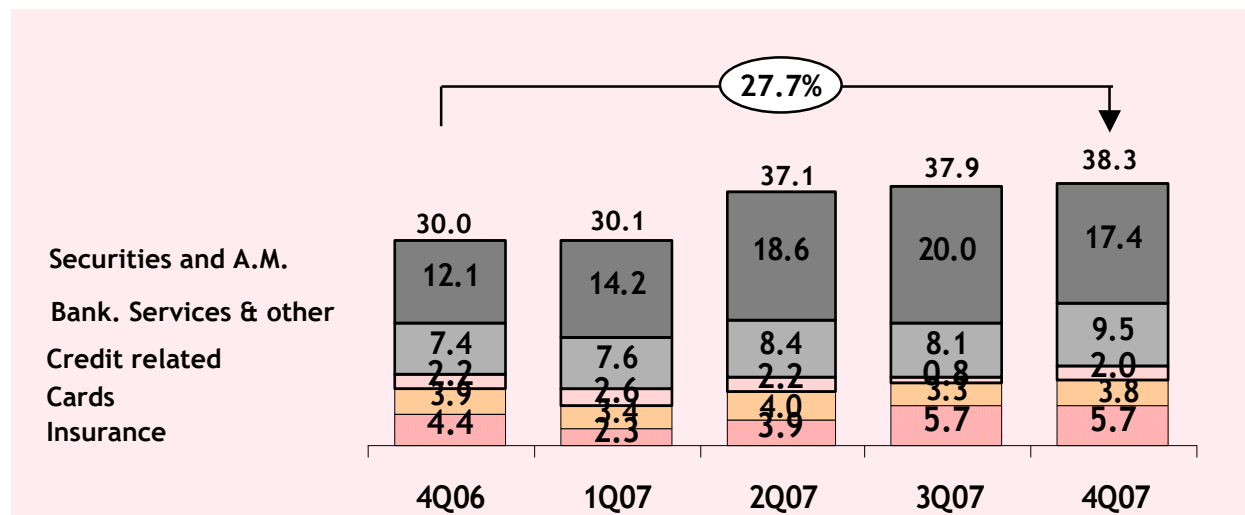
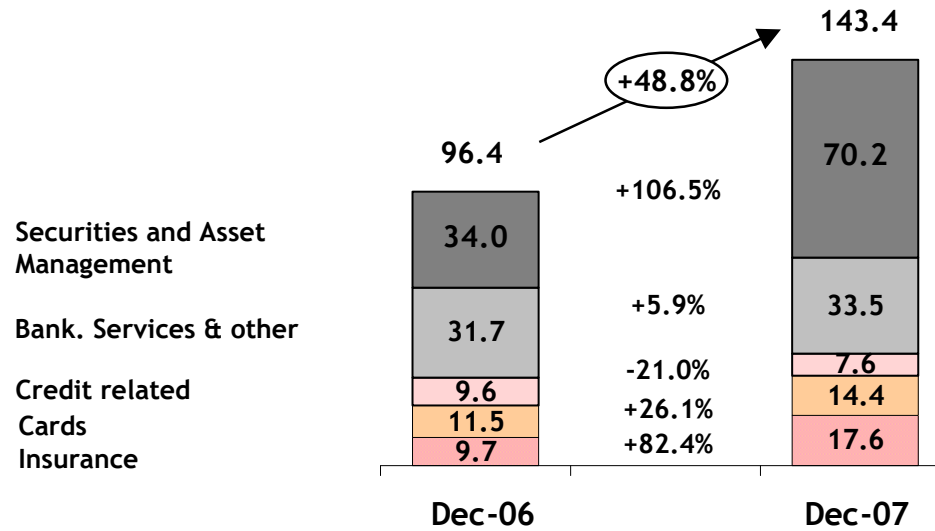
**Quarterly Net Interest Income**





# Sustained increase in commissions

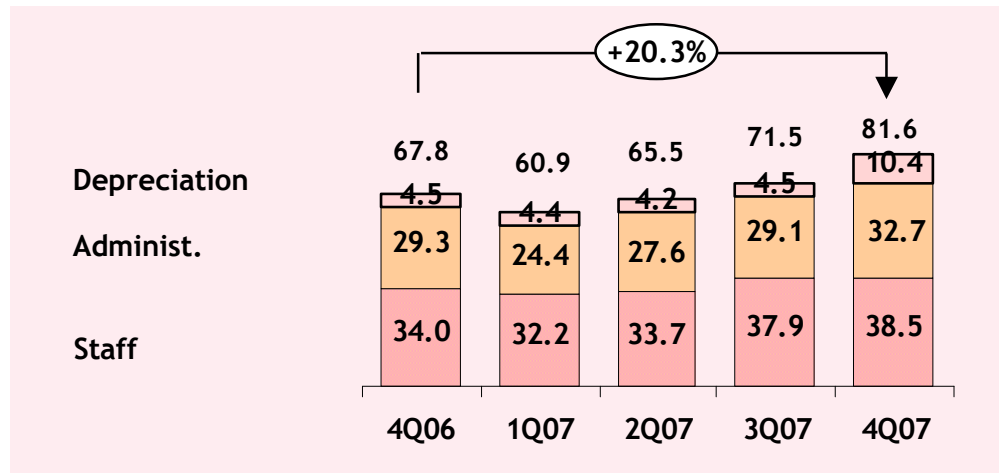
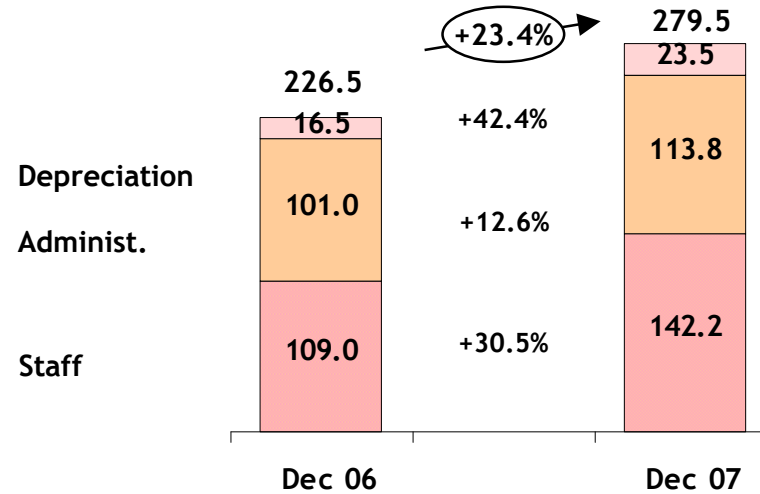
(Eur million)



# Operating cost growing at a slower pace than business



(Eur million)

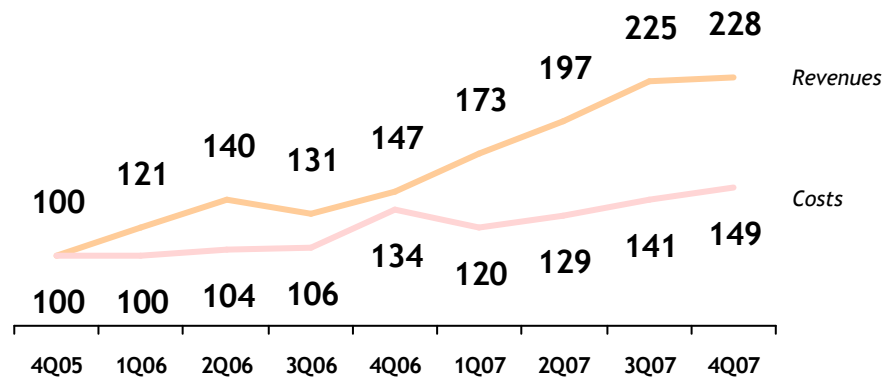


# Increased efficiency ratio from strong revenue growth and under control costs



## Jaws

Basic Revenues and Costs  
Base 100: 4Q05

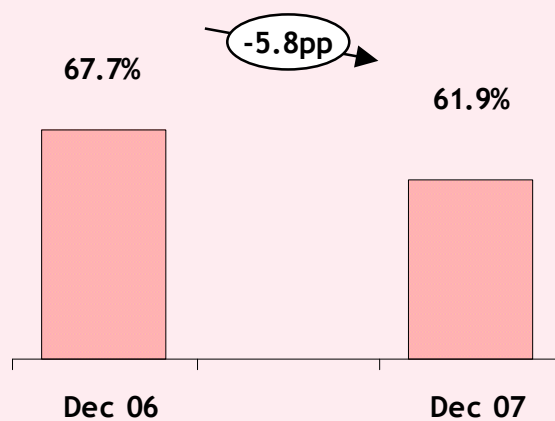


## Highlights

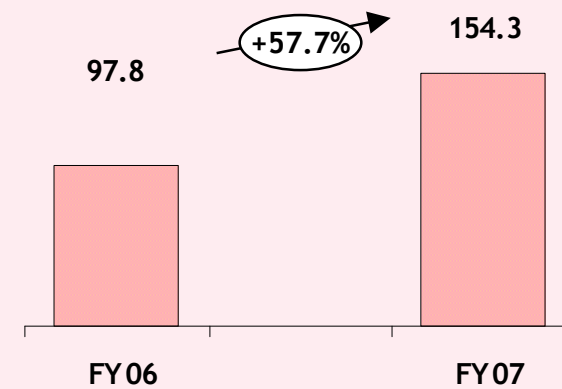
- Fast pace revenues growth although at a lower rate in the fourth quarter
- Cost increasing on expansion plans, but at a slower pace than revenues
- Cost to income with a significant decrease

(Eur million)

## Cost / Income ratio



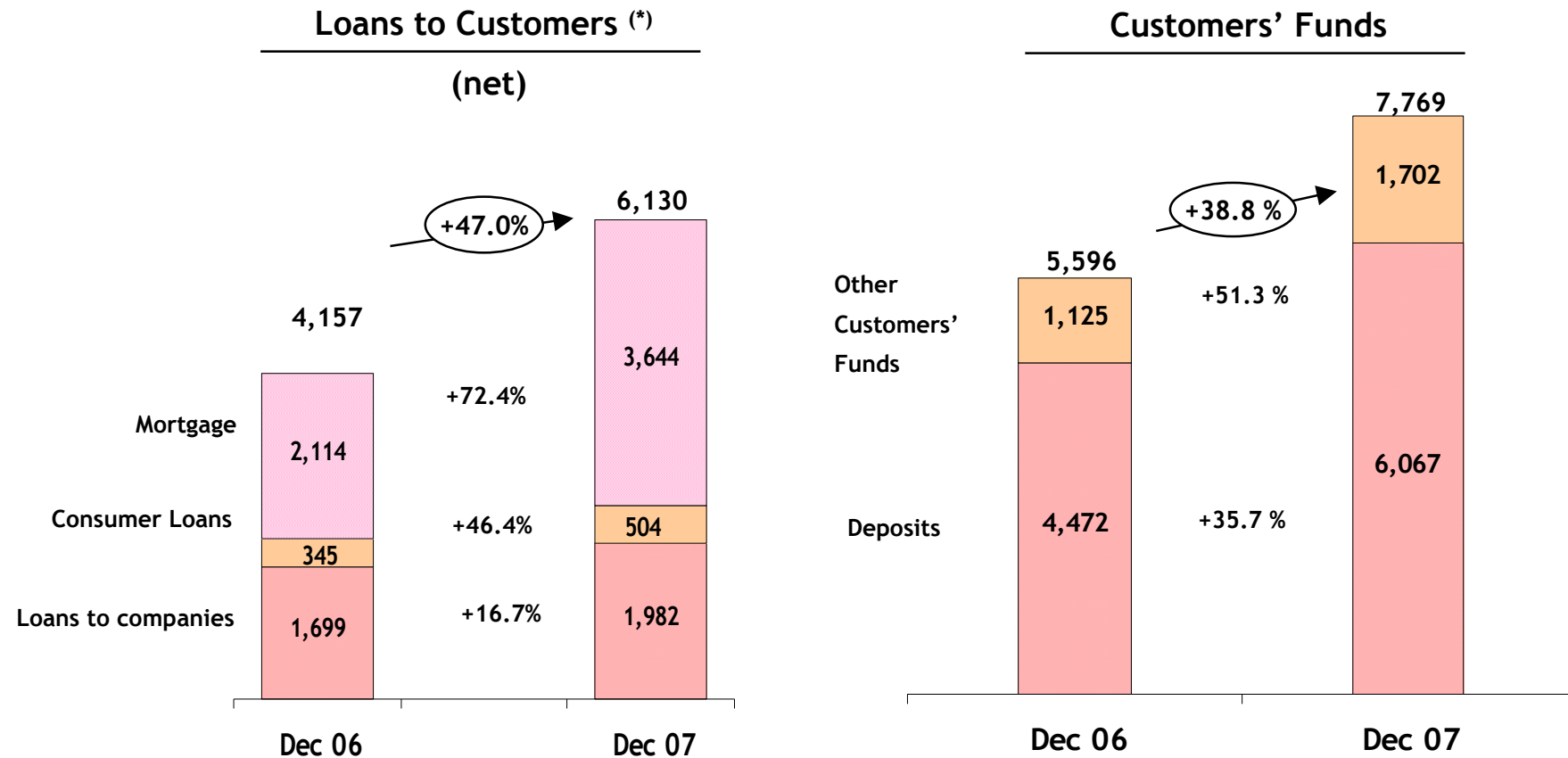
## Operating Profit



# Significant volume growth, specially in mortgages



(Eur million)



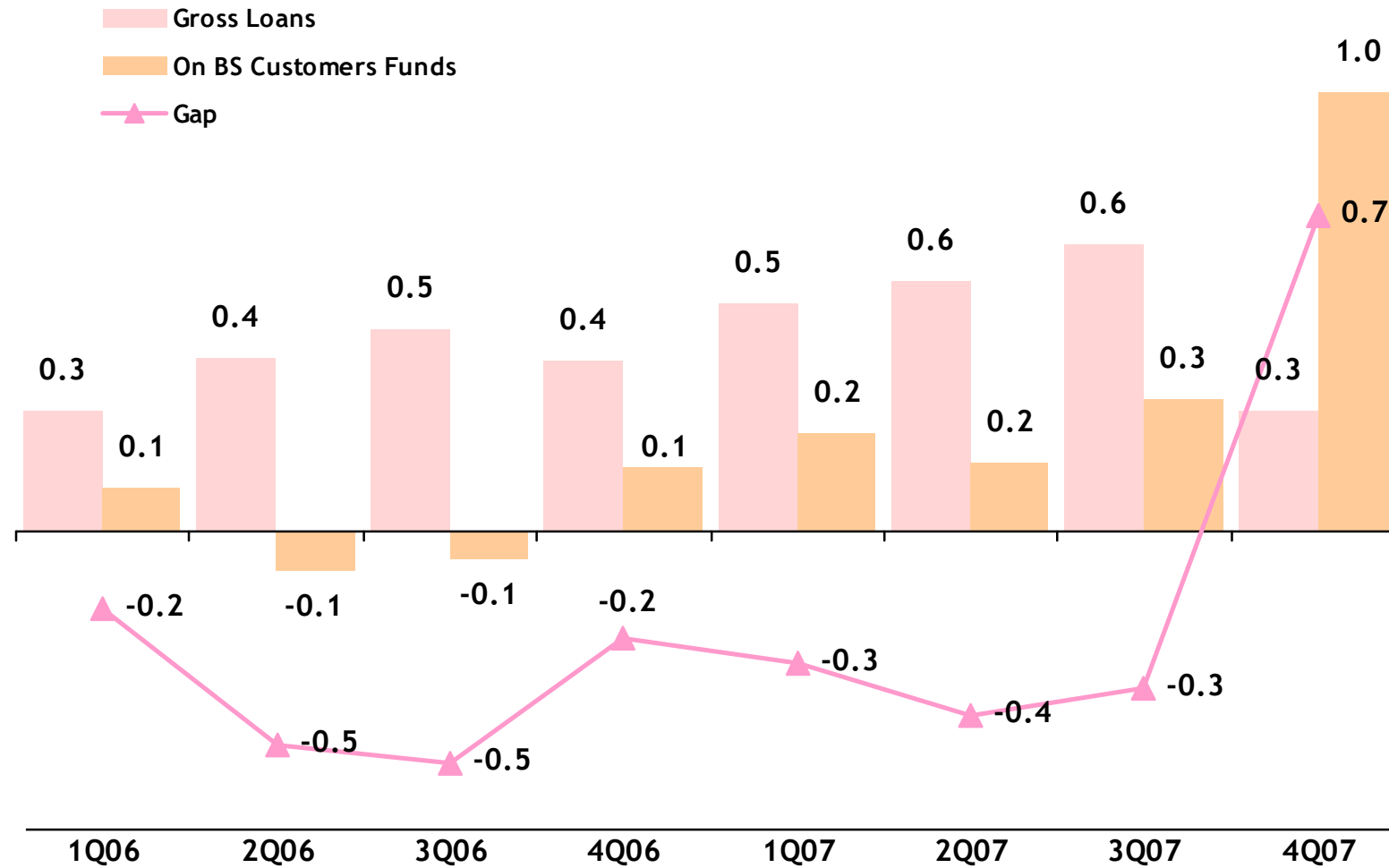
(\*) Includes securitized loans.



# Commercial gap closed in the last quarter of 2007



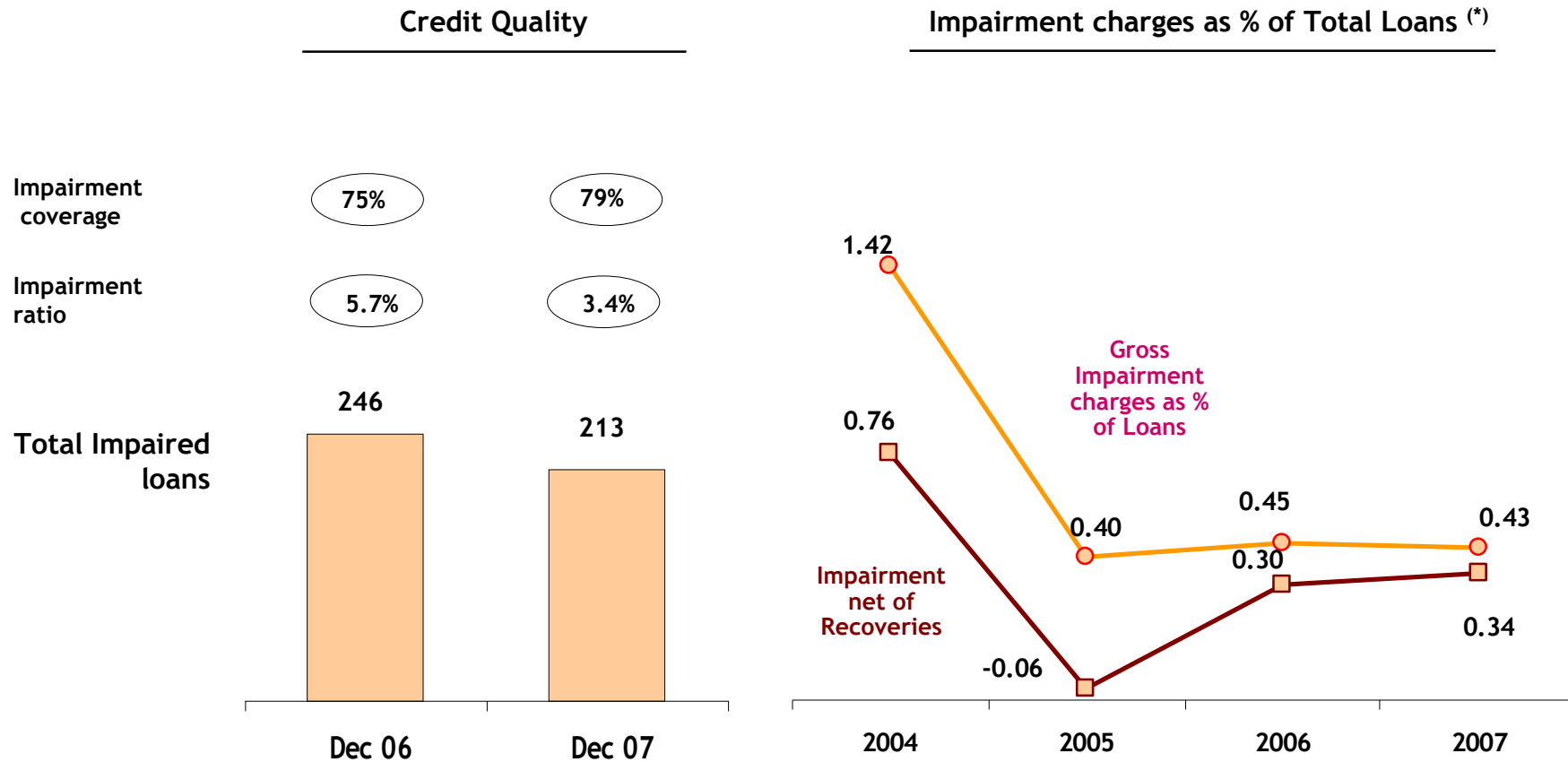
(Eur billion)



# Improvement in asset quality & cost of risk in absolute and relative terms



(Eur million)



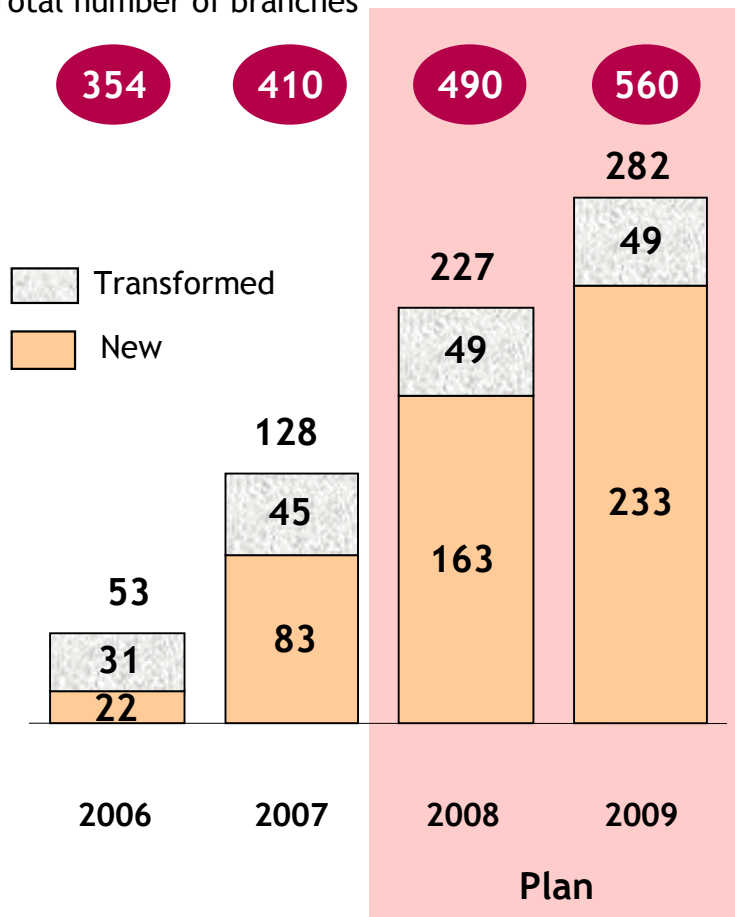
(\*) Impairment charges on a comparable basis.

# Branch expansion according to plan with additional 150 branches planned for 2008 and 2009



## Branch Expansion Plan

● Total number of branches



- The Bank has been expanding mainly in urban areas which are experiencing the fastest growth
- The Bank is now present in all cities with more than 60,000 inhabitants (127 cities in total)
- 71 locations of 150 branches to be opened until 2009 have already been reserved
- More than 30% of existing retail network was opened or transformed in the last two years

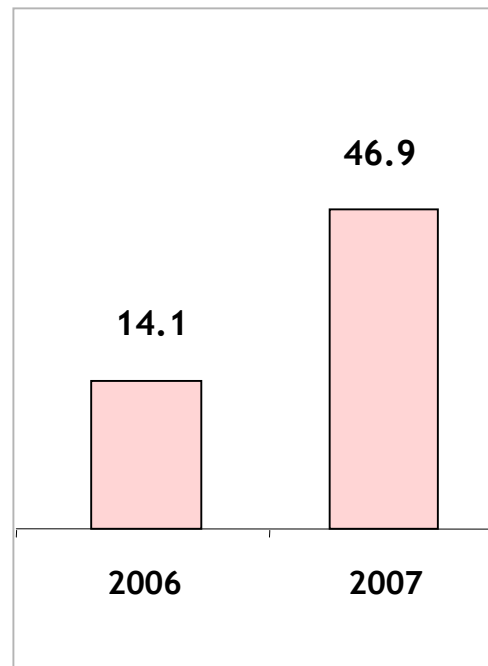
# Budget execution for branch expansion according to plan



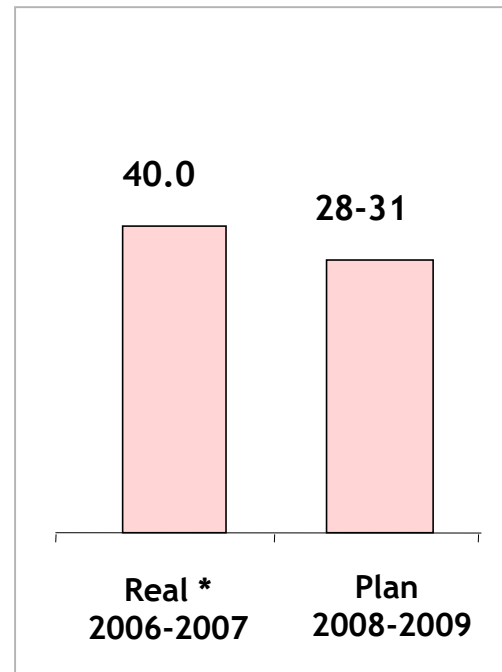
(Eur million)

Evolution of costs and investments connected with branch expansion project:

## Operating Costs



## Investments



- Operating costs connected with expansion still kept below the plan
- Investment plan executed in more than 50% (re-branding and bigger size branches were done first)
- No major problems with recruitment (12% of the staff for 1st half of 2008 already recruited)

\* Including re-branding project

## Poland recap



- Strong net income increase by **53.5%** to 121.8 m€ from 79.4 m€
- **34.9% growth in operating income** driven by 21.8% interest margin growth, 48.8% commissions growth and 50.4% trading growth
- Continued improvement in efficiency ratio by **5.8 pp** to **61.9%** despite expansion costs, capturing operating benefits from increased scale
- Strong **47% credit volume growth** and **39% funds volume growth**
- Improvement in asset quality and cost of risk in relative and absolute terms
- Branch expansion program in line with plan and with positive outlook for 2008

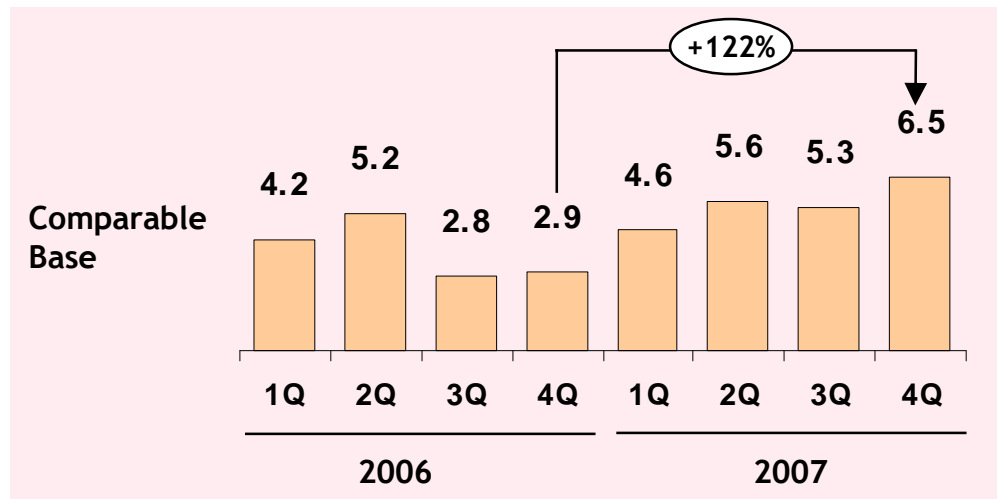
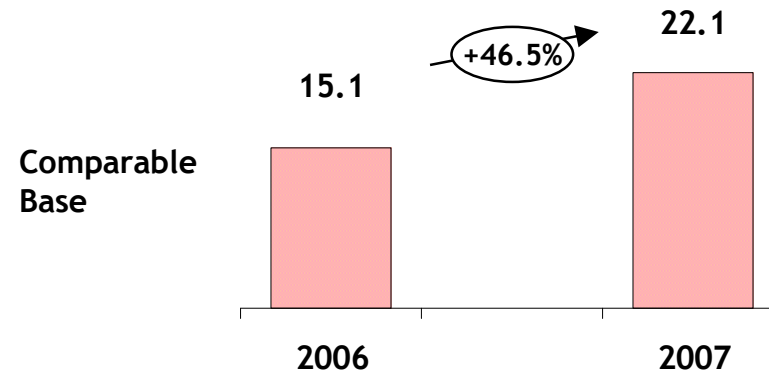
# Agenda

- Group
- Portugal
- Poland
- Greece
- Other International operations



# Strong net income growth during the year

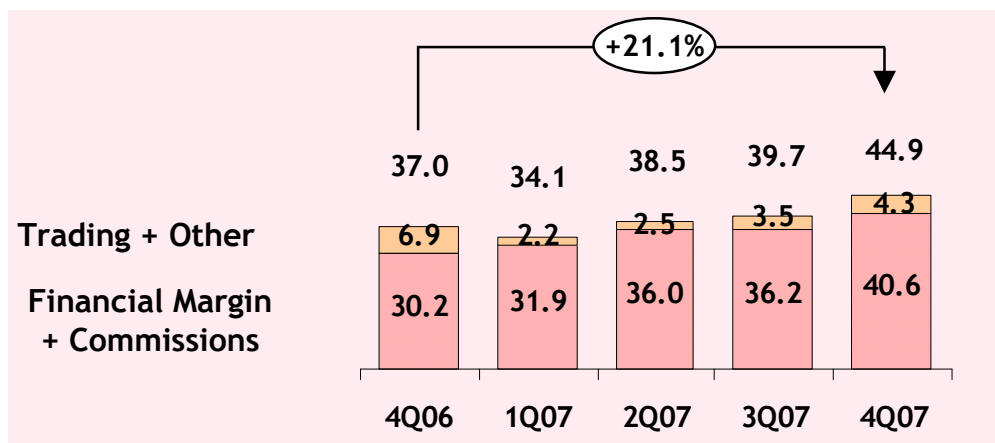
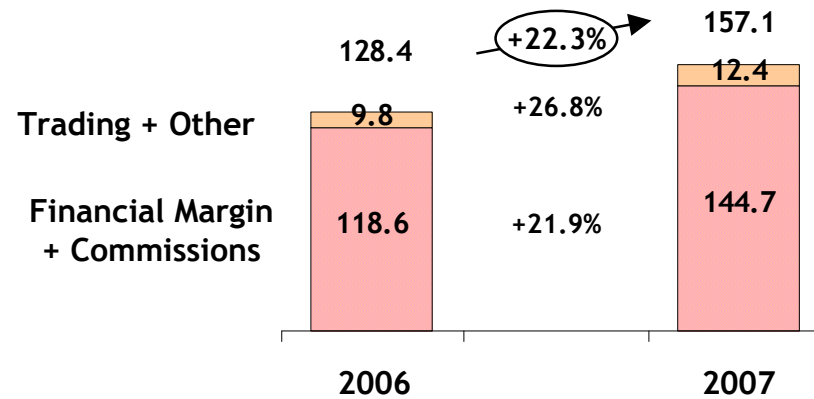
(Eur million)





# Strong operating income from core business

(Eur million)

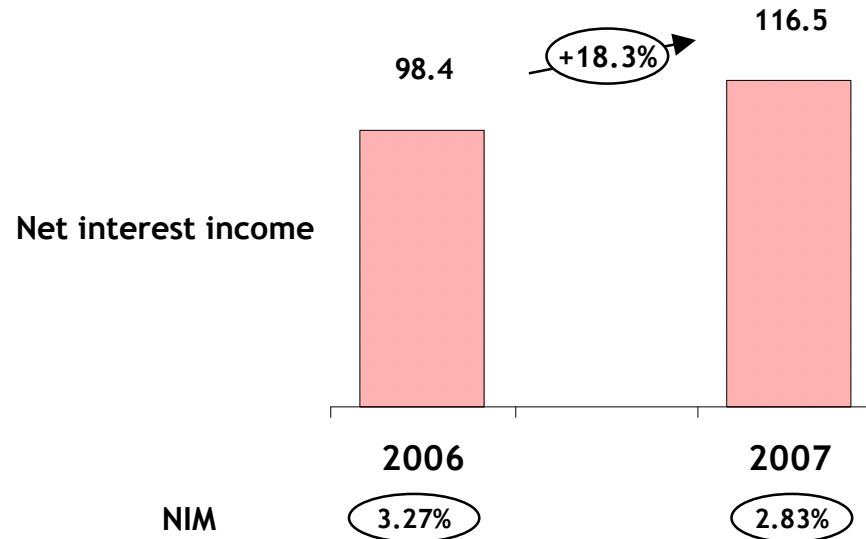




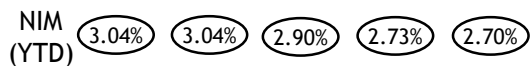
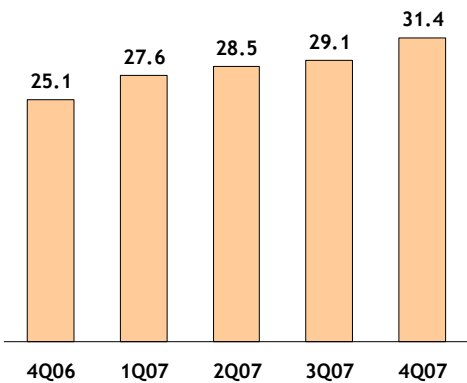


# Solid net interest income evolution despite pressure on credit margins

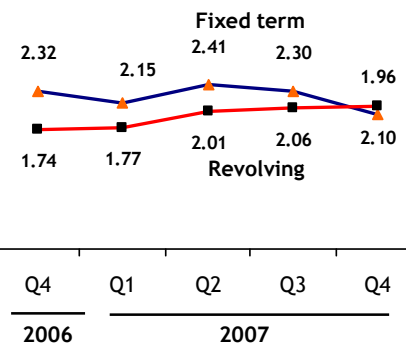
(Eur million)



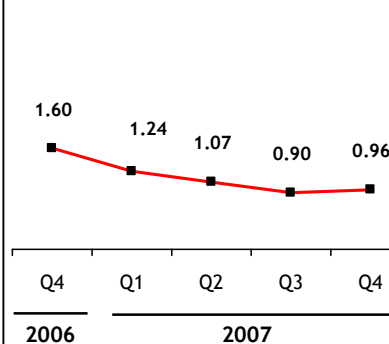
Quarterly Net Interest Income



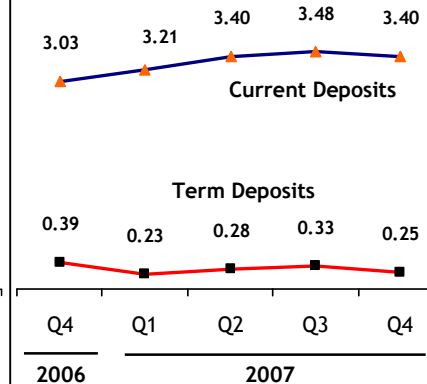
Spreads on Corporate Loans (YTD %)



Spreads on Mortgage Loans (YTD %)



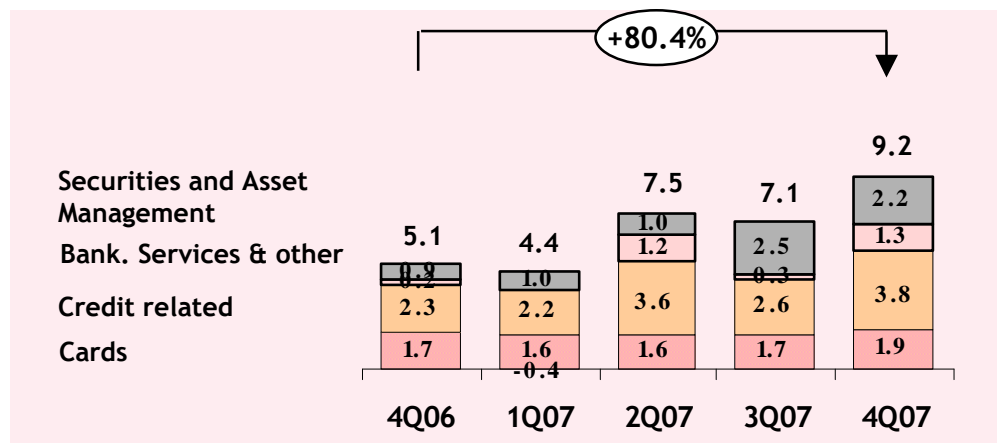
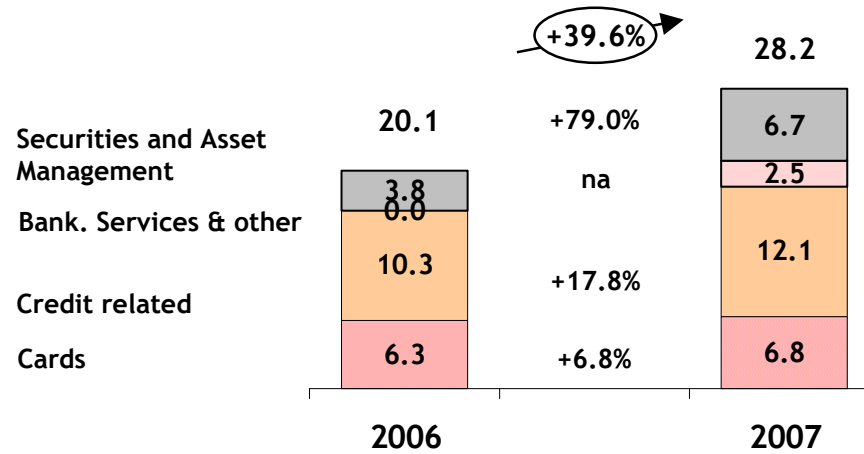
Spreads on Deposits (YTD %)





# Sustained commission performance

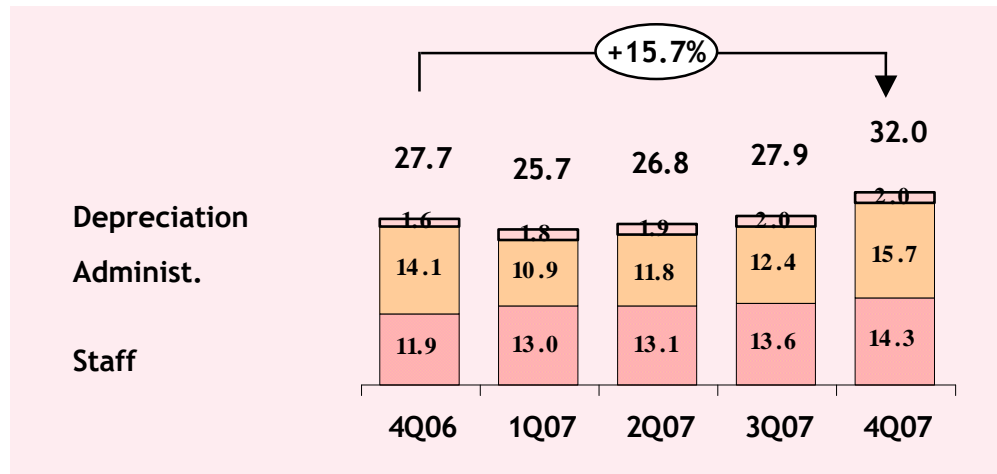
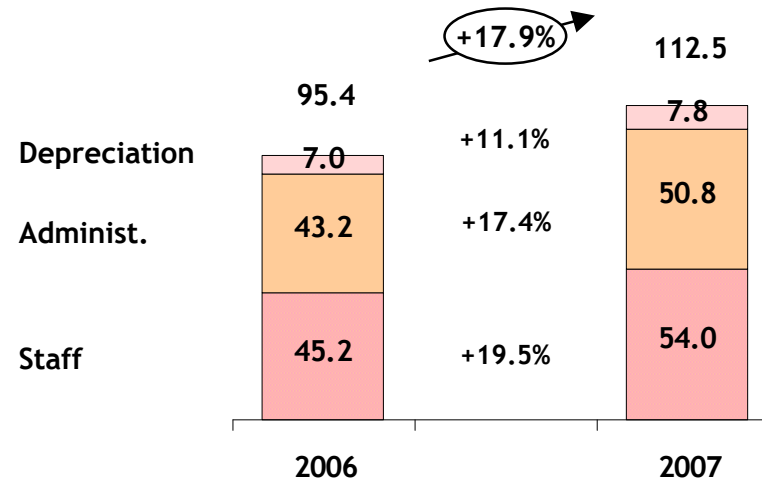
(Eur million)





# Operating costs increasing at a lower pace than business

(Eur million)

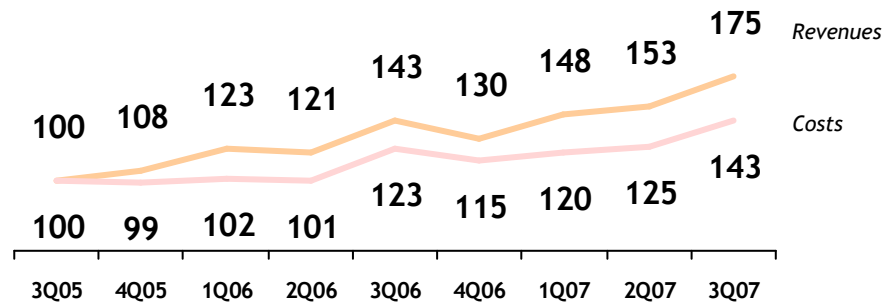




# Improved efficiency from strong revenue growth and costs under control

## Jaws

Basic Revenues and Costs  
4Q05 = 100



## Highlights

- Strong and accelerating growth on revenues
- Costs under control despite aggressive expansion plan
- Cost to income still at high levels due to current investment stage and effort to achieve economies of scale, but decreasing

(Eur million)

### Cost / Income ratio



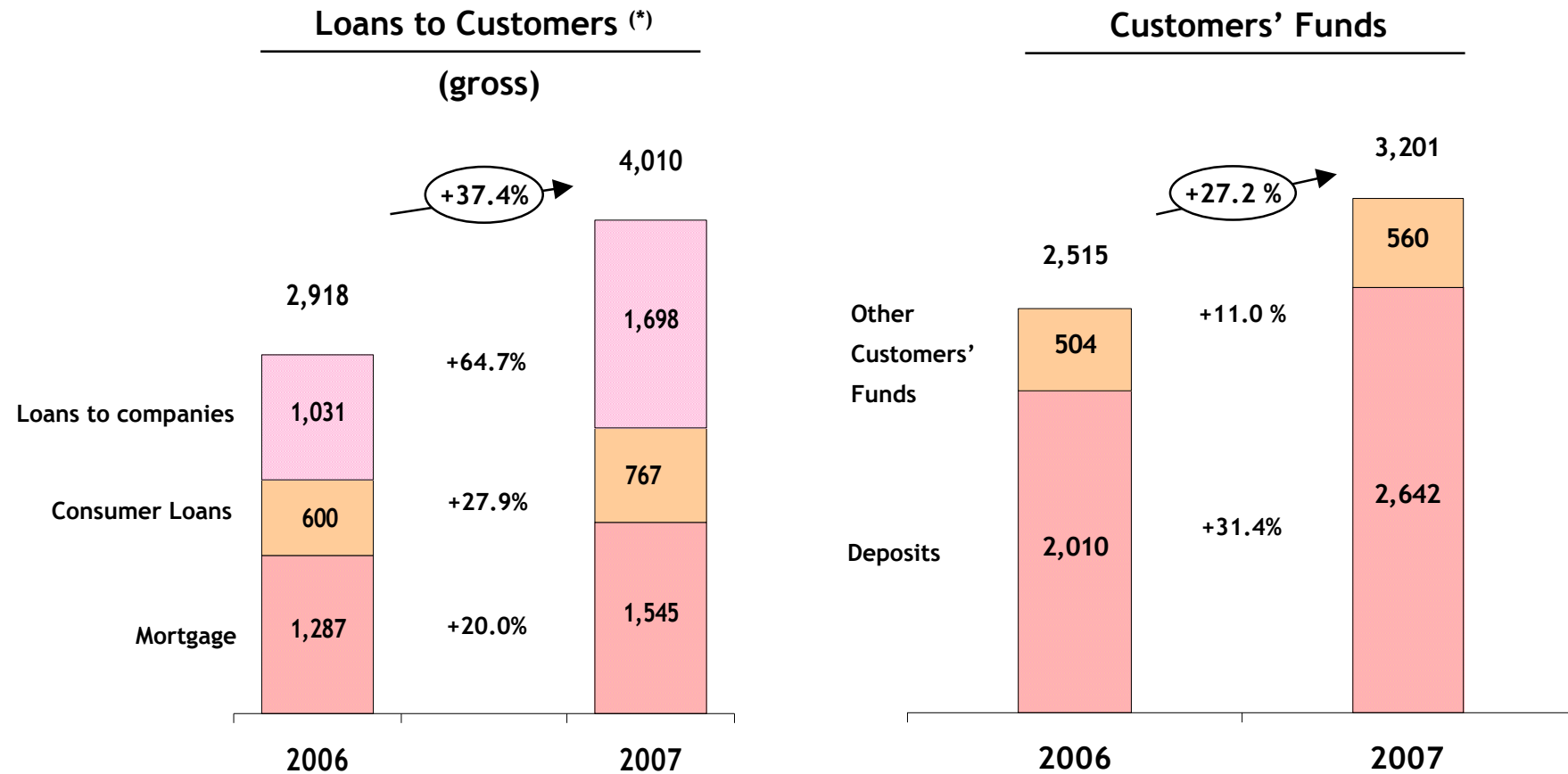
### Operating Profit





# Strong volume evolution driven by loans to companies and deposits

(Eur million)

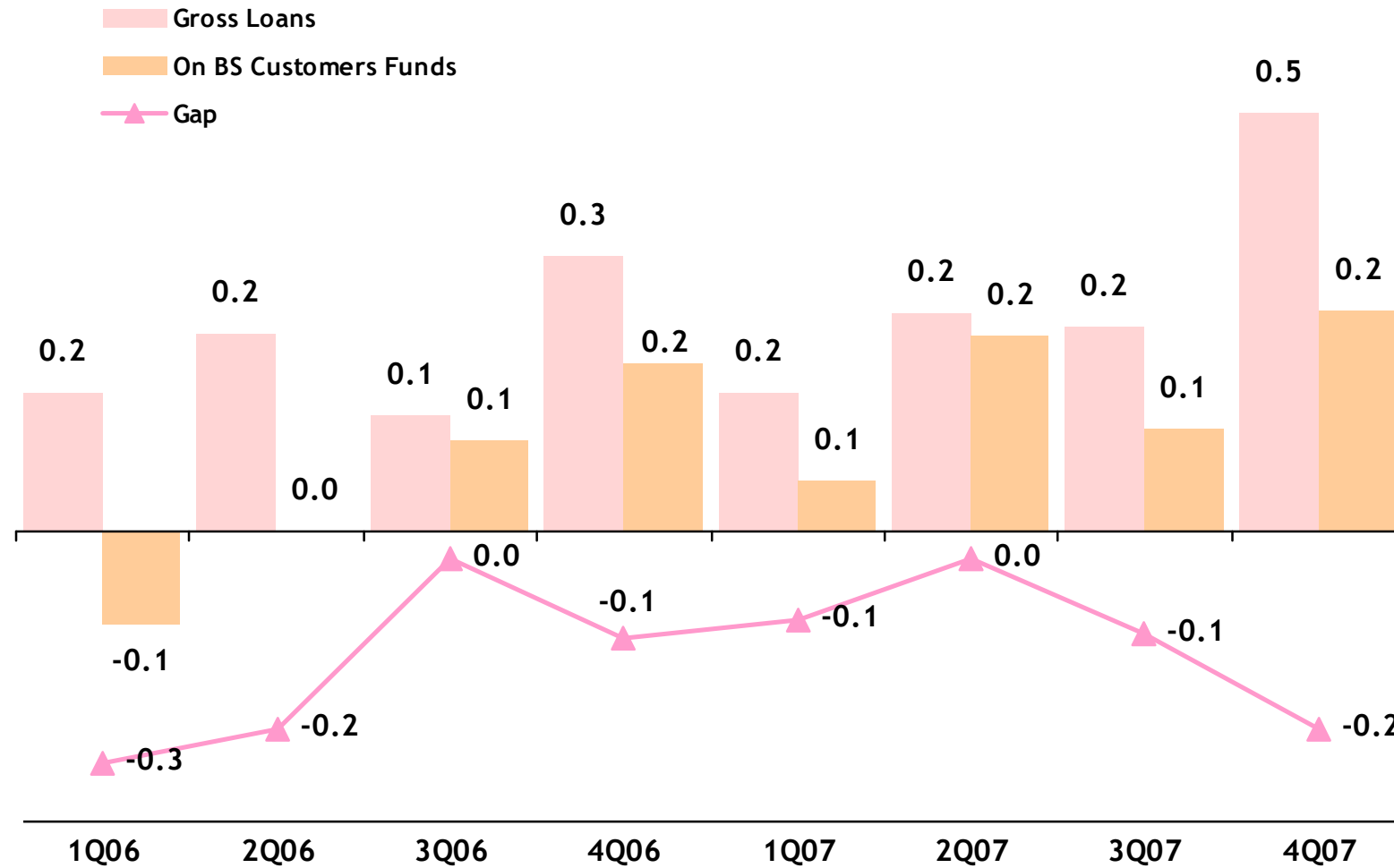


(\*) Includes securitised loans.



# Commercial gap still showing a deficit following strong credit growth

(Eur billion)



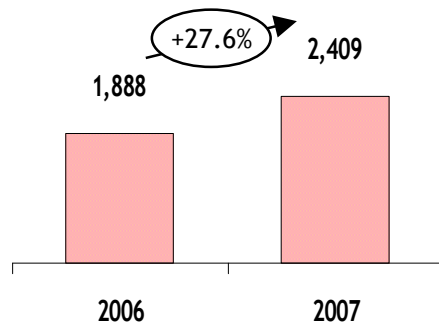


# Solid growth across all business segments, with focus on commercial & corporate

(Eur million)

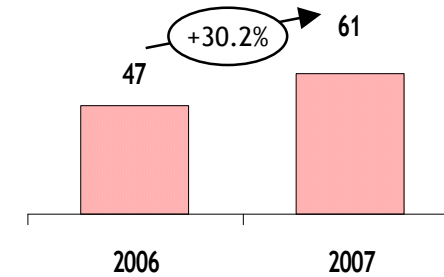
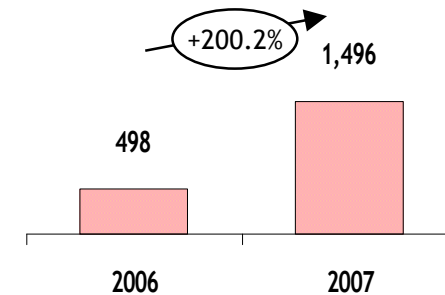
## Retail Banking

### Loans to Customers

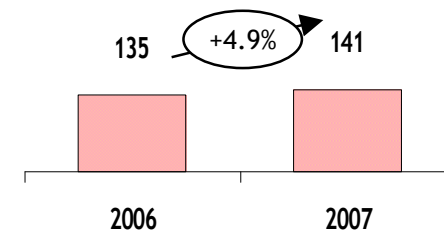
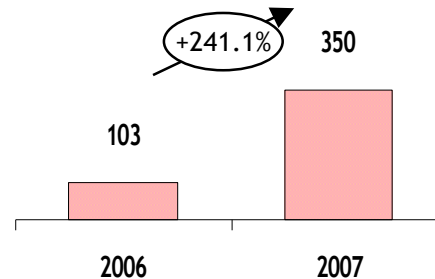
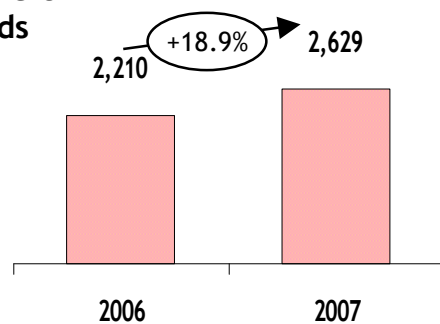


## Commercial & Corporate

## Private Banking and Asset Management



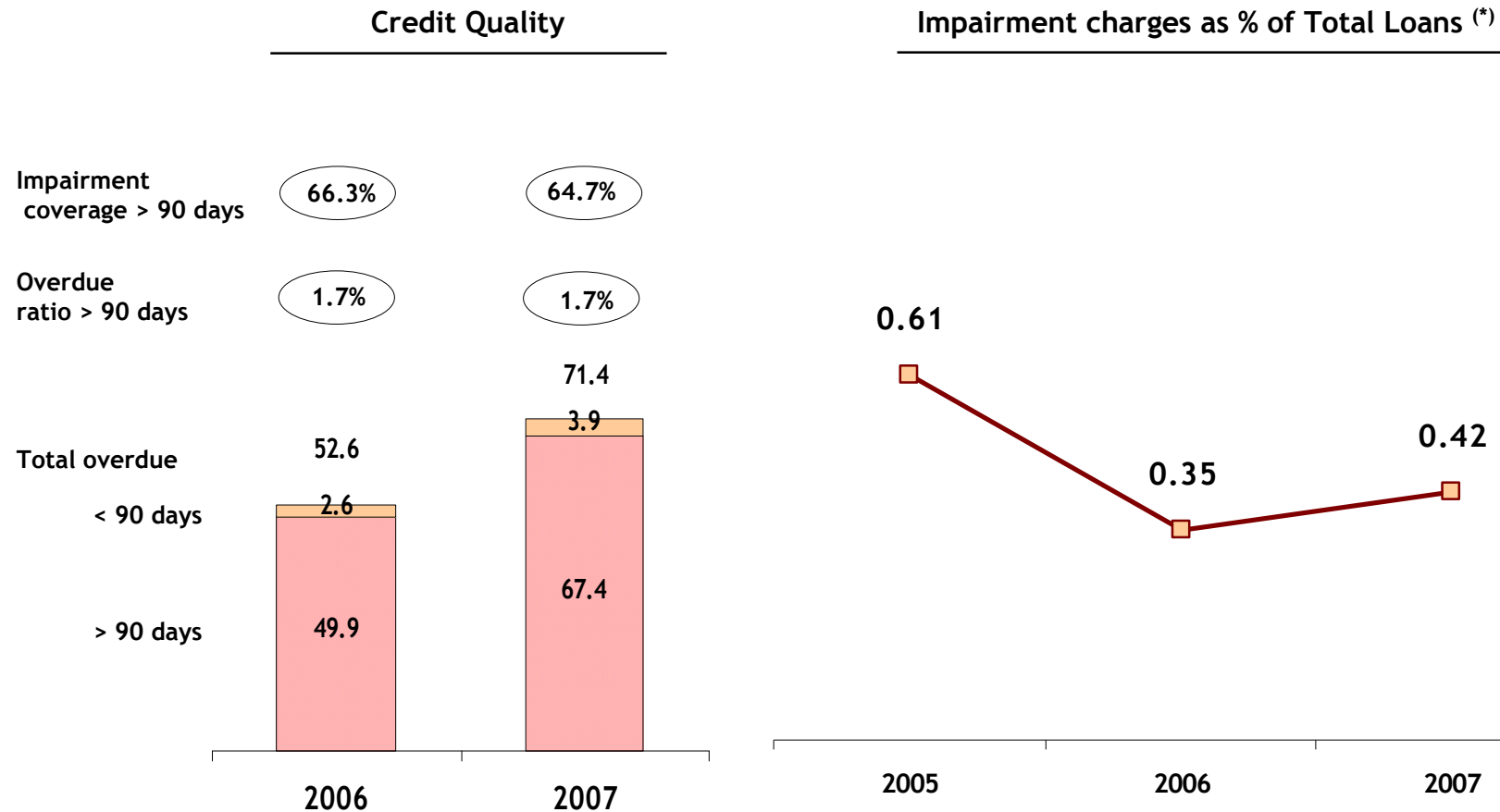
### Customers' Funds





# Stable asset quality & cost of risk

(Eur million)



(\*) Impairment charges on a comparable basis.





# Growth potential strengthened through the addition of 2 new segments

## Affluent



## Micro Businesses



### Key Features

- Individuals with AUMs ranging from Eur 70 thsd to Eur 400 thsd
- **Prestige branches** (larger, higher-visibility branches), deployed according to specific **areas of influence**
- Dedicated Affluent **relationship managers (RMs)**

- **Companies** with annual turnover of up to **Eur 1 million**
- **Served through the Retail network**, with the introduction of simple products
- **Business Credit Specialists (BCSs)**, dedicated to the acquisition of Micro Business Customers

### Value Offer

- **Financial planning tool** to support Customer acquisition
- **Advisory model** (Customer risk profiling, optimal assets allocation)
- **Specific products:** Prestige Account, Prestige Credit Card, MFs (Millennium AEDAK, JP Morgan, Black Rock - Merrill Lynch, Millennium SICAV)

- **Specific credit products:**  
Micro Business Plus, Micro Business Open, Micro Business Express, Micro Business Taxi

### Current status (end 2007)

#### After 3 months of operation:

- 12 Prestige branches
- 12 RMs
- Customers' funds: Eur 18 million

#### After 6 months of operation:

- All 139 retail branches offering Micro Business products
- 6 BCSs
- Loans: Eur 4 million



## Greece recap

- **46.5% net income increase to Eur 22.1 m**
- **22.3% increase in operating income** with strong growth across all income sources: financial margin, commissions and trading
- Continued efficiency improvement despite network expansion roll-out, with **cost to income ratio improved by 2.7 pp to 71.6%**
- **Strong volumes growth driven by credit (37%) and customers funds (27%)**

# Agenda

- Group
- Portugal
- Poland
- Greece
- Other International operations

# Mozambique: Sustained and profitable leadership position



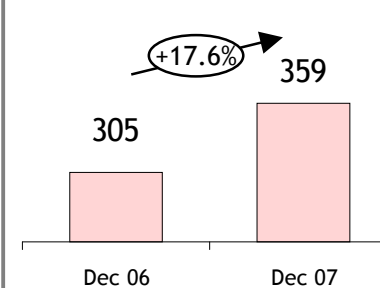
(Eur million)

## Highlights

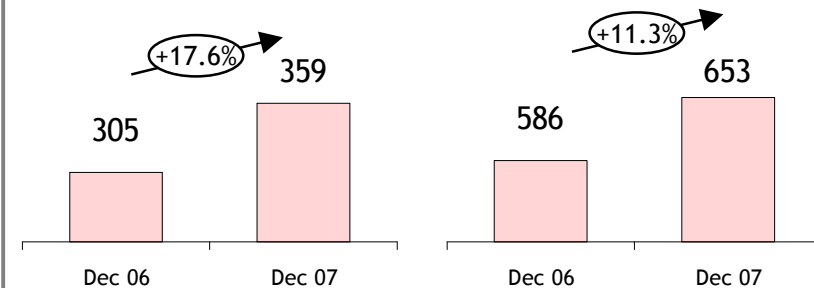
- Market leadership with market shares above 37%.
- Sustained growth with strong profitability.
- Market continues to show a healthy growth.
- ROE above 50%.
- Cost to Income of 48.7%.

## Volumes

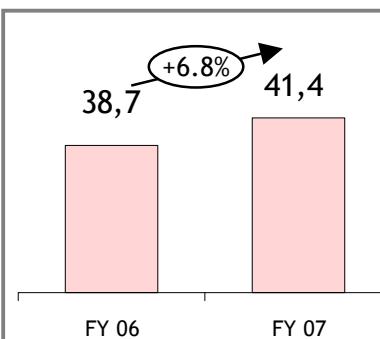
### Loans to Customers



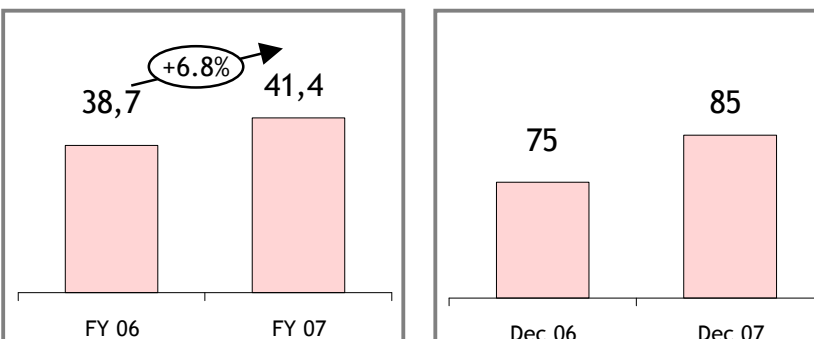
### Customers' Funds



## Net Profit



## Branches





# US: Operation close to breakeven as result of cost control effort and profitability recovery

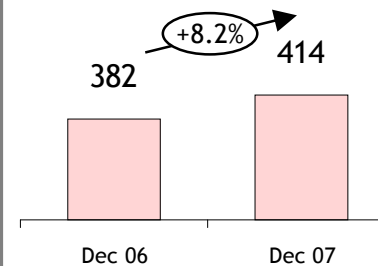
(Eur million)

## Highlights

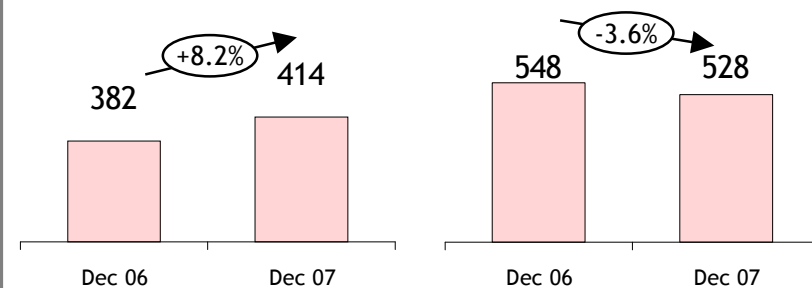
- Community bank focused on the Portuguese and Brazilian emigrants.
- Strong recovery in terms of profitability.
- Operation close to breakeven as result of the effort to reduce costs.
- Potential negative impact if US economy enters in a recession.

## Volumes

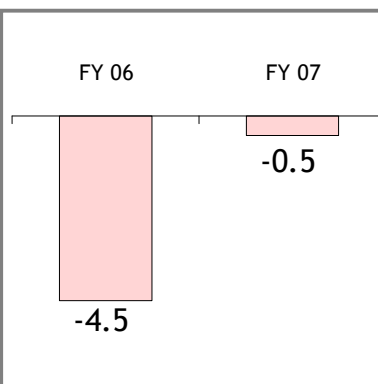
### Loans to Customers



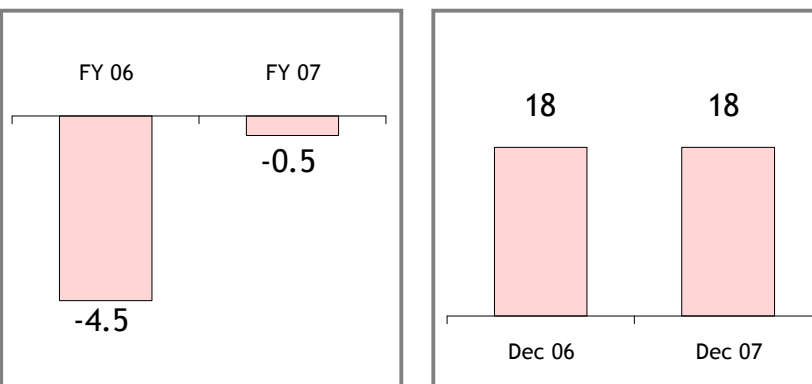
### Customers' Funds



## Net Profit



## Branches





# Turkey: Operation close to breakeven well positioned to benefit from growth context

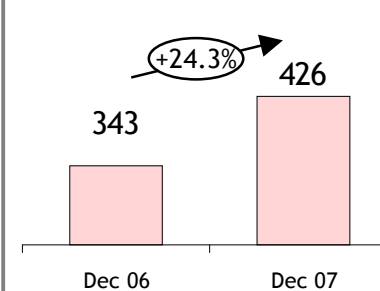
(Eur million)

## Highlights

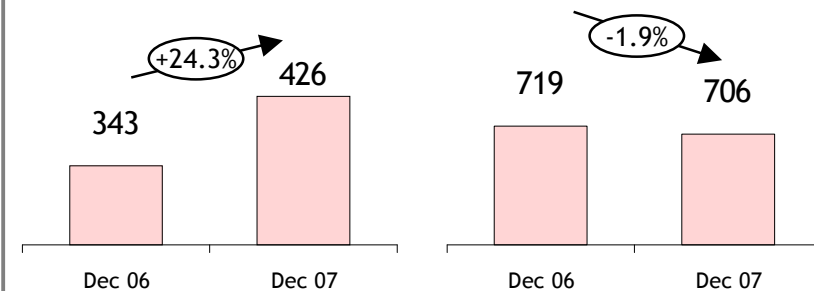
- Main focus on cost control and reduction of exposure to FX risks.
- Strong growth on customers loans. Market is thorny on customers funds.
- Turkey is a growing economy that will benefit from EU accession.

## Volumes

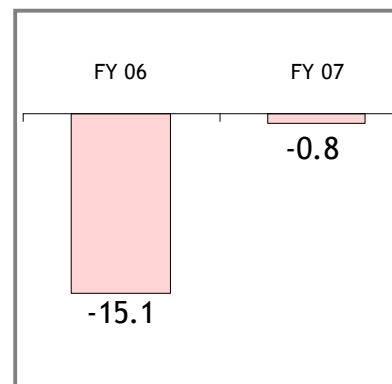
### Loans to Customers



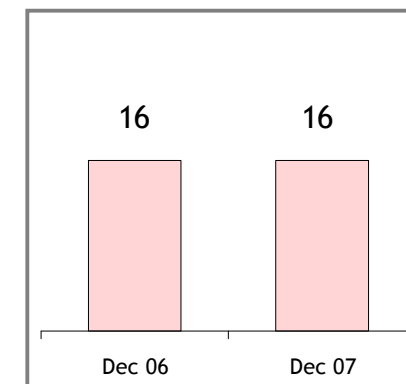
### Customers' Funds



## Net Profit



## Branches





# Angola: Strong performance on all dimensions on the back of solid macro performance

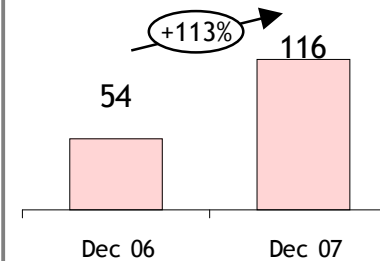
(Eur million)

## Highlights

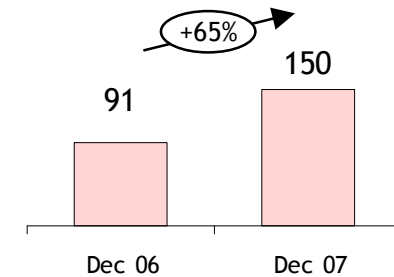
- Strong growth on all indicators.
- Expansion plan under way, affirming Millennium bcp as a relevant player.
- Agreement with Sonangol will boost growth, and Angola is a high growth economy.

## Volumes

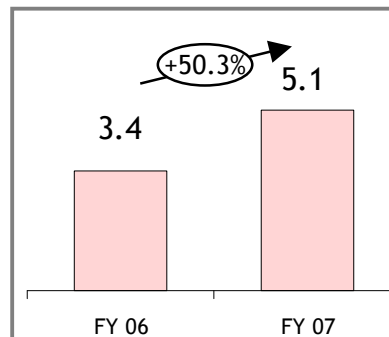
### Loans to Customers



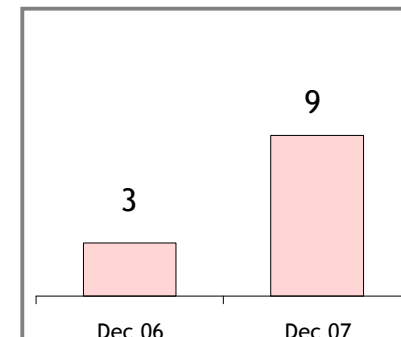
### Customers' Funds



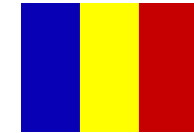
## Net Profit



## Branches



# Romania: Solid business evolution according to plan, with good market acceptance



(Eur million)

## Highlights

- Greenfield operation started in October 2007.
- Branches opening according to plan.
- Highly accepted by clients. A credit oriented operation able to originate an important flow of customers funds.
- Some risk on macro going forward but Romania is a high growth banking market on the medium/long term.

## Volumes

### Loans to Customers

37

Dec 06

Dec 07

### Customers' Funds

38

Dec 06

Dec 07

## Net Profit

FY 06

FY 07

-25.9 \*

## Branches

40

Dec 06

Dec 07

\* Including costs accounted at BCP



## Main Topics

- 2007 earnings detail
- **Economic and Financial Environment**
- Priorities and mid-term targets

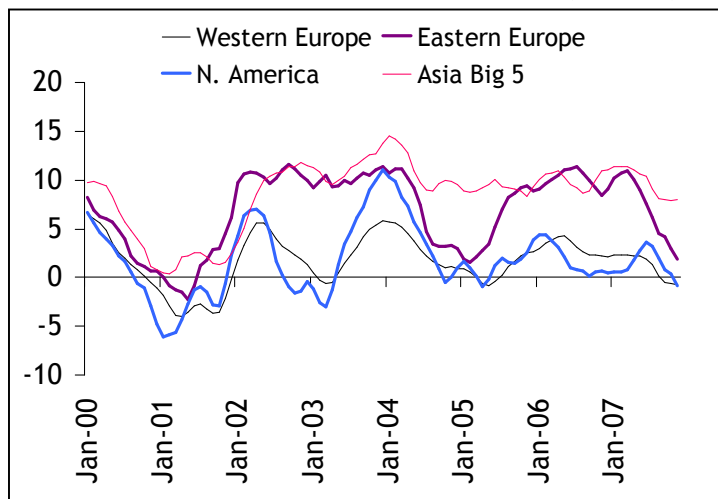
# Global developments

Increasing signs that the economic expansion that lasted up to 2007 is moderating

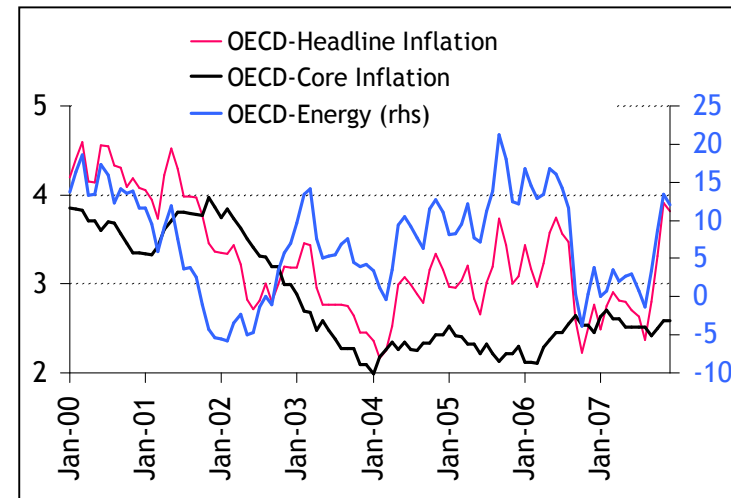
Risk aversion remains high along with inflationary tensions

Economic projections are being revised downwards, namely for the US.

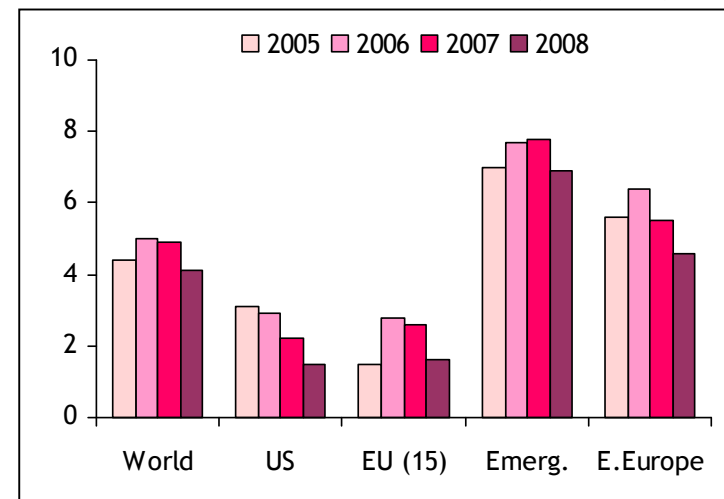
## 1. Leading Economic Indices (OECD)



## 2. Inflation (OECD)



## 3. IMF Economic Outlook (Jan.08)



# US and Euro Area

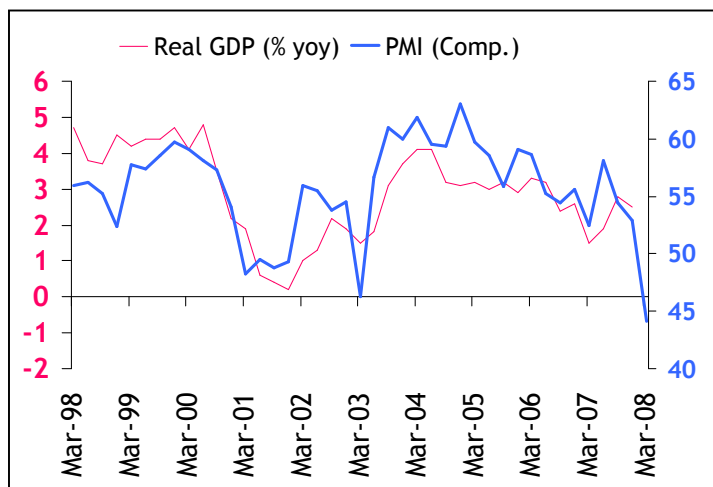
## US

Severe retrenchment in economic activity under way

Real estate and financial markets adjusting from past excesses. Other sectors look more resilient.

Federal, monetary authorities and industry players strongly committed to reinvigorate the economy.

1. US: Coincident indicator and GDP



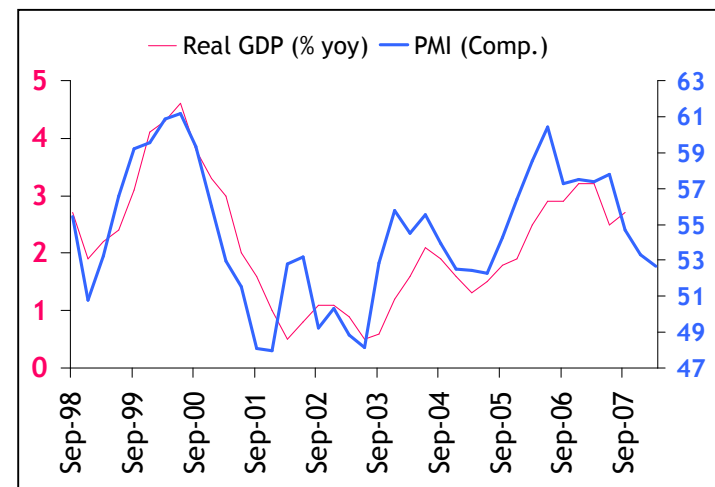
## Euro Area

Economic activity moderating but by less than in the US

No major macroeconomic imbalances facing the European economy

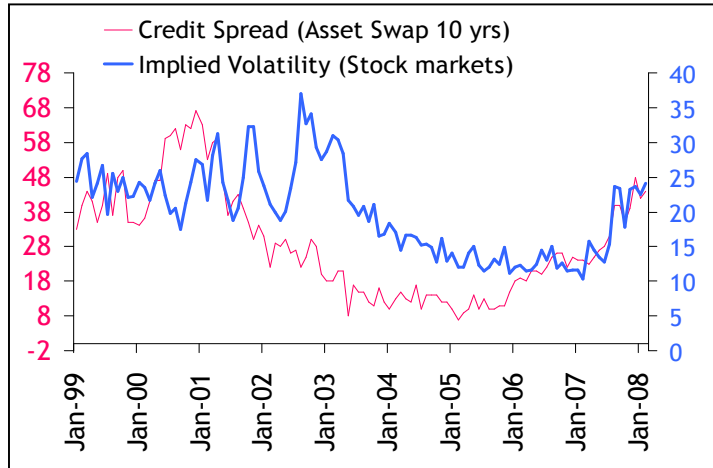
Monetary authorities less pressured to embark on emergency actions

2. Euro Area: Coincident indicator and GDP

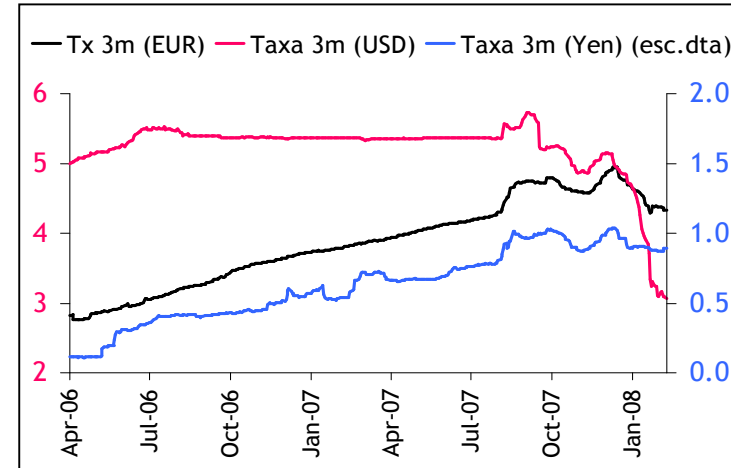


# Market conditions

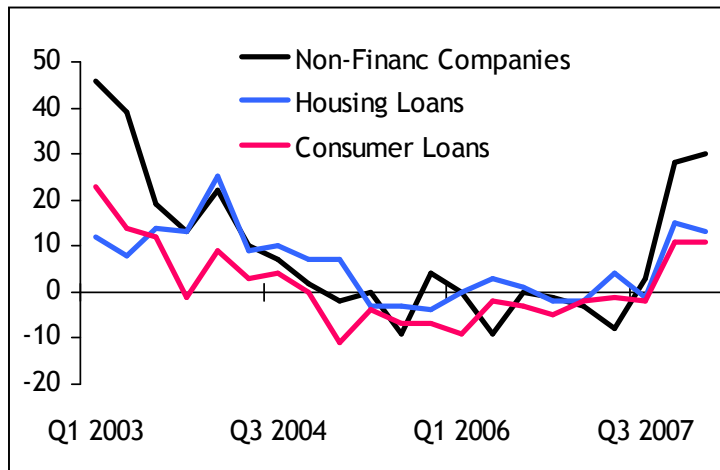
## 1. Measures of risk aversion



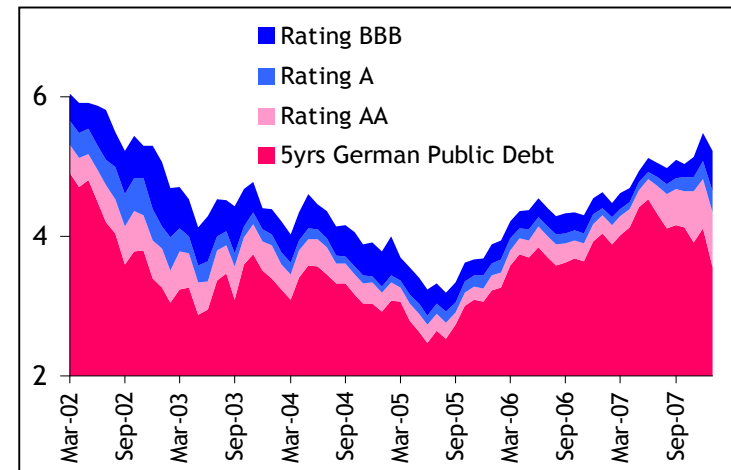
## 3. Monetary authorities reaction



## 2. Banks Lending Standards (EU13)



## 4. Yields by rating (EU13)

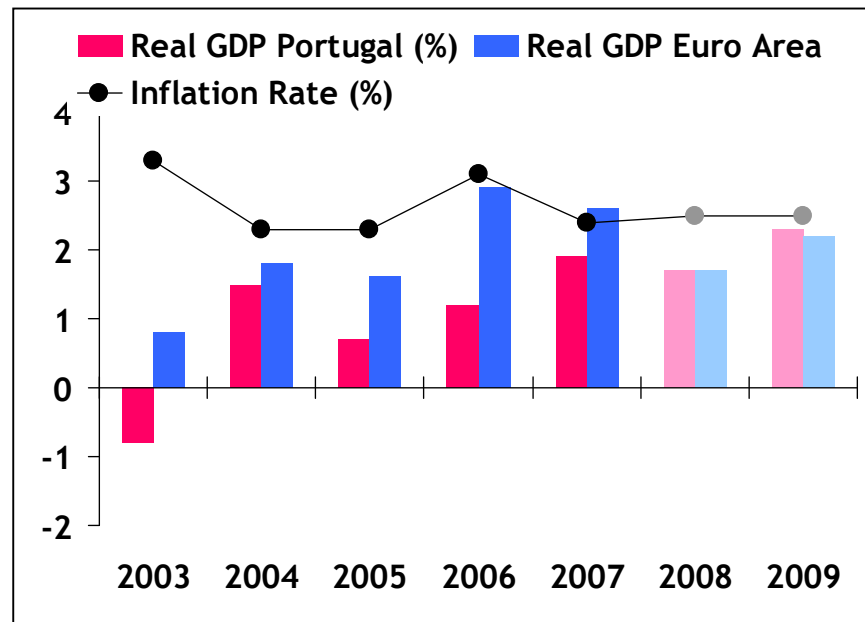


# Portugal

Real GDP growth accelerated to 1.9% in 2007

Rotation in the contributions to growth, from external to domestic demand, in particular investment

Inflation rate moving below the euro average



Outlook

Positives:

*Stronger domestic demand  
Competitiveness gains  
Exports diversification*

Negatives:

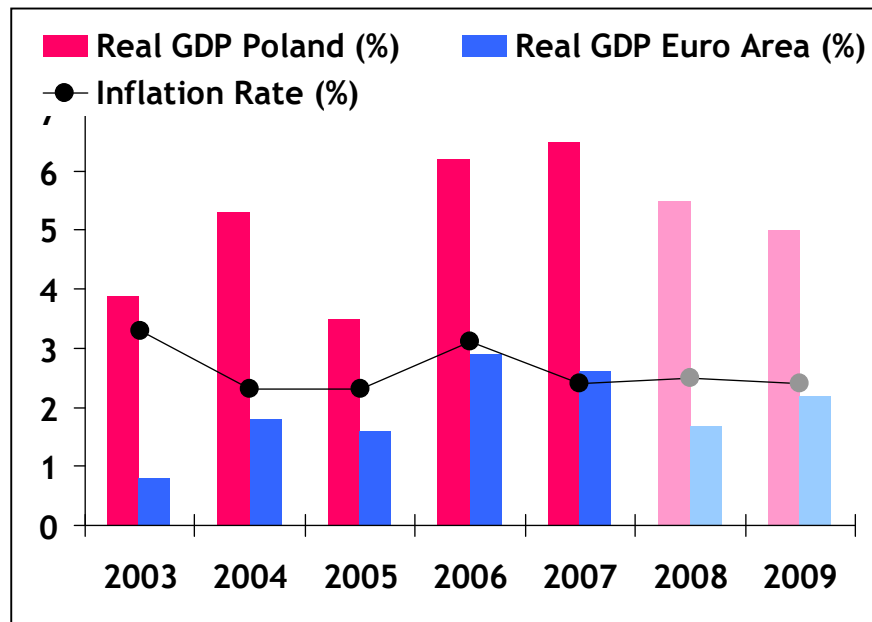
*External environment  
Indebtedness  
Energy dependence  
Structural adjustments*

# Poland

Robust real GDP growth in 2007 (6.5%)

Domestic demand highly dynamic,  
benefiting from the strong underlying  
confidence climate

Inflation pressures on the rise



Outlook

**Positives:**

*Labour markets  
Propensity to invest  
European integration*

**Negatives:**

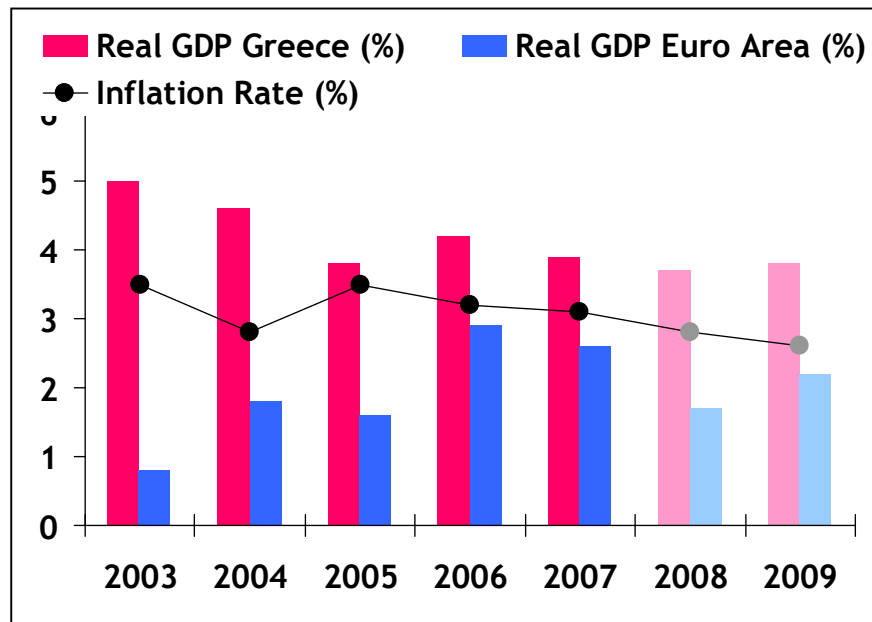
*External environment  
Monetary conditions*

# Greece

Among the fast growing state members within the euro area (real GDP up by 4.0%)

Sharp downtrend in the unemployment rate and strong willingness to invest

Price pressures consistently above euro area average



Outlook

Positives:

*Labour markets*  
*Fiscal Policy*  
*Investment cycle*

Negatives:

*External environment*  
*Competitiveness erosion*  
*Political gridlock*

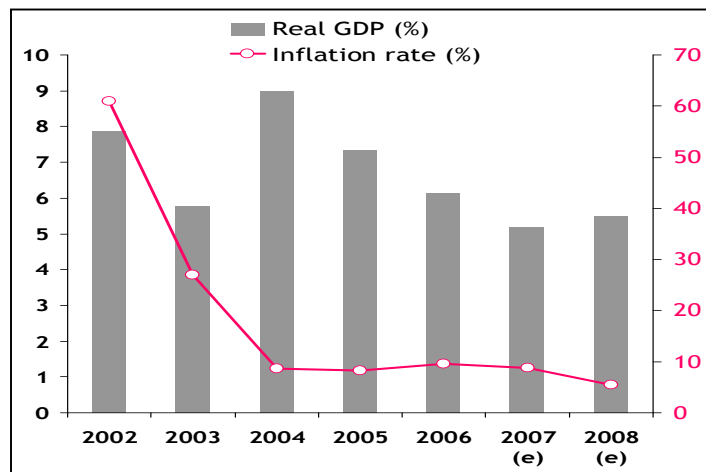
# Turkey and Romania

## Turkey

Disinflation trend favours the normalization of interest rates (down) and reinforces investors confidence

Data for late '07 and early '08 point to recovery in economic activity

Growth and inflation both expected in the 5.0% area

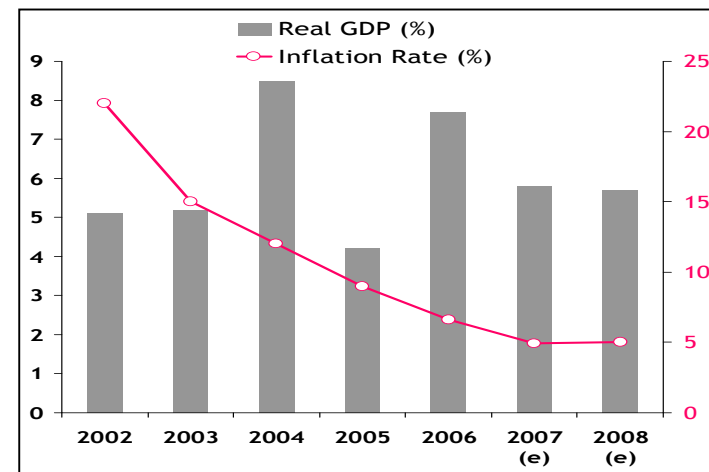


## Romania

Macroeconomic imbalances affecting financial markets developments

Inflation pressures and lax fiscal policy support monetary policy tightening

Growth expected to stabilize around current levels





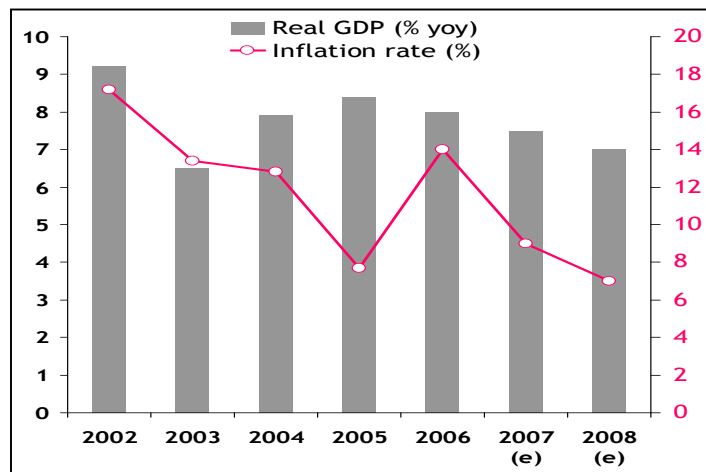
# Mozambique and Angola

## Mozambique

Commodities cycle promotes stronger and more diversified exports

Increased spending in infrastructures, in support of development of new industrial projects as well as social eq.

Real GDP growth might have been above expectations in 2007 (7.5%)

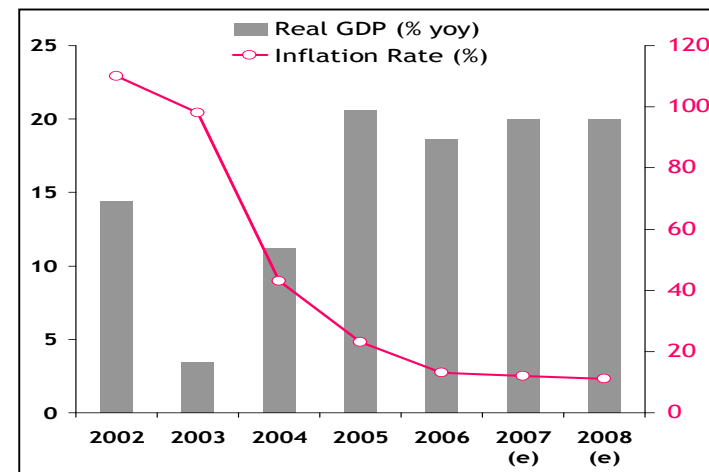


## Angola

Oil cycle and domestic oil production have been highly favourable...

... providing for the financial needs stemming from the ongoing effort to rebuild depleted basic infrastructure

Inflation rate stubbornly above the 10% target



## Main Topics

- 2007 earnings detail
- Economic and Financial Environment
- **Priorities and mid-term targets**

## Strengthen Core Tier I via Rights Issue during the first half of 2008

**Rationale:** Improve capital ratios and finance current organic growth plans

**Amount:** €1,300 million euros

**Nature:** Rights issue

**Underwriting:** The rights issue is fully underwritten by Merrill Lynch and Morgan Stanley

**Calendar:** 18/19 February - Approved by the Supervisory and Senior Boards

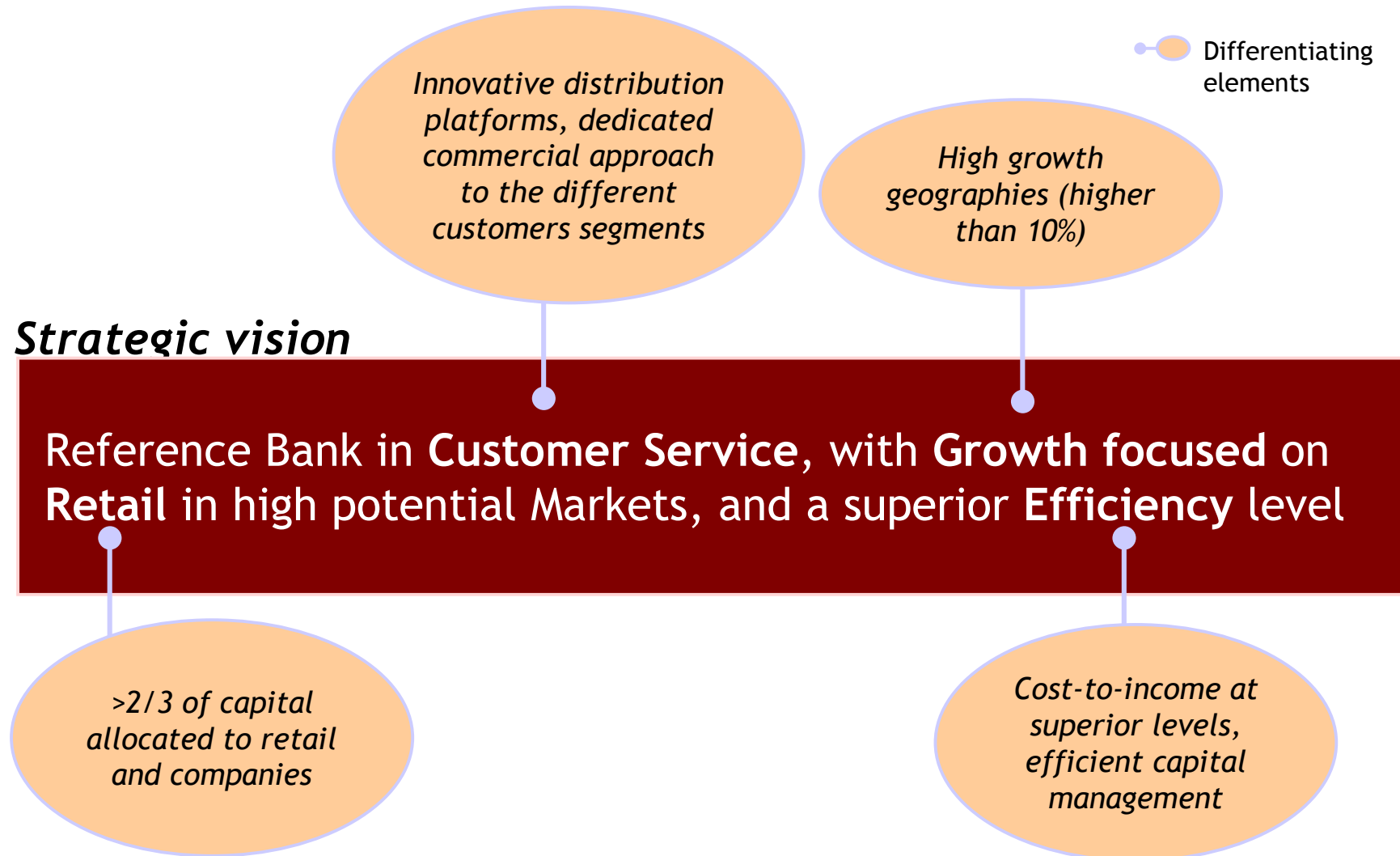
Early March - Filing prospectus with CMVM

Early April - Filing/Publication of prospectus

Early May - To be concluded with listing of new shares

**Dividend Policy:** No further dividend regarding 2007 exercise. Dividend payment to be resumed from and including 2008 fiscal year.

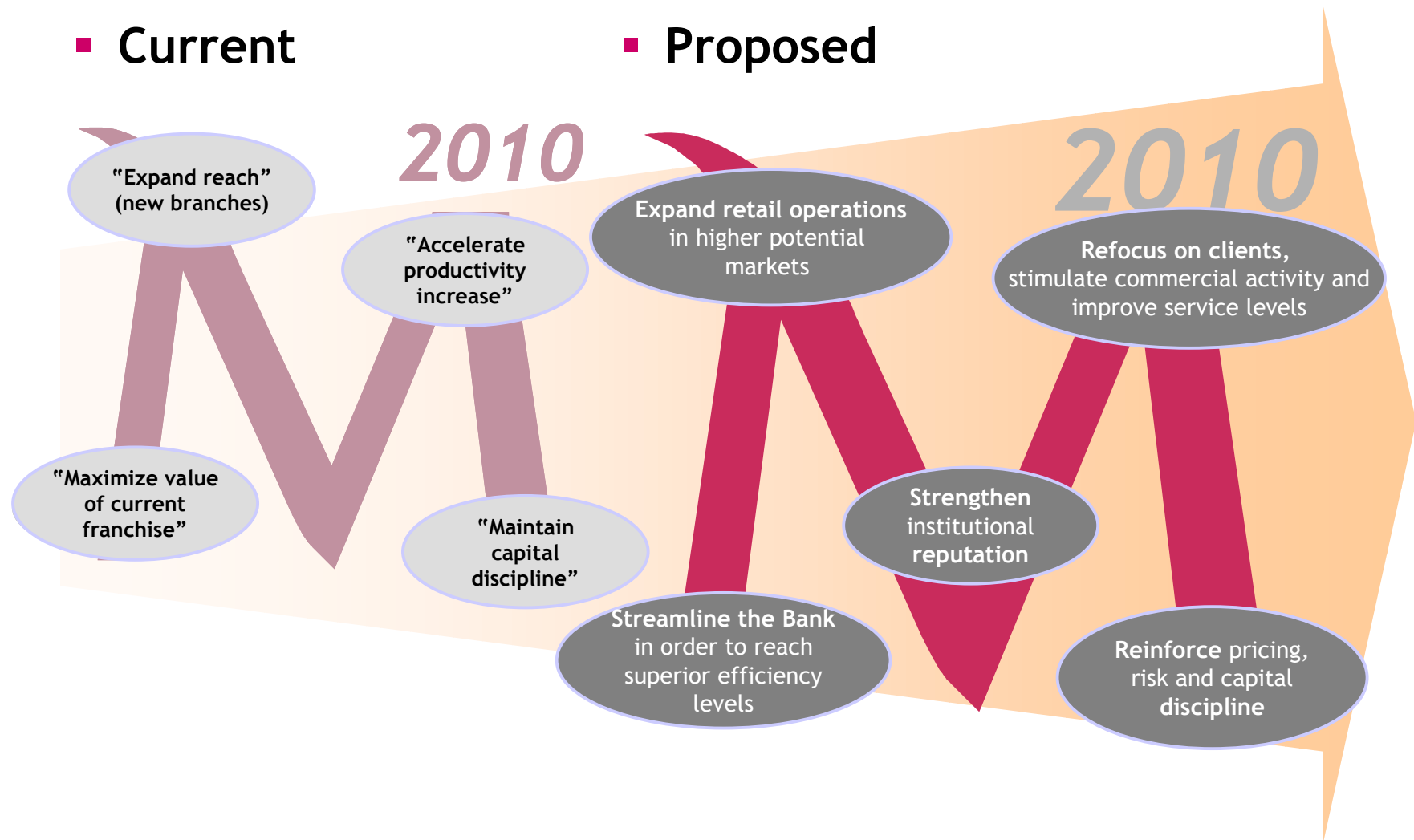
## 2008-2010 vision: focus on “Retail”, “Efficiency” and “Growth” as key elements to differentiate the Bank strategy



# Strategic priorities for 2008-2010

## ■ Current

## ■ Proposed



## M2010 review: focus on 5 strategic priorities...

### Rationale

**Refocus on clients,**  
stimulate commercial activity and  
improve service levels

*Strengthen client acquisition efforts with retention and relationship mechanisms to sustain market share gains, especially in an increasingly competitive market*

**Expand retail operations**  
in higher potential  
markets

*Focus on the historically most profitable segment, where Millennium bcp execution skills are strongest across all geographies*

**Reinforce pricing, risk and  
capital discipline**

*Improved capital allocation efficiency key to minimize impact from increasing cost of funding and financing*

**Streamline the Bank in  
order to reach superior  
efficiency levels**

*Aggressively simplify the Banks structure and procedures to enable it to operate under a much lower cost base*

**Strengthen institutional  
reputation**

*Restore the Bank's image of **credibility** and respect to a level coherent with its position as a pioneer of modern and client-oriented banking in Portugal*

## ... with multiple initiatives adapted to the new context

Strategic Priorities	Key Initiatives
<i>Refocus on clients, stimulate commercial activity and improve service levels</i>	<ul style="list-style-type: none"> <li>▪ Reinforce client capture, retention and loyalty (focusing on resources)</li> <li>▪ Reinforce position in SMEs</li> <li>▪ Increase penetration in Consumer Credit</li> </ul>
<i>Expand retail operations in high potential markets</i>	<ul style="list-style-type: none"> <li>▪ Expand retail distribution capacity with formats and models adapted to the different markets               <ul style="list-style-type: none"> <li>~100 in Portugal</li> <li>~150 in Poland + "Small Business"</li> <li>~235 in other geographies*</li> </ul> </li> </ul>
<i>Reinforce pricing, risk and capital discipline</i>	<ul style="list-style-type: none"> <li>▪ Strengthen and streamline credit recovery processes</li> <li>▪ Align pricing according to risk and capital consumption (Basel II) by restructuring credit portfolio mix (stronger focus on Retail)</li> </ul>
<i>Streamline the Bank, by aggressively reducing costs in order to reach superior efficiency levels</i>	<ul style="list-style-type: none"> <li>▪ Streamline organization and restructure cost base aggressively</li> <li>▪ Implement new operational model (lean) in branches</li> </ul>
<i>Strengthen institutional reputation</i>	<ul style="list-style-type: none"> <li>▪ Increase management transparency (including compensation of social bodies, meritocracy and incentives)</li> </ul>

\* ~45 in Greece, ~60 in Romania, ~40 in Angola, 31 in Mozambique and 60 in Turkey

# Highlights of the revised M2010 Program

## Main impacts

- **Volumes growth**  
(via reinforced capture, retention and client loyalty)
- **Margin improvement**  
(via *pricing* and portfolio/business mix)
- **Better efficiency**  
(via reduction of organization complexity and cost reduction)
- **Strengthen capital base**  
(via increased focus and better capital management)

## 2010 Targets

- **Net Income**  
For 2010, > 1b€  
2 X Greece and Poland Net Income\*
- **Revenues**  
CAGR\*\* >10% (2007-2010)
- **Cost to income**  
Group <52%  
Portugal <48%
- **ROE**  
Group >18%  
International >17%
- **Core Tier 1 of 6%**

*2007 was a "lost year" that resulted in a "one year delay" in achieving the initial targets*

\* Growth of >70% in the Poland operation result, and >250% in the Greece operation result

\*\* CAGR: Compound annual growth rate



## Key messages

- Solid business fundamentals in demanding market and difficult environment conditions (funding and regulatory)
- Performance in Portugal affected by specific items
- Very strong performance from international operations with sustained volume and profitability growth
- Capital increase required to improve capital ratios and fund expansion plans
- Renewed commitment with ambitious M2010 objectives, which have been revisited and will be achieved one year later due to the “delay” caused by recent events

# Appendix

## Shareholders' Structure

## Qualified Participations as at 31 December 2007

Share capital : 3,611,329,567 shares

	Number of shares	% Share Capital
BPI Group	283,201,191	7.84%
Eureko Group	255,385,397	7.07%
Berardo Foundation (5.25%) and Metalgest (1.75%)	252,817,945	7.00%
Teixeira Duarte Group	241,350,566	6.68%
Sonangol	180,000,000	4.98%
Banco Sabadell	160,141,055	4.43%
EDP-Energias de Portugal	116,677,765	3.23%
EDP Pension Fund	39,903,775	1.11%
UBS	116,620,719	3.23%
Caixa Geral Depósitos Group	105,705,393	2.93%
JP Morgan	105,118,050	2.91%
Sogema	95,504,452	2.67%
Banco Privado Português	83,599,212	2.32%
SFGP - Investimentos e Participações	78,202,905	2.17%
BCP Pension Fund	76,127,246	2.16%
Manuel Fino, SGPS	73,562,865	2.04%
<b>Total</b>	<b>2,263,918,536</b>	<b>62.77%</b>

# Financial Statements



# Consolidated Balance Sheet

## At 31 December, 2007 and 2006

	<u>2007</u>	<u>2006</u>
	(Thousands of Euros)	
Interest income	4,332,187	3,367,101
Interest expense	<u>(2,794,884)</u>	<u>(1,936,341)</u>
Net interest income	1,537,303	1,430,760
Dividends from equity instruments	27,921	32,494
Net fees and commission income	664,583	713,508
Net gains arising from trading and hedging activities	199,138	191,954
Net gains arising from available for sale financial assets	193,211	202,964
Other operating income	<u>97,861</u>	<u>118,549</u>
	2,720,017	2,690,229
Other net income from non banking activity	<u>12,925</u>	<u>11,773</u>
Total operating income	2,732,942	2,702,002
Staff costs	1,006,227	1,034,678
Other administrative costs	627,452	579,313
Depreciation	<u>114,896</u>	<u>111,492</u>
Operating costs	1,748,575	1,725,483
	984,367	976,519
Loans impairment	(260,249)	(119,918)
Other assets impairment	(45,754)	(19,413)
Other provisions	<u>(49,095)</u>	<u>(15,951)</u>
Operating profit	629,269	821,237
Share of profit of associates under the equity method	51,215	42,047
Gains from the sale of subsidiaries and other assets	<u>7,732</u>	<u>130,640</u>
Profit before income tax	688,216	993,924
Income tax		
Current	(73,045)	(87,936)
Deferred	<u>3,475</u>	<u>(66,889)</u>
Profit after income tax	<u>618,646</u>	<u>839,099</u>
Attributable to:		
Shareholders of the Bank	563,287	787,115
Minority interests	<u>55,359</u>	<u>51,984</u>
Profit for the period	<u>618,646</u>	<u>839,099</u>

# Consolidated Statement of Income

## At 31 December, 2007 and 2006

	2007	2006
	(Thousands of Euros)	
<i>Assets</i>		
Cash and deposits at central banks	1,958,239	1,679,221
Loans and advances to credit institutions		
Repayable on demand	820,699	917,279
Other loans and advances	6,482,038	6,575,060
Loans and advances to customers	65,650,449	56,669,877
Financial assets held for trading	3,084,892	2,732,724
Financial assets available for sale	4,418,534	4,410,886
Assets with repurchasing agreement	8,016	4,048
Hedging derivatives	131,069	182,041
Investments in associated companies	316,399	317,610
Property and equipment	699,094	741,297
Goodwill and intangible assets	536,533	532,391
Current tax assets	29,913	23,498
Deferred tax assets	650,636	628,355
Other assets	3,379,650	3,631,180
	<u>88,166,161</u>	<u>79,045,467</u>
<i>Liabilities</i>		
Amounts owed to central banks	784,347	539,335
Amounts owed to others credit institutions	8,648,135	12,124,716
Amounts owed to customers	39,246,611	33,244,197
Debt securities	26,798,490	22,687,354
Financial liabilities held for trading	1,304,265	873,485
Other financial liabilities held for trading at fair value through results	1,755,047	-
Hedging derivatives	116,768	121,561
Provisions for liabilities and charges	246,949	211,141
Subordinated debt	2,925,128	2,932,922
Current income tax liabilities	41,363	42,416
Deferred income tax liabilities	46	80
Other liabilities	1,399,757	1,413,599
	<u>83,266,906</u>	<u>74,190,806</u>
<i>Equity</i>		
Share capital	3,611,330	3,611,330
Treasury stock	(58,436)	(22,150)
Share premium	881,707	881,707
Preference shares	1,000,000	1,000,000
Fair value reserves	218,498	442,889
Reserves and retained earnings	(1,598,704)	(2,072,278)
Profit for the period attributable to Shareholders	563,287	787,115
	<u>4,617,682</u>	<u>4,628,613</u>
Total Equity attributable to Shareholders of the Bank		
Minority interests	281,573	226,048
	<u>4,899,255</u>	<u>4,854,661</u>
Total Equity	<u>88,166,161</u>	<u>79,045,467</u>

# Consolidated Statement of Income (\*)

## At 31 December, 2007 and 2006 and Quarterly Evolution

(EUR Million, except percentages)	Quarterly					Year-to-date		
	Q4 06	Q1 07	Q2 07	Q3 07	Q4 07	Dec 07	Dec 06	? % 07 / 06
Net interest income	364.7	386.6	382.2	380.9	387.6	1,537.3	1,405.8	9%
Dividend Income	5.5	2.3	20.3	0.4	4.9	27.9	32.5	- 14%
Net Commission Income	196.1	179.3	203.8	185.4	199.3	767.8	702.4	9%
Other Net Operating Income	42.2	30.7	21.5	31.8	34.6	118.5	120.8	- 2%
Net Income from Trading Activity	48.9	61.4	62.7	44.8	27.2	196.2	213.6	- 8%
<b>Operating income</b>	<b>657.3</b>	<b>660.3</b>	<b>690.5</b>	<b>643.3</b>	<b>653.6</b>	<b>2,647.7</b>	<b>2,475.0</b>	<b>7%</b>
Staff Costs	223.9	216.5	218.9	231.7	217.2	884.4	866.6	2%
Administrative Costs	153.2	133.5	149.4	162.8	181.7	627.5	570.0	10%
Depreciation	26.6	26.6	26.4	27.1	34.8	114.9	107.1	7%
<b>Operating costs</b>	<b>403.7</b>	<b>376.6</b>	<b>394.7</b>	<b>421.6</b>	<b>433.8</b>	<b>1,626.7</b>	<b>1,543.7</b>	<b>5%</b>
<b>Operating Profit before provisions</b>	<b>253.6</b>	<b>283.6</b>	<b>295.8</b>	<b>221.7</b>	<b>219.8</b>	<b>1,020.9</b>	<b>931.3</b>	<b>10%</b>
Group Equity-accounted earnings	6.4	14.5	15.3	12.8	8.7	51.2	47.4	8%
Loan Impairment (net of recoveries)	2.3	45.3	52.4	75.8	86.7	260.2	127.6	104%
Other Provisions	7.1	6.0	13.0	12.2	2.8	34.0	35.4	- 4%
<b>Income before specific items</b>	<b>250.6</b>	<b>246.8</b>	<b>245.7</b>	<b>146.6</b>	<b>138.9</b>	<b>777.9</b>	<b>815.8</b>	<b>- 5%</b>
Specific items (**)	59.5		- 65.5	- 9.0	51.1	- 23.5	163.1	- 114%
<b>Income before taxes</b>	<b>310.2</b>	<b>246.8</b>	<b>180.2</b>	<b>137.5</b>	<b>190.0</b>	<b>754.4</b>	<b>978.9</b>	<b>- 23%</b>
Provisions for income taxes	65.7	44.1	48.4	26.9	16.3	135.8	139.8	- 3%
Minority interests	14.3	11.3	15.1	14.7	14.1	55.4	52.0	6%
<b>Net income</b>	<b>230.2</b>	<b>191.3</b>	<b>116.6</b>	<b>95.9</b>	<b>159.6</b>	<b>563.3</b>	<b>787.1</b>	<b>- 28%</b>

(\*\*) In 2006, Q1 : Interbanco (82.2) and early retirements (66.8 - 18.4);

Q3 : France and Luxembourg (41.3 - 7.6) and early retirements (46.5 - 12.8);

Q4 : Canada (7.9), early retirements (32.8 - 9.0) and change in Portuguese Municipal Taxes (18.3) and credit recovery (9.8 - 2.6).

In 2007, Q2 : General Tender Offer over BPI commissions (88.7 - 23.2);

Q3 : restructuring costs (12.3 - 3.3);

Q4 : General Tender Offer over BPI commissions (14.5 - 3.8), early retirements (109.5 - 29.0), EDP and Sabadell (290.2 - 17.6), BPI and other impairment (94.0 - 14.3), asset revaluations (13.4 - 3.5) and contingencies (47.5 - 6.6).

(\*) In 2006, Banque bcp France and Luxembourg and bcp bank Canada net income included in "Group Equity-accounted earnings"



# Income Statement

## National and International Operations\*

## December 2007 and 2006

(EUR Thousands, except percentages)

	Group			Activ. in Portugal			International Operations														
							Total			Millennium Bank (Greece)			Bank/Millennium (Poland)			Other Int. Oper					
	Dec 2007	Dec 2006	Δ %	Dec 2007	Dec 2006	Δ %	Dec 2007	Dec 2006	Δ %	Dec 2007	Dec 2006	Δ %	Dec 2007	Dec 2006	Δ %	Dec 2007	Dec 2006	Δ %			
Interest income	4,332,187	3,326,352	30.2%	3,431,001	2,681,070	28.0%	901,186	645,282	39.7%	270,742	177,546	52.5%	425,225	298,727	42.3%	205,219	169,009	21.4%			
Interest expense	2,794,884	1,920,589	45.5%	2,327,291	1,606,708	44.8%	467,592	313,882	49.0%	154,262	79,106	95.0%	221,545	164,431	34.7%	91,786	70,344	30.5%			
<b>Net interest income</b>	<b>1,537,304</b>	<b>1,405,763</b>	<b>9.4%</b>	<b>1,103,710</b>	<b>1,074,363</b>	<b>2.7%</b>	<b>433,594</b>	<b>331,400</b>	<b>30.8%</b>	<b>116,480</b>	<b>98,439</b>	<b>18.3%</b>	<b>203,680</b>	<b>134,296</b>	<b>51.7%</b>	<b>113,433</b>	<b>98,665</b>	<b>15.0%</b>			
Dividend Income	27,921	32,493	-14.1%	27,471	31,797	-13.6%	449	695	-35.4%	24	35	-31.6%	425	660	-35.6%	0	0				
<b>Intermediation Margin</b>	<b>1,565,224</b>	<b>1,438,255</b>	<b>8.8%</b>	<b>1,131,181</b>	<b>1,106,160</b>	<b>2.3%</b>	<b>434,043</b>	<b>332,095</b>	<b>30.7%</b>	<b>116,504</b>	<b>98,474</b>	<b>18.3%</b>	<b>204,105</b>	<b>134,956</b>	<b>51.2%</b>	<b>113,433</b>	<b>98,665</b>	<b>15.0%</b>			
Net Commission Income	767,777	702,386	9.3%	562,806	560,924	0.3%	204,971	141,462	44.9%	28,153	20,164	39.6%	143,371	93,680	53.0%	33,447	27,618	21.1%			
Other Net Operating Income	118,517	120,779	-1.9%	95,586	111,157	-14.0%	22,931	9,621	138.3%	4,956	3,481	42.4%	14,608	1,893		3,367	4,248	-20.7%			
<b>Basic Revenue</b>	<b>2,451,519</b>	<b>2,261,420</b>	<b>8.4%</b>	<b>1,789,574</b>	<b>1,778,241</b>	<b>0.6%</b>	<b>661,945</b>	<b>483,179</b>	<b>37.0%</b>	<b>149,614</b>	<b>122,119</b>	<b>22.5%</b>	<b>362,085</b>	<b>230,529</b>	<b>57.1%</b>	<b>150,247</b>	<b>130,530</b>	<b>15.1%</b>			
Net Income from Trading Activity	196,164	213,612	-8.2%	79,581	109,234	-27.1%	116,583	104,378	11.7%	7,478	6,322	18.3%	87,399	92,383	-5.4%	21,706	5,673				
<b>Operating Income</b>	<b>2,647,682</b>	<b>2,475,032</b>	<b>7.0%</b>	<b>1,869,154</b>	<b>1,887,475</b>	<b>-1.0%</b>	<b>778,528</b>	<b>587,557</b>	<b>32.5%</b>	<b>157,091</b>	<b>128,441</b>	<b>22.3%</b>	<b>449,484</b>	<b>322,912</b>	<b>39.2%</b>	<b>171,953</b>	<b>136,204</b>	<b>26.2%</b>			
Personnel Costs	884,395	866,564	2.1%	623,269	665,257	-6.3%	261,126	201,307	29.7%	53,950	45,165	19.5%	142,215	105,916	34.3%	64,961	50,226	29.3%			
Administrative Costs	627,452	570,000	10.1%	407,347	385,980	5.5%	220,105	184,020	19.6%	50,782	43,248	17.4%	112,244	95,959	17.0%	57,079	44,812	27.4%			
Depreciation	114,896	107,121	7.3%	69,397	72,036	-3.7%	45,499	35,085	29.7%	7,752	6,978	11.1%	22,995	15,768	45.8%	14,752	12,339	19.6%			
Operating Expenses	1,626,742	1,543,685	5.4%	1,100,013	1,123,273	-2.1%	526,730	420,412	25.3%	112,484	95,391	17.9%	277,454	217,643	27.5%	136,792	107,378	27.4%			
<b>Operating Profit before provisions</b>	<b>1,020,940</b>	<b>931,347</b>	<b>9.6%</b>	<b>769,142</b>	<b>764,202</b>	<b>0.6%</b>	<b>251,799</b>	<b>167,145</b>	<b>50.6%</b>	<b>44,608</b>	<b>33,051</b>	<b>35.0%</b>	<b>172,029</b>	<b>105,269</b>	<b>63.4%</b>	<b>35,161</b>	<b>28,826</b>	<b>22.0%</b>			
Group Equity-accounted earnings	51,215	47,420	8.0%	51,215	41,745	22.7%	0	5,676	-100.0%	0	0		0	0		0	5,676	-100.0%			
Loan Impairment Provision (net of recoveries)	260,249	127,614	103.9%	220,204	103,389	113.0%	40,045	24,224	65.3%	14,620	10,244	42.7%	16,616	10,952	51.7%	8,809	3,028	190.9%			
Other Provisions	33,979	35,365	-3.9%	32,854	33,988	-3.3%	1,125	1,377	-18.3%	343	380	-9.7%	1,128	-787		-347	1,784	-119.4%			
<b>Profit before specific items</b>	<b>777,927</b>	<b>815,789</b>	<b>-4.6%</b>	<b>567,298</b>	<b>668,570</b>	<b>-15.1%</b>	<b>210,629</b>	<b>147,220</b>	<b>43.1%</b>	<b>29,645</b>	<b>22,427</b>	<b>32.2%</b>	<b>154,285</b>	<b>95,104</b>	<b>62.2%</b>	<b>26,700</b>	<b>29,689</b>	<b>-10.1%</b>			
Specific items	-23,507	163,124	-114.4%	-23,507	163,124	-114.4%	0	0		0	0		0	0		0	0				
<b>Profit before taxes</b>	<b>754,421</b>	<b>978,913</b>	<b>-22.9%</b>	<b>543,792</b>	<b>831,693</b>	<b>-34.6%</b>	<b>210,629</b>	<b>147,220</b>	<b>43.1%</b>	<b>29,645</b>	<b>22,427</b>	<b>32.2%</b>	<b>154,285</b>	<b>95,104</b>	<b>62.2%</b>	<b>26,700</b>	<b>29,689</b>	<b>-10.1%</b>			
Income taxes	135,775	139,814	-2.9%	93,832	112,702	-16.7%	41,943	27,112	54.7%	7,586	7,368	3.0%	32,453	17,943	80.9%	1,903	1,800	5.7%			
Minority Interests	55,359	51,984	6.5%	-892	161		56,251	51,823	8.5%	3	0		0	0		56,248	51,823	8.5%			
<b>Net income</b>	<b>563,287</b>	<b>787,115</b>	<b>-28.4%</b>	<b>450,851</b>	<b>718,830</b>	<b>-37.3%</b>	<b>112,436</b>	<b>68,284</b>	<b>64.7%</b>	<b>22,056</b>	<b>15,059</b>	<b>46.5%</b>	<b>121,832</b>	<b>77,161</b>	<b>57.9%</b>	<b>-31,452</b>	<b>-23,935</b>	<b>31.4%</b>			

(\* In 2006, Banque bcp France and Luxembourg and bcp bank Canada net income included in "Group Equity-accounted earnings")

