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PRESENTATION

Operator

Good afternoon, and welcome to the Millennium bcp Third Quarter 2009 Earnings Conference Call. My name is Liz, and I'll be your coordinator for today's conference.

For the duration of the call, you will be on listen-only. However, at the end of the call, you will have the opportunity to ask questions.

(Operator Instructions).

I will now hand over to your host, Carlos Santos Ferreira, CEO; and Sofia Raposo, Head of Investor Relations to begin today's call.

Thank you.

Carlos Santos Ferreira - *Millennium bcp - CEO*

Well, good afternoon, ladies and gentlemen. And welcome, and thank you again for attending this conference call.

Let me start by pointing out that the bank's capital ratios were further reinforced. The Tier 1 ratio increased to 8.9% as of the 30th of September 2009, one of the highest ratios of the past ten years of Millennium bcp, core Tier 1 ratios stood at 6.2%, and the total solvency ratio at 11.2%.

May I underline that these figures, they don't have anything related, not yet, with the IRB approach for credit risk. And this approach for credit risk is underway.

The net income for the first nine months stood at EUR178.1 million, up from EUR142.1 million in the corresponding period of 2008.

I will appreciate to underline some points related with profitability. May I say that, first of all, the evolution of the Bank cost base, the main point is related with the operating costs; they fell 5.9% year-on-year.

May I also say that despite the fact that we have low reference interest rates, and that they have influenced the profitability of deposits, it should be noted that the net interest income on a quarterly basis is already stabilizing, having increased slightly when compared with second quarter. Commissions also show a positive performance with core banking commissions increasing 4.4% year-on-year. The cost of risk stood, as you know, at 74 basis points, and the coverage ratio at 118.7%. And we believe that these two last figures, they compare well with our Iberian peers.

I would like to give you four notes regarding our operations in Poland. The first is that Bank Millennium made extraordinary provisions of EUR24.5 million for corporate exposures. And for sure these provisions affect the evolution of net income.

Second, there continues to be a very good performance in costs, which fell 10.8% year-on-year reflecting the rate of implementation of the strict measures that were taken since the end of 2008.

Bank Millennium also presented last week a strategy update for 2010-2012 with new ambitions to grow, so as to benefit from the growth potential of the Polish market. The Bank aims to increase its market share in retail to 7% and in companies to 5% by 2012.

To support Bank Millennium updated strategy, and its business growth in coming years, it intends, and I'm sure that you know it already, to increase its share capital by approximately PLN1 billion. BCP will exercise its rights in full. And the capital increase is aimed, as I have already told you, at supporting the ambitious business growth included in the new medium term targets.

I would like to stress that our operations in Africa continue to perform well, and are growing relevant. Our operations in Angola and Mozambique, together have EUR49.9 million of net income in the first nine months of 2009, up 19.7% from a year ago.

Last two points are to say that in the past day 9th of November, so three days ago, the Bank concluded the mediation process with small investors, pertaining to shareholders divergences that had resulted from these investors acquired or subscribed forbcpBCP shares in 2000 and 2001. This process was mediated by the securities market regulator (CMVM) and is now closed. And it represents in our opinion, the turning of a page regarding this matter and the past.

May I now ask Mrs. Sofia Raposo to start the presentation, with the details of the Bank's performance in the first nine months of 2009. Thank you very much.

Sofia Raposo - *Millennium bcp - Head of IR*

Thank you, Mr. Chairman. Good afternoon to all. I would like to start the third quarter 2009 results presentation.

So moving to slide three, the main highlights are that Millennium bcp strengthened its Tier 1 capital ratio to 8.9%, keeping core Tier 1 at 6.2%, basically following the issue of perpetual subordinated securities.

Our net income grew by 25.3% to EUR178.1 million, without a positive contribution from international operations. We would like to highlight the recovery of the net interest income and commissions in the third quarter of 2009, marking the beginning of the recovery of core operating income in Portugal and international operations.

Our operational costs fell by 5.9%, with a very steep decline of 12% in international operations, and a 2.4% decline in Portugal, in spite of the 51% rise in pension costs. We concluded also the 2009 funding plan, with new issues of EUR6 billion until September, whilst at the same time being able to increase our assets discountable in central banks to EUR10.1 billion. And maintaining the possibility to use up to EUR3.5 billion of State guarantee. Volume wise also, our deposits grew by 2.8% of which 6.3% in Portugal and loans to customers rose by 2%.

The net profits rose 25.3% to EUR178.1 million, as I said before, with a very strong rise in Portugal, and despite having a negative contribution from international operations, mainly in Poland,due to the extraordinary loan impairment charges to reinforce corporate exposures made by the Bank Millennium.

The increase in results mostly benefited from not having losses in the BPI stake that was sold in late 2008, and that in the nine months of 2008 have a negative impact of EUR214 million. It also benefited from positive gains of EUR78.4 million booked in other income, lower operating costs, and was negatively affected by EUR98.3 million of negative trading losses related to own credit risk.

Loans to customers rose 2% to EUR74.2 billion, excluding securities reclassified as credit. Mortgage grew by 4.4%, while corporate loans showed a moderate 0.5% rise, while on balance sheet, customers funds remained stable at EUR51 billion, with a notable 2.8% growth in deposits to EUR45.4 billion.

We've strengthened our capital ratios during the third quarter of 2009. Tier 1 improved to 8.9% in September from 8% in June. And was positively influenced by the EUR600 million of perpetual subordinated securities. While core Tier 1 remained stable at 6.2%, before the approval of advanced methodologies for Basel II.

We are finalizing certification process to adoptIRB method for credit and counter-party risk. And even though the approval depends on the Bank of Portugal, the working plans are still on track for approval until year-end. And we expect that core Tier 1 could be closer to 7% levels at the end of the year.

As you can see in slide seven, the Tier 1 ratio reached its higher level of the past decade standing at 8.9%, and is broadly in line with the majority of Iberian peers.

With regard to pension liabilities, I would like to note that the pension fund had a 9.5% return in the nine months of 2009, leading to actuarial gains of EUR694 million in September '09, versus EUR450 million that were recorded in the first half of the year. The pension liabilities are thus covered by 111%.

Also I would like to note that the equity exposure of the pension fund was reduced to 23% from significantly higher levels in the past. I would also note that actuarial assumptions have remained the same since the first half of 2009.

With regards to liquidity, we have completed the financing plan in 2009 with new issues of EUR6 billion. This includes 4.5 billion issues in MTNs and covered bonds, 900 million issues of subordinated perpetual securities, and some other smaller issues. So, considering that we have also increased the portfolio of eligible assets with central banks to EUR10.1 billion, and still have the possibility to use of to EUR3.5 billion of State guarantee, this on the overall covers all of our wholesale funding refinancing needs until 2012.

Moving to slide ten, as you can see, the increase in results reflect the rise of 2.7% in operating income, the 5.9% decline of costs, and despite the 20.2% increase in loan impairments charges; the 5.9% decline in costs reveals basically the strong cost control that was determinant for the rising net income.

Our banking income rose by only a moderate 2.7%, and benefited from higher trading gains and gains in the sale of assets, while core income remained under pressure when compared to last year. However as you'll see later on, there were some positive trends in the third quarter that indicate a reversal of trends in the core income.

Similar to what happened in the first half of 2009, the net interest income fell by 21.8%, with a 19.1% drop in Portugal and 27.9% decline in international operations. The decline was mostly affected by the impact of the decline in interest rates, and deposit spreads, and higher funding costs, in the wake of the financial crisis, as well as the deposit war that was seen in the first half of 2009, especially in Poland.

However, we would like to note that the net interest income reversed its downward trend in the third quarter of 2009, when compared to the previous quarter, rising by 6.9 versus the second quarter of 2009. The increase in consolidated net interest margin during the third quarter of 2009 was mostly due to the sharp recovery in margins in international operations, notably in Poland. In Portugal, there was a considerable slowdown in the fall of the net interest margin despite the strong decline in interest rates, indicating that the credit repricing efforts have started to become more noticeable.

In commissions, we would like to note that core banking commissions have grown year-on-year and that, finally, we begin to see a quarterly increase of 5.2% in total commissions on the overall.

One important aspect of the nine months results of 2009 was trading gains. Results obviously benefited from not having impairment losses in the BPI stake which was sold in late last year. However, there was a significant EUR98.3million euros negative impact from own credit risk as a result of the valuation of liabilities at fair value option. Of which specifically, EUR84.4 million were recorded in the third quarter of 2009, clearly penalizing quarterly profits.

The fact that credit spreads have improved significantly in the third quarter, had a negative impact in the valuation of the EUR6.8 billion liabilities at fair value options. The improvement inBCP credit spreads has also continued recently. And at this point, we expect to continue to see some negative impact in the fourth quarter of this year.

We continue to show very strong cost control both in Portugal and international operations, with overall operating costs falling by 5.9%, led by international operations with minus 12% growth, and in Portugal, with a 2.4% decline. Costs would have fallen by 9.7% if it was not for the pension cost rise of 50.8% growth. Line by line, we would highlight the 9.9% decline in admin costs, and the 3.4% decline in staff costs, and 4.7% for depreciation.

The next slide basically illustrates the staff cost containment in all geographies except for Africa. And you see very strong declines in remunerations in Portugal, in Poland, and on the overall geographies.

Overdue loans ratio over 90 days increased to 2.3% and impairment coverage ratio over 90 days stood at 118.7%. The impairment charges during the nine months of 2009 remain broadly flat at 74 basis points of loans, from the previous quarter.

The cost of risk at this point, and asset quality, remain as expected levels. And in our view, are in line with current economic cycle.

Millennium bcp continues to present one of the best provisioning levels among the Iberian banks, with strong overdue loans coverage, and with significant amounts of on balance sheet provisions as a percentage of loans.

Moving on to Portugal, we continue to see a balanced growth of loans and on balance sheet customer funds with a 2.1% growth in loans to EUR59.1 billion, of which we would highlight the growth rate in mortgage of 4.2%. In customer funds, we are pleased to see a 6.3% rise in deposits, and overall growth both on balance sheet and total customer funds.

The banking income in Portugal rose by 16.7%, while costs reduced by 2.4%, and would have declined 8.2% excluding pension costs. The cost to income ratio stood at 60.2% during the first nine months.

We are now seeing also a slowdown in net interest income decline, and we saw this in the third quarter. The net interest income obviously continues to be affected by the sharp decline of interest rates and higher funding costs. But definitely, the repricing impact in the corporate portfolio is now becoming somewhat more visible. And definitely the decline of the net interest income is definitely slowing down.

As the majority of retail banks,BCP has a positive sensitivity to the interest rates as the margin in demand deposits decline, as interest rates reduce. And considering that interest rates have declined from close to 5% levels to less than 1%, with an average decline of EURIBOR three months by more than three percentage points when compared to last year, our deposit margin has clearly been penalized.

Also, we have seen an increase in competition for demand deposits following the liquidity constraints of the past 12 months. We expect this pressure to ease in the next few quarters, as liquidity in the markets have improved markedly in the past five months.

You also would like to note that we have no material impact from the ALCO portfolio in our net interest income. Therefore, basically we would like to highlight that the repricing speed at this point was still insufficient to offset the reduction in the deposit margins. But we are seeing a significant improvement in the corporate spreads, which is becoming more visible as quarters go by. We have on the overall portfolio, an improvement of 56 basis points in spreads. And in new production, which basically is repriced at an average speed of 3 years and should continue to be repriced in the next three years, has been growing year-on-year by 1.6 percentage points.

The mortgage portfolio, which represents 36% of loans, obviously cannot be repriced. But new production is being booked at very adequate spreads of 1.9%.

With regards to commissions in Portugal, we are now seeing, for some time, an improvement in total commissions year-on-year. And also with a market improvement in banking commissions.

The operational costs in Portugal fell by 2.4% with a 13.4% decline in admin costs, and 9.4% decline in depreciation. And despite the 5.2% increase in staff costs, which basically relates to the increase of pension costs by 50.8%. If we were to exclude this increase, the staff costs would have reduced by 4.2%.

Slide 30 illustrates the steep fall and the broad scale cost savings that are being implemented. And we expect to continue to have some savings for the next year, and subdued growth in the following years.

With regards to credit quality, the overdue ratios over 90 days grew to the 2.2% in the nine months of 2009 with impairment coverage over 90 days standing at the 123%. The impairment charge as a percent of loans stood at 64 basis points, having improved somewhat from the past quarter. The cost of risk and asset quality at this point is broadly within the expected levels that we should have foreseen in the current economic cycle.

On the overall, and when compared to the sector, we continue to see increase in the Portuguese banking sector non-performing loans, as well as in the bank.BCP has maintained below average past due loan ratios, very much as has happened throughout the last decade.

The cost of risk stabilized, it's 74 basis points of loans and is in line with our guidance of between 70 to 80 basis points for 2009 and 2010. We expect the cost of risk to remain above the 10-year average until 2011.

With regards to international operations, the contribution has been a negative EUR11.6 millionfor the nine months of 2009, mostly due to the evolution of Polish operations and we would like to note the positive contribution of our African operations in Mozambique and Angola.

In Poland, we are now much more confident about the outlook for the economy and the banking system profitability and thus have revisited and revised our growth plans. We announced, as well, a EUR1 billion right issue in Bank Millennium to support our ambitious growth plans. BCP has already announced it will subscribe to a 65.5% stake in the rights issue and obviously we would like to state, as the Chairman has already said, that even though Bank Millennium has an adequate 11.4% solvency ratio, in order to pursue the growth envisaged for the next two years, we have decided to reinforce the capital base by more than 300 basis points to prepare for future growth.

The rights issue should also have a positive impact in the consolidated solvency ratio by around 12 basis points.

Poland has announced several medium term financial targets that I should like to highlight and ROE of around 15% by 2012, a reduction of cost to income to below 60% levels, whilst maintaining a loan-to-deposit ratio of around 105%.

In terms of business targets, the Bank Millennium has also announced that it aims to increase active clients to 1.5 million and increase the market share in deposits from individuals to 7%, mutual funds to 5%, mortgage production market share to 6% and company's market share to 5%.

With regards to the nine-months 2009 performance, in the Polish operations, net profits for nine-months 2009 stood at a negative EUR14.9 million and was influenced by extraordinary provisions of EUR24.4 million for corporate exposures.

At the same time, significant achievements were made in cost reductions, with a decline of around 11% in the nine months of 2009, when compared to nine months of 2008.

Also during the third quarter of 2009, operating income has stabilized.

We are now seeing a recovery in the net interest income in the third quarter, which rebounded strongly growing by 63% as a result of the strict management of deposit costs, improvement in loan margins and lower costs of funding in FX. As a result, other net interest margin increased during the third quarter to 1.8%, exceeding the level that we saw in the first quarter of 2009.

We would also like to note that deposit margins improved materially to minus 29 basis points in the third quarter of 2009. And that net interest income, indeed, is now above the first quarter levels.

We would also like to note that we saw quarterly improvement of 14.4% in commission and the bank was able to show much improvement in terms of brokerage and other commission items.

Bank Millennium remains with a very strong cost control, that is now close to 2010 targets that we set for 2010, with a 10.8% decline in operating costs, of these, we would mark the 20.5% in staff costs, with a reduction of the number of employees by a further 111 during the first quarter, which puts the reduction year-on-year to 784 employees.

This obviously happens, at the same time, of having increased the number of branches quite substantially in the last 18 months.

The achievements so far are ahead of the targets that were initially set for 2010.

Loan growth, obviously, was affected by FX evolution and grew 21% to nearly 8 billion, while deposits showed a much more moderate evolution due to the repricing that has been taking place in the past quarter.

Provisions reached EUR78 million during the first nine months of the year, and includes an extraordinary EUR24.4 million of provisions for corporate exposures, mainly due to the impact of FX derivatives. We expect that provisioning levels should resume more normal trends after this extraordinary charge.

In Greece, we saw a 50% decline in the net profits, basically as a result of the focus on liquidity, but we are also seeing marked improvement in earnings quarter-on-quarter, basically due to strong net interest margins, resulting from the repricing of expensive time deposits and higher credit spreads.

As well as improved cost to income, income growth is outpacing the cost growth, which has been very strict over the past 12 months.

The bank is maintaining its focus on deposits, keeping a solid growth on the overall loan portfolio, with customer deposits growing by 14.7% and loans growing by 7.6%.

The net interest income in Greece is now showing quite considerable and consistent improvement quarter-on-quarter and the net interest margin is quite above the first quarter and the second quarter levels and is almost as high as the amount seen last year. The deposit spreads have significantly improved and are now standing at minus 21 basis points, while loan spreads continue to increase. Thus, the cost to income during the third quarter managed to decline to 71.2%.

In Mozambique, we continue to see a EUR39 million in profits, with a growth of 3%, with GDP maintaining a very positive trend for 2009 and expected for 2010. Profitability levels remain fairly good and this happens, obviously, in spite of the ongoing expansion plan and we are continuing to see strong volume increase and with a positive commercial gap. Loans to deposits continue to stand below 100%, at 68%.

We continue to see sustained volume growth with improved credit quality on the overall, with a 14.6% growth in loans and 3.6% growth in deposits. And also, we are seeing stable overdue ratios over 90 days and maintaining a very stable coverage of 465%.

In Angola, we continue to expand the network, which has now reached 19 branches and we are seeing strong loans and deposit growth in the operation in Angola, with profitability continuing to improve, in spite of the expansion plans.

So on the overall, and summarizing the initiatives, that have been undergoing within our 2009 priorities: our capital ratios were strengthened, reaching our Tier 1 of 8.9%; we've issued, as we had announced previously, EUR900 million debt in subordinated perpetual securities until September 2009; and we're continuing to monitor the approval process for the advanced methodologies of Basel 2.

Liquidity wise, we have completed four long-term debt issues of EUR4.5 billion. Our commercial gap remains under control and we managed to increase the assets eligible in central banks to EUR10.1 billion.

With regards to cost reduction, we have continued to deliver on what we said we should do, reducing operating costs by 5.9%, both in international operations and in Portugal.

The ongoing repricing process should continue to have positive impacts in the next few years and the leakage managed process that began in the second quarter is already showing some visible impacts.

Also, we have completed the business model adjustments in Poland, Romania and private banking. The Angola partnership was completed and we continue to expand in Mozambique.

Our strategy going forward is therefore focused on three pillars. Focus of the international operations in affinity markets and European markets where we can sustain a competitive presence. Transformation in Portugal, resuming the leadership in retail, improving profitability and sustaining cost cutting efforts.

And the third pillar of sustainability in capital and liquidity management and risk control.

Thank you very much. This concludes the presentation. We are now ready to take your questions.

QUESTIONS AND ANSWERS

Operator

Okay. Thank you.

(Operator Instructions) And your first question comes from Alvaro Serrano from Santander. Please go ahead.

Alvaro Serrano - *Santander - Analyst*

Good afternoon. I have three questions. First of all, on capital. Obviously your subsidiary in Poland is raising capital. The reason is mainly organic growth, strong organic growth, expected over the medium term. ObviouslyBCP won't be raising capital itself. I assume that you're going to be raising the capital to subscribe your share as that capital increase. But as the risk-weighted assets grow in Poland, I don't know what position do you think that will put theBCP's capital in the medium term as those capital needs increase. I don't know if you want to comment about how comfortable you feel that over the medium term, you still feel comfortable with the capital level there. And also in terms of the capital, can you confirm that the actuarial gains in the quarter are included or not included in the capital ratio figures of the quarter?

The second question is on the trading losses, you reported the EUR84 million. What would be the net impact in capital. Because I assume it's very much with the sort of quarter-on-quarter sort of positive capital impact. I don't know exactly how these are accounted. If you could maybe explain the linkage between the trading losses impacting the capital and how should we think about that going forward? You mentioned that you accept a bit more losses, but if you could give a bit more color and medium term, if the credit market continues to improve, what to expect there?

And lastly, on provisions in Portugal, I've noticed they're quite low in the quarter, despite the NPL continues to increase. I don't know if you could explain a bit more then and the outlook of the provisions in Portugal, give a bit more color there. Thank you.

Sofia Raposo - *Millennium bcp - Head of IR*

So first of all, I would like to start by answering the question regarding the pension actuarial deviations. The actuarial gains that were reported in the third quarter are not included in the core Tier 1.

With regards to the impacts of trading, the trading losses with owned credit risks are not included in core Tier 1, they are reversed for capital ratio purposes.

With regards to the capital ratios, over the medium term, well we would expect over the medium term that the Polish operation should be able to start generating enough capital to sustain the growth of its risk-weighted assets. And going forward, this should not pose a problem in terms of the consolidated capital ratios.

On the overall, we are comfortable with the capital ratios that we have. The regulator had imposed a minimum threshold of 8% Tier 1 ratio for September 2009. We are comfortably above those levels with a Tier 1 ratio of 8.9%. And we feel that this ratio is the adequate ratio to have at this point.

Also, we would like to note that we are still pending the approval of Basel II for core Tier 1 purposes. That should help the ratios to go to around 7% levels. And we also expect things to continue to go quite normally until the end of the year. We should expect to have a positive contribution from the pension fund in the core capital ratios.

Also, obviously, some other positive impacts are expected from Bank Millennium capital rights issue and the 12 basis points that I mentioned previously. Also, some positive contribution from Eureko revaluation that is expected in the first quarter of 2010, basically due to the valuation that we generally do in that particular quarter. And obviously we are not including any asset sales on our scenarios, which obviously, as we said, and as you saw in our strategy, our strategy is to focus and transform. So therefore, improve the profitability in Portugal and at the same time, concentrate our efforts in the operations that we will definitely want to maintain.

So I don't know if this answers your questions.

Alvaro Serrano - *Santander - Analyst*

The other one, the provisions in Portugal and negative trading losses going forward.

Sofia Raposo - *Millennium bcp - Head of IR*

Okay. With regards to the trading losses going forward, I also mentioned in the presentation, obviously, the third quarter was fairly negative, with EUR84 million recorded in owned credit risks. Obviously we don't have an estimate for trading, but this particular aspect of own credit risk should have also a negative impact, probably not as high as the third quarter. Perhaps around half that figure.

With regards to provisioning, in Portugal, going forward, we are maintaining the estimates that we gave at the beginning of this year, of a 70 to 80 basis point provisioning level for 2009 and 2010. And we should only start to see some decline by 2011.

Alvaro Serrano - *Santander - Analyst*

Great. Thank you.

Operator

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

Daragh Quinn - *Nomura - Analyst*

So, hi, good afternoon. I have just three questions. The first on net interest margins. And specifically for Portugal. You've shown that although the decline has slowed, it is still declining. Just maybe if you could give us your outlook for margins in Portugal over the next coming quarters?

And the second question would be maybe a follow-up question on the capital ratios. If you could maybe be a bit more specific about the kind of impact you expect to see from the pension as it stands or as you think it should stand at the year-end, how that will impact capital ratios at the year-end? And also on asset sales, I mean, how actively are you considering asset sales or will it just depend on the capital ratios post the IRB implementation?

Those would be my questions.

Thank you.

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Sofia Raposo - *Millennium bcp - Head of IR*

Okay. So starting with capital, obviously we cannot say what the pension fund performance is going to be in the fourth quarter. But if we were to assume that the pension fund remains the same until the year-end, we should have an impact of around 35 basis points, considering the actuarial deviations that we already reported.

With regards to asset sales, obviously, as we have not concluded any, we cannot say much more about this particular issue.

So we will refrain from commenting until sales are concluded.

With regards to the net interest margin in Portugal, obviously as you saw, we are seeing a decline in the margin, as I already said, that we should have, until the third quarter of 2009. Obviously it is slowing down and indeed was somewhat a little better than we were anticipating for the overall third quarter, meaning that the repricing efforts are starting to be slightly more visible and are continuing to have a positive impact in the net interest income.

The corporate repricing is continuing and is underway. Credit spreads on new production improved by 1.6 percentage points. So quarterly, they are increasing the overall portfolio by almost 20 basis points. And this should continue to happen in the next few quarters and in the next two years, I would dare say, whilst at the same time, interest rates, should not continue to fall at eternum. Meaning that for the next few quarters, we should start to see some improvement. Obviously the fourth quarter improvement and first quarter probably are not going to be very significant but still we are expecting a positive quarter-on-quarter improvement for the next few quarters.

And should perhaps start to see slightly higher increases from the second quarter of 2010 onwards.

For the overall next two years, we continue to expect that the net interest income in Portugal should show very positive growth rates of high single-digit due to the repricing efforts in the corporate loan portfolio.

Also, in deposits we feel that we have margins, to improve the time deposit margins, and therefore this should also start to have some contribution for the next year. So on the overall we are -- we believe we have a positive outlook for net interest income going forward both in 2010 and 2011.

Also, as I have mentioned previously, we have a positive correlation with interest rates and therefore obviously, each 25 basis points increase in EURIBOR three months should have a positive contribution to our net interest income by EUR15 to EUR20 million. So excluding any rate increase, we should have high single-digit growth with a higher interest rate we could have much more positive growth. I hope this answers your question.

Daragh Quinn - *Nomura - Analyst*

It has.

Operator

thank you. Your next question comes from the line of Antonio Ramirez of KBW.

Antonio Ramirez - *Keefe, Bruyette & Woods - Analyst*

Hello, good afternoon. Just two follow-up questions. One is regarding the trade losses and own debt. Can you remind us how much profit on own debt did you book in the second half of last year than in the first quarter of this year so that we can have a sense of now when this is reverting to say, let's say normal, what kind of magnitudes are we talking about?

The second question is also on the net interest income. In this quarter most of the improvement came from Poland where the previous quarter was very, very much impacted by the deposit war and the foreign currency swaps cost. You mentioned in the presentation that you see some increase on deposit competition again, ahead of the end of the year. So what should we be expecting about the NII in Poland, how that could impact the Group NII because you say Portugal will now start to stabilize or even improve a little. But is there a risk that we lose some of the improvement we saw in this quarter in Poland and this makes the Group NII negative again quarter-on-quarter in Q4?

Sofia Raposo - *Millennium bcp - Head of IR*

Thank you Antonio. With regards to the net interest margin in Poland, with what we are seeing in the fourth quarter of this year, we continue to, even though obviously we are expecting normal competition levels in Poland, expect the net interest margin to continue to increase during the fourth quarter. And we are expecting that the profitability of the operation during the year should be around zero percent levels. That is our expectation for the year end. With regards to the own credit risk during the dates that you required, during the second half of 2009 we had EUR76 million on the overall.

During the first quarter of this year we had EUR20.5 million positive and in the second quarter minus EUR34.4 million and then obviously in the third quarter minus EUR84.4 million.

Antonio Ramirez - *Keefe, Bruyette & Woods - Analyst*

So that it means that basically the reversal of the gains that you had in the second half of '08 and the first --half of '09 have already been completed?

Sofia Raposo - *Millennium bcp - Head of IR*

Well, you know, we are still expecting that the fourth quarter should have a negative contribution perhaps not as high as the third, but around half of that level it is what we are expecting.

Antonio Ramirez - *Keefe, Bruyette & Woods - Analyst*

Okay thank you.

Sofia Raposo - *Millennium bcp - Head of IR*

Thank you.

Operator

Your next question comes from the line of [Carlos Peixoto] from BPI, please go ahead.

Carlos Peixoto - *BPI - Analyst*

Good afternoon. I was just wondering if you could show some light on how well, what was the performance or the evolution of NPLs new entries during the third quarter of 2009 if we start to see some pickup in recoveries, or some drops in NPLs net new entries?

Also, regarding the fair value liabilities, could you share some light on what is the average maturity of this portfolio and also at what value it is currently trading or what are the discount to its par value?

Sofia Raposo - *Millennium bcp - Head of IR*

Hi Carlos, with regards to the net entries of NPLs, obviously as you saw we are continuing to see entries in non-performing loans that stood at around 46 basis points during the third quarter, non-annualized. For the whole of the Group and what I would like to note with regards to this particular theme in terms of non-performing loans and impairments is that obviously, as you know, the non-performing loans ratios are only a criteria. Generally, currently we are now looking into different data of impairment estimates that has a broader scope than non-performing loan ratios. So basically our impairment estimates already assume what we expect is going to come in and what has come in and what we expect to come in the following quarters. What we are seeing indeed, is that since March, 2009 the impairment estimates have not increased materially since that date and this obviously provides much more comfort to our provisioning guidance going forward. Even though, obviously, you should continue to see higher levels of NPL ratios.

Operator

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

David Vaamonde - *Fidentis - Analyst*

Hi, good afternoon Sofia. All of my questions have been answered already but I have a follow up one on the pension fund. I understand that the actuarial gains in the first half of the year have been taking into account in the core capital ratio. So if the actuarial gain is generated in Q3 which are not included in the core capital calculation, is that right?

Sofia Raposo - *Millennium bcp - Head of IR*

Yes, you are correct. The first half 2009 are already included in the core Tier 1 but the third quarter is not included. As you know we only revise the pension fund yearly. This year we made an exception in the first half and therefore we include the changes that we decided to make at that particular point. But obviously the policy is just to revise this annually so we have not inputted any improvement of the pension fund in the third quarter and we will only include it in the fourth quarter of 2009.

David Vaamonde - *Fidentis - Analyst*

Thank you.

Operator

Thank you. We do have a follow-up question from Daragh Quinn. Please go ahead.

Daragh Quinn - *Nomura - Analyst*

I forgot to ask question about Basel II advanced models and the impact you mentioned sounded maybe slightly lower than the impact that you've highlighted in previous presentations. Just wondering are you as the margins are improved could you take us through the process of more conservative expectation of the impact you estimate?

Sofia Raposo - *Millennium bcp - Head of IR*

Well, basically as you know with regards to Basel II, we have been in discussions with the Bank of Portugal for advanced methodologies, but what we have decided during at the end of the first half is that we would try to approve Basel II in two steps. So basically first is to trying to approve the mortgage portfolio (the advanced methodologies for mortgage portfolio), and foundation for corporate.

And we will approve advanced methodologies only at a later stage for our corporate portfolio and for Poland and for the Greek loan portfolio. Meaning that the impact that we are expecting of the overall Basel II advanced methodologies remained at our initial expectations which is 150 basis points. However, as we are doing this on a step-by-step approach we expect this year to have around, I would say,80 basis points perhaps until the year end. And then for next year as advanced methodologies are approved by the Bank of Portugal we should see if we can increase the core Tier 1 by a further well say 70 basis points.

Daragh Quinn - *Nomura - Analyst*

Thanks.

Operator

Thank you. We currently have no further questions coming through. (Operator Instructions) We have no further questions so I'll now hand the call back to your hosts to wrap up today's conference.

Carlos Santos Ferreira - *Millennium bcp - CEO*

Okay. Thank you very much. Ladies and gentlemen let me sum up something. First, the Bank has reinforced its capital ratios (Tier 1 is the highest ofthis decade).

Second, cost reduction efforts are consistent and clearly visible in Portugal and international operation. Repricing continues underway and impairment levels are in line with the economic cycle.

Poland has in our opinion turned a page and updated its strategy and its medium-term ambitions coming back to business growth mode with a stronger focus on sustainability.

African operations continue to present good results and we will carry on with their expansion plans. And we believe that we have a clear strategy for the future, to continue to drive transformation and focus.

Thank you all and I hope at least to be in touch in three months time.

Thank you.

Operator

Thank you for attending today's conference. You may now replace your handsets.
