FINAL TRANSCRIPT

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PRESENTATION

Operator

Thanks for standing by and welcome to the BCP 2007 quarter earnings presentation.

(OPERATOR INSTRUCTIONS)

I must advise you that this conference is being recorded today, Tuesday, the 30th of October, 2007. I would now like to turn the conference over to the speaker for today, Mr. Filipe Pinhal. Please go ahead, sir.

Pedro Esperanca Martins - *Millennium bcp - IR*

Good afternoon. It's Pedro Esperanca Martins speaking. I'm the Investor Relations of the bank. I want to welcome you to this conference call. And let me introduce you Mr. Filipe Pinhal, the CEO of the bank. Thank you.

Filipe Pinhal - *Millennium bcp - CEO*

Thank you. Good afternoon, ladies and gentlemen. Welcome and thank you for attending this conference call. I would like to begin with an update on recent developments at the bank that deserve to be pointed out. And I am sure you will have heard of some of them.

Firstly, the response of the Board of Directors of BCP to the merger proposal presented by BPI. The Board considered the terms of the proposal to be inadequate and unacceptable. The Board expressed its availability for discussions as long as the process involves no preconditions of any kind. That was said in a very clear way to the Chairman of BPI and to the CEO of BPI.

Secondly, I would like to point out an important effect for the life of our bank. That is the resignation of Professor Bay o Horta. Professor Bay o Horta was a member of the Senior Board and member of the Supervisory Board. Professor Bay o Horta has his personal views on the bank's life and explained his reasons to the two boards, to the Supervisory Board and to the Senior Board. And he decided to leave the bank. Of course, this event has a meaning that is important to the bank's life. But it's something that is private life of Mr. Bay o Horta with, of course, an impact on the bank's life.

And finally, the nomination of two new members for the Senior Board. One of the members, (inaudible) Manuel Vicente represents Sonangol that we expect will be our partner in the Millennium Angola Bank. Sonangol has about 5% of bcp shares and is a partner in the business of the bank, the businesses in Angola, was invited to become a member of the Senior Board. The other partner is the CEO of [Eureco] that was invited because Eureco is also an important partner in the business of our bank and our group in this geography.

Before starting the presentation, and although the results have already been published, I would like to stress some key messages that I believe are important to a correct understanding of the activity of the third quarter.

In the first nine months of 2007, the consolidated net income amounted to EUR478 million, excluding costs related to the public offer for BPI and restructuring costs. The recent turbulence in the international financial markets and the impact of regulatory changes in Portugal, as well as the ongoing discussion of possible changes to bank's corporate governance model, all them have a negative impact on the performance in the third quarter.

Number two, consolidated income before taxes, excluding trading, saw a significant growth, up 17% compared with the same period in 2006, demonstrating that the health of the Millennium bcp franchise remains strong. In fact, net interest income and net commissions were impacted 10% and 12% respectively. However, there was a sharp drop in trading profits, down 35% year on year, due to market turbulence and market conditions.

Number three, these factors had a negative impact on profitability, despite the fact that during the quarter there was a visible recovery in commercial activity, particularly in the growth of customer business volumes.

And number four, a particular highlight in the third quarter was the strong growth of the contribution to earnings from international operations, which increased 47% year on year on a comparable basis and represented 19% of the group's net income. In addition, the group's cost control initiatives in Portugal went on, on the same path.

Number five, the credit portfolio remains of a high quality, as indicated by non-performing loans more than 90 days overdue, which remained unchanged at 0.8% of the portfolio, and the high level of coverage provisions at 230%. It should also be noted that the bank registered an increase in the effective tax rate in the quarter, following on from the increase in the second quarter and increased impairment charges, both of which naturally had a negative impact on consolidated net income.

I would like briefly comment on the developments of the most significant business areas of the group. First of all, I would like to emphasize the significant and sustained development of international operations. Bank Millennium in Poland saw a growth in profits of 60% to EUR88 million on a comparable basis, underpinned by a 55% rise in credit volumes and 40% increase in customer funds. These results are evidence of strong commercial momentum, both with individual customers -- mortgage lending went up 89% -- and with corporate clients -- loans to customers rose 17%, while customers' funds increased 27% -- which has also been boosted by the expansion of the commercial branch network.

Greece performed well with net income in the first nine months of 2007 rising 28% compared with the first nine months of 2006, thanks to solid volume growth in both credit, up 36%, and customers' funds, up 28%. This commercial drive produced a 23% increase in earnings, outpacing the 19% increase in costs, which stemmed mainly from the expansion of the banking network.

Mozambique, meanwhile, maintained solid levels of profitability with profits rising 13% in local currency terms.

Finally, regarding Portugal, the business volumes continued to grow in a sustained manner, particularly in mortgages and loans to companies, which both saw growth rates of 9%, while customers' funds increased by 6% and operating costs dropped 2% compared with the same period of last year.

To conclude, although the quarter was marked by events that affected the normal focus on business, we would like to highlight the strong commercial drive already in the third quarter, as seen in the growth of business volumes as well as the commitment to achieve the goals defined in the Millennium 2010 program.

I would like to point out that Mr. Paulo Macedo returned to the bank recently after a remarkably successful period as Head of Minister of Finances tax collection office, will take on the full-time role of coordinating the Millennium 2010 program.

Now I ask Pedro Esperanca Martins to start the presentation. And thank you for hearing me.

Pedro Esperanca Martins - *Millennium bcp - IR*

Thank you very much. Let's start at looking at the presentation and to see some more of the details of the evolution of the bank. On the main highlights, I will go straight to the details because the major part of these highlights have already been mentioned. So I'll move forward.

And regarding the main drivers that impacted the evolution of the bank, on the negative side, we have high impact from the regulatory measures into Portugal. We are talking here about the roundings off into trades or the cap on the prepayment commissions on mortgages; the market conditions impacting the trading and trading gains and net impairment, especially in Portugal; and some impact from the network expansion costs in Portugal. The income will come later.

On the positive side, we are starting to see a stronger volume growth in Portugal. And on the international front, growth is still at a very strong pace with increased profitability.

Looking at the results for the first nine months, and when you look at recurrent net income, it dropped from last year 8.6% to EUR478 million, mainly driven by the performance in Portugal that was impacted by internal and external developments that we already saw. But underlying business growth is starting to accelerate. The drop in terms of the recurring net income in Portugal was 17.4%.

On the international front, the sustained net income growth is a very good number with 47.2% on a comparable basis, despite the investments that we are doing across all geographies.

If we take out the market and the trading gains that are always volatile and look at the underlying fundamentals of the bank, we show a consistent improvement. There's an increase of 17.4% on the consolidated basis, driven by an increase in business volumes, in particular on customer funds that supported the increase in net interest income and commissions. In Portugal, the profit before taxes, excluding markets, grew 8.4%, while on the international front, there's a strong growth of 98.2%, despite the increase that we have on the credit impairment charges.

On the interest margin, and we are now in a challenging market environment really now in all geographies where we are, we managed to increase the net interest income by 10% on a consolidated basis and in Portugal by 4.4%. Here we have, of course, the increased cost of funding, but also the regulatory changes that had some impact in the intermediation margin in Portugal. The net interest margin remain stable at 1.9%. Internationally, the interest margin increased 27.8%, while the net interest margin remained stable at 3.3%. We have a small decrease on the consolidated basis on the net interest margin from 2.17% to 2.11%.

Looking at the spreads on the deposits and the credit side, we see some compressions on the underlying spreads due to the competition environment also in Portugal. And if we look at the spreads on the mortgage loans, that dropped from 0.91% to 0.82%. This was mainly due to the competition environment where we are now. And also they were impacted by the cap on the prepayment commissions. So this highly compacted the environment on the mortgage loans in Portugal due also to this.

On the deposits, as the interest rates are increased, the spread logically also increased. Regarding the loan spreads in September, the bank decided to review its efforts. And we expect this to have an impact in the next quarters.

On commissions, we managed to grow 12% on consolidated basis, mainly driven by the increase in the international front that increased 48%. In Portugal, the commissions were more stable. We only managed to increase 4%. And we are going to see it in the next slide.

In Portugal, there was a -- with the commissions -- decrease on the cards and on the credit-related commissions, mainly due by the regulatory changes. On the cards, the impact of the interchange fees, and on the credit-related commissions by the change in the mortgage prepayment caps. We managed to compensate this decrease by the increases in the securities and asset management with the capital markets in Portugal much more dynamic than it used to be and some big operations that we managed to put through on the investment bank.

On the trading results, it was more difficult in this market environment to get capital gains, and mainly on the securitizations that we did last year. We sold some residual notes that as there were no securitizations this year, it was much more difficult to arrive at the same kind of figures. So the trading gains decreased 35%, while on the international front, there was a good performance with an increase of 25%.

On the operating costs, we continued to contain the cost evolution, in spite of the expansion plans, more important on the international front, mainly in Poland and Greece, but also in Portugal, where we are starting to have the first costs from the expansion plans. We should also highlight that Romania is already as we launched the Romania operation in October, we are already having some costs from Romania that impacted this quarter.

When you look at the details of operating costs, we see that we continue to decrease the cost in Portugal on staff and on depreciation. And for Greece and to Poland, the increase in cost is mainly coming from the expansion plans that are now in implementation phase in these countries.

The cost to income as a result of the lower trading income and the expansion investments that we are adding deteriorated. And in terms of in Portugal, the cost to income is 56%. And on consolidated basis, it's 58.6%. We should highlight that the expansion plans outside Portugal, we have now more 1,500 employees than we had when -- at the beginning of this year.

On the credit side, the growth is still on the double digits. We grew 12.7% on credit, mainly on mortgage where the growth is important with 16%. In Portugal, when you look at the Portugal figures, they are stable in every line, mortgages, loan companies, and consumer loans. But on the international side, we should highlight the increase on the mortgage loans that grew 63%.

The credit quality, the overdue ratio for more than 90 days remained stable at 0.8%. The impairment coverage decreased a little bit and now is at 229.5%. This was mainly in Portugal, where the ratio remains stable, but coverage ratio decreased.

We managed to keep the coverage at that level despite increase in the impairment charges. It's important to look at the gross impairment charges that are stable from the last three quarters. But when you look at the impairment net of recoveries, there was some deterioration. It moved from the 0.32% to 0.36%, mainly due to the lower credit recovery in this quarter. The third quarter is always a difficult quarter in terms of credit recoveries. But expect that the next one will be better than this one.

On the customers' funds, it's important -- we accelerate the growth on customers' funds, mainly in Portugal, where we increased the customers' funds by 6%. But if you look at the on balance sheet funds, that decrease was 10%. That compares with last quarter, where there was no increase at all. The numbers were stable. So we are increasing the growth of the customer funds. On consolidated basis, these customers' funds grew 9.4%.

On capital, the capital generation was absorbed by the growth efforts of the bank and were also impacted negatively by the capital markets crisis, mainly the devaluation of the available for sale portfolio, where the unrealized capital gains decreased

EUR85 million, in addition to the regulation changes and cost of BPI offer that already impacted this ratio on the second quarter of 2007. The Core Tier 1 is now at 5.2%.

We have on now our available for sale portfolio significant unrealized gains, amounting for EUR456 million. This is a very important -- these very important capital gains that we have here. If we look, and if you do this calculation and this amount is for October 29 -- the unrealized capital gains are now at EUR512 million. So we managed to recover EUR56 million since the end of September.

Looking at the business segments, and we are showing now the new business segments in accordance with the new organization model. The profitability across all the business units is very positive, mainly on the private banking, where the net contribution increased 45%, and on the foreign business, where the net contribution increased 57%. On the return on allocated capital, the figures are very strong at both 30% on domestic retail and private banking and they're both 20% on companies and corporate. And for the first time, the foreign business managed to increase the return on allocated capital to a number higher than 20%.

All the segments show solid growth in terms of volumes, loans to customers and customers' funds. Mainly on the loans to customers, it's important to highlight the retail banking and the private banking. That grew 9.7% and 26.2%. And on the customers' funds, the companies segment grew 46.7%. And the retail banking and private banking grew at around 4%. The decrease in the corporate and investment banking is mainly due to the reduction of some deposits with low or negative spreads that has no impact on the margin.

Looking at the cross-selling indicators in Portugal, we continue to show consistent improvement on all segments. And also on the penetration rates, it's important to highlight the 10.3% penetration rate that we have in mortgage.

Looking now at the international operations, the main ones, in terms of Poland, the net income increased 60%. We have now a return on equity of 20%. That confirms the excellent trend of the bank in Poland, despite the aggressive branch expansion program that we are now implementing. The operating income grew 39% on the back of strong commission income and net interest income.

On the net interest income, it increased 17.2%, continued a stable trend, upward trend, from quarter to quarter. On the net interest margin and after the stabilization period, we managed to increase it to 3.2%, supported by the volumes growth and the bank policy of margin protection. The bank has also shown some strong commission increase of 58%, mainly on the mutusal funds and bancassurance products and credit cards. The commissions represent now 32% of total income.

On the cost side, the cost-to-income ratio decreased to 60% with the costs growing by 24.6% as a result of the branch expansion. Excluding the expansion costs, this increase would have been 11%, in line with the general trends in the Polish market. We have now 400 branches in Poland.

The loan growth has been fueled by mortgages. The credit grew 55% year on year. And the mortgage book increased 89%. In terms of new production, the new production increased 72%. We have now a market share of 14% on new production and 11% on the portfolio.

On the customers' funds, there is a strong growth of 40%, driven mainly by mutual funds that increased 133%. And also on the deposit side, there is a consistent growth of 20%. In terms of the market share in mutual funds, it improved from 3% to 4.2%. We have the 6th position in the country ranking.

Regarding financial targets that we presented to you in June, Bank Millennium Poland continues to decrease very rapidly the cost to income in line with the target that we have for 2009 of 55%. And regarding the return on equity, we are now already in line with the target that was announced for that year.

In Greece, the net income increased 28%. It accelerated from last quarter. And we are now at EUR15.6 million net income for the nine months. This is a very good number for Greece. This has been done on an increase of operating revenues of 17.7% with a strong growth of the net commissions and fees that increased 26%, while on the operating costs and due to the expansion plans that we are also implementing in Greece, the operating costs increased 18.8%. We have now 160 branches in [Poland]. And we managed to increase the number of customers by 52,000 customers. The cost to income is at 71.7%.

The growth in loans has been driven mainly by business loans that grew 49%. And we still have a very strong position on mortgage. The mortgage loans grew 27%. On the customers' funds side, it's important to highlight the growth of the balance sheet funds that increased 34% year on year. We managed to increase our market share on the loans side and also on the customers' funds side.

I will now present to you the priorities and the mid-term targets for the bank. In June this year, we presented to you the program 2010 with four strategic pillars -- expand reach, maximize value of current franchise, extend productivity increase, and maintain capital discipline. We remain committed to deliver on this program.

And with the key initiatives that were also presented on that day, on the 1st of June, expand reach, opening branches in almost all our geographies, Poland, Portugal, Greece, Romania, Mozambique and Angola. Maximize the value of the current franchise with specific initiatives in Portugal, Poland, and Greece. Extend the productivity increase mainly in Portugal, streamline the bank's structure and redesign the branches of the bank; and the capital discipline with no cash call required to fund the program.

We have now clear priorities in the short term. We want to reinforce the capital structure. So we anticipate to the year end 2008 the Core Tier 1 target of 6% that was initially planned to 2010 to ensure the capital robustness of the bank and pursue the ambitious expansion plan that we have now. Of course, with this, we need to have an increased portfolio focus. We maintain commitment to the dividend policy.

On the performance improvements, we want to strengthen the Millennium 2010 program. Mr. Paulo Macedo was appointed with full-time dedication to the implementation of this plan. We are now intensifying efforts on undergoing initiatives. And additionally, we are launching new initiatives to address the new market context, namely the proactive management of pricing to take care of the risk, to revamp the streamlined credit recovery process, and to develop high-value customer retention programs.

We are also focusing our organization and trying to simplify it. We are trying to reduce the organization complexity and the number of divisions through centralization of disperse activities and capabilities. We will be centralizing some MIS reports, marketing functions, and others.

Millennium bcp remains committed to the medium-term financial targets that were presented to you in June -- on the revenues, the double-digit annual revenue growth; on the efficiency side, the cost-income ration in Portugal below 45% in 2010; and the EPS in 2010 more than 70% higher than the EPS in 2006. So we maintain the 2010 ambition. And we are implementing the initiatives that are required to achieve this ambition.

Thank you very much. We can now -- you can move now to the Q&A.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) Your first question comes from Simon Chiavarini. Please go ahead.

Simon Chiavarini - *UBS Warburg - Analyst*

Hello. Good afternoon, gentlemen. Three questions -- two on capital and then one on the proposal for BPI please. On the proposal for BPI first, given that a few months ago there was value to be had from and in-market merger where you were paying EUR7 in cash for BPI, is it fair to say there's now even more value to have from merging with BPI only valued at around EUR6 as the market currently implies?

And then the two questions on capital is can you explain why in euro terms the Core Tier 1 looks like it's fallen from where it was at the end of Q1 2001? And then the other question is with risk weighted assets growing at a decent pace but with solvency falling in euro terms, could you please explain how you will reach your target 6% Core Tier 1 by 2008? Thank you.

Antonio Rodriguez - *Millennium bcp - Director, Finance*

Simon, good afternoon. This is Antonio Rodriguez. And thank you very much for your questions. I think we -- and coming to your first question on the proposal on BPI, we are comparing or you are comparing a EUR7 cash offer on a transaction where we're offering a premium for control with a very different offer, where the offer or the -- which is not a public offer. It's an invitation letter that was sent to us, where we are comparing terms that were made in respect of the current exchange ratio of the two stocks that are totally inadequate as a function of the terms that were submitted. In effect, what we have is a proposal to acquire substantially management control without paying the premium that BCP shareholders would expect in such circumstances.

Actually, if you go back to our long-term exchange ratio, you will see that pre-transaction, the exchange ratio was around 1.8, which by the way is what more or less the market is currently determining, for something which is in terms of corporate governance that was submitted unacceptable. So what we're saying here -- we're not saying that the strategic rationale and the underlying value and creation opportunity is not there. What we're saying is that for the proposal that was submitted, the terms are absolutely unacceptable and inadequate. And that's what we're saying. I don't think you can compare the EUR7 cash offer that we made with the current terms that have been presented.

In terms of capital, I think that was your second question. The main evolution that occurred this last quarter, and by the way over these last two quarters, has to do particularly in this last quarter with the market devaluation. We had a fluctuation in the available for sale assets, namely the investments in BPI and Sabadell, that determined a 5 basis points negative evolution.

Also, there were restructuring costs that we had to account in this quarter having to do with an early retirement that took place, which it was obviously an unplanned cost. So that obviously affected this quarter as well. And because of this evolution and as a cap on the deferred tax asset limit that is available to be included in the Core Tier 1 capital, that also affected basically 8 basis points the capital in this quarter.

So all in all, we have a negative impact of about 18 basis points. And clearly, the evolution of the risk weighted assets offset the growth on results that occurred in this period. Previously, on the previous quarter, you'll know that we booked the one-off cost of the BPI, the cost associated with the transaction. And there was also a change on the regulation of investments, particularly insurance and the participations that determine a negative impact.

So these are one-off events and one-off impacts on capital that clearly need to take into consideration. And that's precisely why in our presentation and towards the end, we tried to not only reiterate our target in terms of capital for 2010 but actually anticipated what we said in slide 42, anticipate the Core Tier 1 target of 6%, initially planned to 2010, to 2008. We want to do that. And we intend to do that by an ambitious plan to focus our portfolio. And obviously, at this stage, I wouldn't want to give any additional details. But just to let you know that we think we can look at our portfolio mix in such a way that we can even improve this target of 6% from 2010 to 2008. Thank you, Simon.

Simon Chiavarini - *UBS Warburg - Analyst*

Thanks. Can I clarify one thing? That restructuring charge you mentioned, that went through the P&L did it? Or did it go straight to equity?

Antonio Rodriguez - *Millennium bcp - Director, Finance*

No, no. All the restructuring charges go through P&L. And the only thing we've done here is in the numbers that were shown here for only comparative purposes, they were taken off. But on obviously, the accounting published numbers, they are deducted to costs. Actually, they were included in the cost line as an additional cost. The before tax number was EUR9 million -- sorry -- after tax number was EUR9 million. But before tax was EUR12 million, a total cost around EUR14 million.

Simon Chiavarini - *UBS Warburg - Analyst*

Right. So if you look at how much your retained earnings were the last two quarters and then how much the Core Tier 1 moved or actually went down, I'm assuming, is the main difference then the available for sale portfolio?

Antonio Rodriguez - *Millennium bcp - Director, Finance*

Precisely. And the -- yes, yes, correct. On the equity, yes.

Simon Chiavarini - *UBS Warburg - Analyst*

Could I just ask to what extent are you hedged? Is your capital hedged versus any further fluctuations in the share price of BPI or Sabadell?

Antonio Rodriguez - *Millennium bcp - Director, Finance*

Well, we don't have any -- contracted any hedge on those two -- on any of that portfolio. But what I've just stated is that we want to focus our portfolio.

Simon Chiavarini - *UBS Warburg - Analyst*

Okay. Thank you very much.

Antonio Rodriguez - *Millennium bcp - Director, Finance*

Thank you, Simon.

Operator

Your next question comes from Carla Rebelo. Please go ahead.

Carla Rebelo - *Banif Investimento - Analyst*

Good afternoon. I had two questions, the first regarding NII and commissions. I wonder if you could provide us with a breakdown of the price from volume impact, notably what component of revenue has been lost because of legislation changes and what NII has been lost because of spread compression and also regarding commissions.

And the second question has to do with BPI's bid and it's actually a follow up of the previous question. As far as I could understand, you don't feel comfortable about the fact that substantial management control is being required at no premium. I would reverse the question. Would you be comfortable if no premium or no substantial price premium be paid as long as there was a rebalance in terms of the management control proposed in the merger? These are the questions.

Antonio Rodriguez - *Millennium bcp - Director, Finance*

Carla, I think what we have is an offer on the table which we classified that it was inadequate. Over the years, we have worked in terms of pursuing this transaction. I think the market is familiar with that, not only in terms of a merger, but also in terms of the offer not only to management but subsequently to shareholders. We've tried, and that was not achieved.

When the Investor Day came in May of this year, we stated clearly our priorities. So I think we've done our bit of the work. So I would not have any further comments. We are strictly now, after the empowerment of the new CEO, Mr. Filipe Pinhal, developing the work, looking into the plan 2010, and looking into the areas where we are lagging and taking the measures that we need to take in order to recover in that lag that we are faced in this recent period in order to get to 2010 with those objectives. That's our focus right now. So we are not considering any other options or combinations. We are focused in this work.

Pedro Esperanca Martins - *Millennium bcp - IR*

Carla, thank you, this is Pedro. Regarding the impact of the legislation changes -- and I'll go line by line in terms of the impact. The value date had a negative -- and all these impacts are negative. The value date impact was EUR2.9 million negative. On the rounding side, we have an impact of EUR25 million. On the prepayment cap when compared with the results of last year -- I'm comparing nine months 2006, nine months 2007.

Carla Rebelo - *Banif Investimento - Analyst*

Okay.

Pedro Esperanca Martins - *Millennium bcp - IR*

So going back, value date EUR2.9 million, the roundings on the interest rate EUR25.1 million. On the prepayment cap on the mortgages, it's EUR23.7 million on margins and commissions. And on the interchange fee, it's EUR6.4 million.

Carla Rebelo - *Banif Investimento - Analyst*

Okay. Thank you.

Operator

(OPERATOR INSTRUCTIONS) There are no further questions at this time. Please continue.

Antonio Rodriguez - *Millennium bcp - Director, Finance*

Okay. So just like to end this conference call. I thank you everyone. Clearly, we'll be available to answer any further questions that you might have. So please call either Pedro Esperanca Martins or myself and as usual be available. Thank you very much. And good afternoon.

Operator

That does conclude our conference call today. Thank you for participating. You may now disconnect.
