FINAL TRANSCRIPT

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PRESENTATION

Operator

Thank you for standing by and welcome to the bcp 2008 full year earnings presentation conference call.

(OPERATOR INSTRUCTIONS)

I would now like to turn the conference over to Carlos Santos Ferreira. Please go ahead, sir.

Carlos Santos Ferreira - *Millennium bcp - CEO*

Good afternoon, ladies and an update on recent developments at the bank that deserve to be pointed out. First, the new executive board of directors was elected on January 15 and since then we have been working on deeply understanding the bank, reviewing its accounts and preparing for the future. The earnings presentation was initially scheduled for January 22, but as you can understand, the new board was not in position to have the conference call. We have now a cohesive team fully dedicated to strongly recover the position of Millennium bcp as a preferred bank in Portugal and be -- to continue developing the international operations.

Before starting the presentation and [although] the results have already been published, I would like to stress some key message that I would like to believe are important to a correct understanding of the activity of the bank in 2007. First, in a difficult environment, marked by that turbulence in international financial markets, regulatory change in the Portuguese banking sector and firm internal issues which have been overcome, consolidated net income in 2007 was lower than the year before and was negatively impacted by specific items, namely the costs related to the tender offer and the merger proposal with BPI, the accounting impact of the impairment charge, books related with the stake in BPI, restructuring costs and provisions for contingencies which exceed gains from the sale in the last quarter of 2007 of financial stakes in EDP and Sabadell.

Second, these factors have a negative impact on profitability and consolidated net income decreased 28.4% compared with 2006. But excluding the specific items, operating profits increased 9.6% and at comparable basis demonstrating that the health of the Millennium bcp franchise remains strong. It is also noteworthy the growing contribution of international operations, which increased 40% on a comparable basis and represent now 19% of the group net income.

Since the credit portfolio remains of a good quality, as indicated by nonperforming loans more than 90 days overdue, which stands at 0.7% of the portfolio compared with 0.8% in 2006 and also indicated by the high level of coverage, 252%. On the capital side, the Core Tier 1 suffered from several specific items such as the provision for the BPI stake, early retirement costs and other impairment losses not compensated by the sale of assets. In order to reinforce the capital levels and also finance our current organic growth plans, the board submitted to the supervisory board and to the senior board a proposal to increase the capital in EUR1.3 billion. All members of the referred boards unanimously approved this proposal.

To conclude, I would like to reiterate to the confidence in the future, resulting from the implementation of the new Millennium program, which is based on a number of operational initiatives developed along five strategic priorities; recentering the activity of the bank around customers, expanding retail operations in markets with the greatest potential, reinforcing pricing risk and capital management discipline, streamlining the structures and process of the bank and, last but not least, reinforcing the bank reputation. Now I will ask (inaudible) to start his presentation. Thank you.

Unidentified Company Representative

Thank you very much. The presentation will have three main topics. In the first I will speak about financial review of the year 2007 results. Then I will ask the chief economist of the bank to address the economic and the financial environment and I will come back to discuss the priorities and midterm targets.

Regarding the financial review, the highlights already stressed by the president of the bank, so let's move forward to look at the group earnings in 2007. The net income decreased 28.4% from 2006 to 2007, mainly driven by the decrease in Portugal. The international operations have a very good growth. They grew 55% and the net contribution of our international operation is now at EUR112 million.

On the quarter -- when we compare the quarters of -- the fourth quarter of 2007 and the fourth quarter of 2006, there was a decrease of 30.7%. But let's look at the specific items that, in fact, the accounts in 2007 and 2006. In 2006, there were several positive impact, mainly the sale of operations, as you can see in the slide. Then the sale of the available for sale portfolio, EDP, Sabadell and the Magellan. On the cost side, we had the costs with early retirements and the overall figure of this -- all these specific items in 2006 was a positive in EUR163 million.

In 2007, the situation is different. We have on the positive side again the sale of the available for sale portfolio -- EDP and Sabadell -- but we have a lot of costs, mainly the early retirements with EUR122 million and other costs, just like the BPI related costs, the bid costs were around EUR103 million. And the impairment on the BPI stake was EUR80 million. Then we had impairment on securities and other impairments and contingencies. The overall impact net of taxes in 2007 was negative in EUR23.5 million. So when we exclude these items from the analysis, on the consolidated basis the result decreased 6% from EUR624 million to

EUR587 million. Again, the impact of these specific items was mainly in Portugal, so when we excluded it, the decrease in terms of the net income in Portugal was 14.6%.

Let's go through more details in terms of the P&L accounts. In terms of the operating income, there was a good performance driven by financial margin and commissions that grew 9%. And this comes mainly from international operations where the operating income grew 32.5%. In Portugal, we have a stable operating income. The decrease is slightly 1%.

When you put this and we put this to show for the first time in terms of the bcp presentations, we can see that the third quarter of 2007 was a poor quarter and I will explain why when I go into more detail in Portugal. But we can see that we are recovering the revenues growth. The operating costs are mainly growing due to the expansion plans that we are currently having in Poland and Greece and some other geographies just like Romania. So Jaws is opening again in the fourth quarter of 2007 and we expect this to continue to be the trend.

There was a slight improvement of the cost income ratio that came down from 61.2% to 60.3% and an increase in operating profits of 9.6%. This was done on a double-digit growth in volumes in both credit and funds. Loans to customers grew 13% with a -- mainly due to the mortgage business that grew 15.7% and some very good growth in terms of consumer loans and loans to companies. On the customers' funds, these grew 11.7%. This was mentioned in the growth in terms of deposits with 18%. There has been a very strong effort of the bank to grow deposits and customers funds in the last three quarters of the year.

As you can see in this slide, when we compare the growth on the quarter-quarter basis, the last three quarters there are -- there was the increase in terms -- either on the gross loans or on the balance of customers' funds is a very high one and, for the first time, we have -- for the first time with a significant impact, the customers' funds on balance sheets on absolute terms grew more than the gross levels.

In terms of the cost of risk, the overdue ratio with more than 90 days decreased from 0.8% to 0.7% and the coverage ratio is at around 262%. In terms of impairment charges, there was a duration in 2007. This was mainly due to some specific issues and some specific, specially work cases that we had on our credit portfolio that justifies around 9 basis points of the 39 that we have when you look at the impairment net of recoveries. I would like to stress that the bank has no exposure to U.S. subprime, no consumer credit issues and no exposure to insurance monoliners. It is not the question of provisions here. It is the question that we have no exposure.

In terms of the capital ratios, the first quarter was impacted by several specific items as I said at the beginning of the conference. The Core Tier 1 ratio is at 4.3%. There were several issues -- several negative impacts in the first quarter, as you can see in this slide. I will move to the following slide that explains better the behavior of the Core Tier 1. At the end of 2006, the Core Tier 1 loss was 5.48%. The organic generation of capital for the year should be -- was 31 basis points, so before these specific items, the Core Tier 1 should have stayed at around 5.80%.

Then, if we go through the specific items, EDP and Sabadell had a positive impact on the pension fund where we had the joint impact from the financial markets performance and the change of the -- some actuarial assumptions. There was a negative impact here of 23 basis points. Then there was a change in the legislation regarding insurance stakes and financial institution stakes. That also had a negative impact. The major impact here was on the special provisions and adjustments that I will explain in the next slide. It was a 47 bps in terms of Core Tier 1. The BPI related is already in new and restructuring charges I already mentioned.

Then we have the deferred taxes. There was an increase in terms of the deferred taxes. That together with decrease of Tier 1 led to the deduction of around EUR338 million surplus in the full year versus the 10% limit that the deferred taxes can have -- that we can have in terms of deferred taxes on Tier 1. So the final Core Tier 1 stayed at 4.33% with risk weighted assets of around EUR62 billion.

In terms of the adjustment to the capital and considering the existing indication arising from the ongoing investigations conducted by the supervisory authorities regarding a more thorough review of the economic substance of the transactions with offshore entities, the bank decided to consider a more prudent interpretation regarding the risks now identified and recorded an adjustment of EUR300 million on equity with effect at January 1, 2006 with a net impact of EUR220 million after considering the tax effect. Such decision does not represent any kind of admission or recognition by the bank of any wrongdoing.

In terms of the pension funds, the increase in pension fund liabilities to around EUR5.9 billion was mainly as a result of the restructuring costs of EUR122 million. There was also an increase EUR12 million differences, mainly due to the impact of the adverse capital conditions on the performance of the funds. And we also adopted a more conservative approach in terms of the assumptions. The discount rate increased from 4.75% to 5.25%. The increase in future compensation increased from 2.75% to 3.25% and the pension increase is from 1.75% to 2.25%. We kept the rate return of the fund at 5.5% and also the mortality tables that we are using that is in line with the other Portuguese banks, so we are comfortable on that side.

On the performance of the funds, the fund is fully -- is over-covered with 102.6%. Any other return of the funds was 4.04%, that is below the return assumption. And we're moving to a more conservative asset mix, considering the long-term nature of the return liabilities. We have now 39% of the fund in shares, 49% in bonds and cash and 12% in real estate.

In terms of the liquidity position of the group from December '06 to December '07, we managed to decrease the short-term from 48.5% to 40.3%, while increasing to the medium and long-term during the year from 51.5% to 59.7%.

So this is -- this was the performance of the group in terms of 2007. We have here a recap what -- of what was said. I will move forward to look for the performance of Portugal. We already said that there was a decrease in results. We are now excluding from the analogy the specific items. There was a decrease of 14.6% in terms of the net income. While we remain -- we have a stable operating income from Core performance. The financial margin and commissions grew 1.6% and it is important to highlight that the financial margin and commissions, when you compare the third quarter of 2007 with third quarter -- with the fourth quarter of 2007, there was an increase in this financial margin and commissions.

Looking at the net interest income. The net interest income grew 2.7% year on year. There was still a decrease in net interest income in the fourth quarter where the NIM goes from 1.76% to 1.70%. But, as you can see in -- when we look at the spread on corporate loans, we managed to change the trend. The trend was downwards until the third quarter. We start in the repricing by -- the repricing of the loans and the -- by the fourth quarter and we managed to increase it already. Even if the -- on the back of growing volumes, we managed to increase the spread.

On the mortgage side, the huge competition that we had in Portugal continued to drive the spreads to a lower level. December was a better month than November. We are turning also the trend here.

On the funds, the spreads on deposits, the term deposits continue at stable levels. There was a slight decrease in terms of demand deposits. It's important to highlight that the regulatory changes that happened in Portugal had a significant impact in terms of the margin here. When we consider the interest rate roundings, the impact of the value date and the impact of the switching costs on the mortgage loans -- this total impact in terms of the margin was around EUR66 million.

On the commission side, the commissions are stable -- 0.3% year on year. Mainly, the growth comes from securities and asset management. On the other lines, there was a decrease. Also here the regulatory changes also had an impact. The switching costs and interchange fees on cards had a negative impact in terms of the evolution of the commissions of around EUR16 million.

Looking at the operating costs, we continue to focus on inefficiency. The bank managed to decrease costs of -- at 2.1%, mainly on the staff costs. The restructuring charges that the bank had held in 2006 and 2007 started -- are starting to deliver and so we managed to decrease the costs on the staff side. Looking at the Jaws, again here we can see why the third quarter was a bad quarter. The revenues on Portugal -- in Portugal for the third quarter were a bad one. We are now recovering the trends.

The costs are still under tight control. And so we have a slight improvement on the cost to income and compare it on a year-on-year basis. Operating profit is stable.

In terms of volumes, the bank continued to show a very good growth in volumes on the loan side and on the customers' funds side. On the loan side, the -- it's important to highlight the growth in mortgages and also on the loans to companies. On the customers' funds, it's very important to look at the deposits that grew 13.5%. In terms of market shares and if we compare it on a year-to-year basis, there was a slight decrease on market shares on the credit side, but not dramatic. We still have a 24% -- around 24% market share on the credit. And on the customers' funds, we have 20.8% market share.

On the mortgage loans, the market share of the bank is pretty stable. We had a market share of 22.6%. Looking at commercial gap here, in Portugal the effort to increase the customers' funds was impressive since the second quarter. It has been growing much more than the credit, which released a little bit liquidity position of the bank.

Then looking at the business segments, we have solid growth on the loan side on all the segments. On the customers' funds, we had some decrease in terms of the corporate and investment banks, but this normally is no issue here because there was very slight decrease. And this type of customers' funds are not most profitable ones. In terms of the private banking, there was a slight -- very slight decrease that is not -- does not mean anything. So what's important here is the growth on the retail side, both on loans and loans to customers.

In terms of the risk and when we look only at Portugal, the overdue ratio of more than 90 days is stable at 0.57% and the coverage is impressive with 317%. On the impairment charges, there was a duration again on impairment charges, but the reason that I gave when I show you the consolidated figures is a sign that can apply here. So if you exclude these specific cases, the net impairment will be at around 29 bps, in line with what we expected for this year.

So let's move on. I will now present the Polish business. As you read already, since the portion of the presentation that was given you to sometime ago, I'll do it very briefly. I will just highlight some of the main items here. In terms of the net income, the net income grew 53.5% and the bank now has a return on equity of around 20% based on a strengthened operating income that has been performing along all the revenue lines.

On the net interest income, we continue to show a good growth and it is worth to mention the increase in terms of the net interest margin. Even in a very competitive environment, the bank managed to increase the net interest margin. And when you look at the quarter to quarter basis, it's very impressive that it would grow from 3.1% in the third quarter to 3.3% in the fourth quarter. Plus on the commissions, there is a very high growth here of around 50% with a strong performance of mutual funds that can be seen in securities and asset management.

The operating costs are growing at a slower pace than business. This has a strong impact of the expansion plan in Poland, excluding the expansion costs. The total cost should have grown at 10% with the flat admin costs. Looking at the Jaws, in Poland we have a very good performance in terms of the revenues and costs. We have a fast pace of revenues growth although there was a slight decrease in the fourth quarter and the costs -- on the cost side, they continue to increase, basically, on the expansion plans, but at a slower place than revenues. So there was a decrease in terms of the cost to income and the very high growth of operating income of around 58%.

In terms of volumes, the bank continued to grow at a very high rate, 47% on loans to customers and 38.8% on customer funds. Just to highlight that when we compare the customer deposit growth of Bank Millennium with the market on a year-on-year basis, Bank Millennium grew 35.7% while the market grew 13.6%. When you look only for the fourth quarter, Bank Millennium grew 18.5% and the market grew 5%. So it's impressive the growth in terms of customer funds in Poland.

In terms of -- another thing that I would like to mention here is the number of active retail clients that we have now in Poland. It's around 955,000 clients. That this is a 28% increase from last year and, of these clients, around 208,000 clients come from the expansion plan with -- from the new branches. In terms of the commercial gap, we can see also again strong efforts on the bank in terms of increase in the customer funds.

On the cost of risk side, the cost of risk is stable. We managed to improve the impairment ratio from 5.7% to 3.4%. The coverage is at 79% and impairment charges are more or less stable year on year.

In terms of the branch expansion plan, we already opened and transformed 128 branches. We have now 410 branches in Poland. We have another 150 branches to be opened until 2009, of which 71 locations have already been reserved. But the bank has been expanding mainly in urban areas which have the fastest growth in terms of the country.

In terms of the budget execution for the branch expansion, the things are going according to plan. There was no major changes here. The operating costs are kept below plan. The investment plan executed in more than 50% and there are no major problems in -- with recruitment. So we have in Poland a very strong performance and expansion program that's in with the plan and a very positive outlook going forward in this operation.

Now going to Greece. Greece net income grew 46.5% with an impressive 122% when we compare the fourth quarter '07 with fourth quarter '06, with strong income from core business, with the financial margin and commissions growing at 21.9% and also on the trading and others growing at 26.8%.

Let's look into some more detail on this. The solid net interest income evolution despite the pressure that we are having on the credit margins. As you can see when you look at the spreads, the spreads on the corporate loans has been decreasing both on fixed terms and on revolving loans. Also on the mortgages, there was until the third quarter a decreased trend in terms of spreads that we managed to turn and now the spread on mortgages grew to 96 bps when you compare it with the 90 bps in the third quarter.

On the deposit side, the spreads have been more or less stable. The net interest margin decreased, when you compare it on year on year, it decreased a lot from 3.27% to 2.83%. But the net interest income is -- besides this decrease is coming from the impressive increase in terms of volumes. In terms of commissions, we managed to grow around 40% of commissions in Greece and the bank is performing very well in terms of this -- in this line. On operating costs, they are -- they also -- they increased 17.9%, mainly due to expansion plans, as you can see from the start costs increase. This is mainly due to the opening of new branches.

Looking at the Jaws here, we have a strong and accelerating growth on revenues. The costs are under control despite aggressive expansion plan. The cost to income is still at high levels due to the current investment stage and efforts to achieve economies of scale, but as decreasing trends, we have now the cost to income of 71.6%.

In terms of the volumes, loans to customers grew 37.4%, mainly on the back of loans to companies and also on the very strong position on the mortgages side. Customer funds grew 27.2% with an impressive growth deposits of 31.4%.

Here, in terms of the Greek operation, we continued to grow more in terms of the credit side than on the funds side. The funds side of the market is much more difficult than the credit side. So we are -- we are continue to grow more on the credit than on the funds side.

When looking at the business segments, the commercial and the corporate business segment started from a very low base, so that's why we are showing this very high percentage growth. But I think it's also extremely important to highlight the growth on the retail banking and where we managed to grow 27.6% on loans and around 19% on customer funds.

On the asset quality and cost of risk. The cost of risks -- the indicators are stable. The overall ratio is at 1.7% and there was a slight increase in terms of impairment charges. But this is expectable with the very strong growth in terms of the credit volume.

We are -- we introduced during the year 2007, two new segments -- the affluent and the micro business, so we are enlarging the offer that we have now in Greece. We have now an affluent, dedicated segment with specific offers and specific branches to this new segment. We also started the micro businesses inside our retail branches. Now and after six months of operation, all of the 139 retail branches are offering micro business products, simple products and simple to sell. So in Greece again, we have also a very solid performance, strong volume growth and a very positive outlook going forward.

I'll now briefly go through the other international operations. On Mozambique, where we have a market leadership with market shares above 37%, the net profits grew around 7%, but they managed to keep growing in terms of the loans to customers and customer funds with -- on a two-digit growth. We opened ten new branches, small branches in the -- very small branches. In Mozambique, we have now average [branch] capability of 85 branches.

In the U.S., the operations are -- the operation is close to breakeven as a result of an effort to control costs and to recover the profitability. The net profit was negative, but very, very small number -- EUR0.5 million -- and we keep growing on the loans to customers.

In terms of Turkey, we also managed to, in these operations, to put it close to breakeven. Net income is EUR0.8 negative. We have 16 branches. We continue to grow on loans to customers and the market on the customers' funds side is very difficult, so we are not -- the numbers are still on that side.

Regarding Angola, we had a strong performance on all dimensions on the back of a very solid macro performance. Loans to customers grew more than 100% and customers' funds, 65%. The net profit grew 50% and we have now nine branches in Angola. And our expansion plan is underway and we believe that Millennium Bank will be a relevant player in this market in the very near future.

In Romania, it is a greenfield operation that is started in October 2007. We have now 40 branches and we managed to have EUR37 million of loans to customers and EUR38 million of customers' funds. The branches are opening according to plan. This is a very highly accepted operation by the clients. We started this as a credit oriented operation, but this operation has been able to originate an important flow of customers' funds.

So I will not ask Gonzalo Pascoal, our chief economist to present the economic and financial environment.

Gonzalo Pascoal - *Millennium bcp - Chief Economist*

Okay. Thank you, Pedro. So very quickly, we'll just drive you through to a quick glimpse on the major macro developments in the economies in which Millennium runs its business. So starting on global development, we all know today that there are increasing signs that the economic expansion -- that there is -- leads up to 2007 is now close to the end. The times that have been characterized by local activity, high growth and low inflation have ended and we are now moving into an environment in which we are experiencing high volatility, slower growth and high inflation.

At the same time, this has been accompanied by strong risk aversion and with rising inflationary pressures. This is highlighted on graphs one and two in which you can see leading economic indices of OECD moving lower, even though well supported by the good performance of Asian countries coupled with, on graph two, a high growth of inflation mainly driven by the spike in energy prices.

And the end effect of all this is a little show on graph three with the latest IMF economic outlook, the revision that they have done just very recently at the end of January in which you can see that they have been pointing to slower growth almost everywhere, even through world growth is still very well supported by the good performance that we have been witnessing in major emerging economies. So we are still in the period in which we are now being more acquainted with the prospects of slower growth into the near future.

Now looking a little bit specific to the U.S. and the Euro area, The U.S. is the economy where we are experiencing the more severe retrenchment in economic activity, we are very close to recession. Just yesterday we had the Philly Fed survey in which major economic agents are split between whether we are going to experience a recession or not in the U.S. But even those which are not expecting the recession are only looking to very slower -- slow growth.

This has been mainly due to the adjustments that we have been experiencing in the real estate markets and also in financial markets and it has been mainly associated with past excesses. However, other sectors do look much more resilient, namely the industrial sector, and exports continue to look healthy and continue to be one way of supporting and one way of why people are expecting the economic -- the U.S. economy not to enter into a full-blown recession in the next few quarters.

Nevertheless also to support this view is that we have quite swift response from both federal authorities and monetary authorities through a fiscal plan, through delivering strong cuts in interest rates, so also we are witnessing industry players very strongly committed to reinvigorate the economy even through to plans within the industry regarding the way that real estate markets are going to behave in the near future.

So I would say that although the risk of recession have been growing, the markets and authorities have been quite aware of it for quite a long time and they are providing for the necessary remedies in order to put the U.S. economy into a more stable manner as the year proceeds. And we just had the Federal Reserve Chairman just stating past week that he expects the effects of these measures start to be felt by the second or third quarter of the year. So I think it's reasonable to expect that the second half of the year, in terms of U.S. economy, will be much more promising than it is currently.

Regarding the Euro area, we are also experiencing a moderation in economic activity, but not as harsh as in the U.S. It is mainly because we are not facing in the Euro zone such macroeconomic imbalances as those that the U.S. economy experiences currently. However, although the situation is not as pressing, monetary authorities are also much less lenient in pursuing emergency actions and we have seen the ECB much more reluctant in delivering slower interest rates in the near future. Nevertheless, as you can see on both graphs, high frequency data here shown by the purchasing managers in --- the composite is clearly pointing to a downturn in economic activity in both these economies.

How have markets react to this? So on graph one you can see that measure of risk aversion have risen. They have now moved into where they were at the beginning of the decade. So I would say that what has been extraordinary is not the level that we are experiencing today, but the level that we have experienced over the past three years. This has led, of course, these difficult conditions in terms of financing markets has led to a quick response by major banks a little bit all over the place. And the banks, due to the more difficult conditions in grabbing funds and also markets, have tightened their lending standards, as you can see on graph two. So lending standards all over the place have now been tightened.

But due to the lowering of interest rates and the normalization of interbank money markets, what you can see is that in the latest survey, banks already saying that they have not tightened much more and so we are seeing normalizing conditions in interbank money markets also starting to provide a more stable footing in what regards the relationship between also funding banks and the real economy relationship.

On graph three, what you can see is that the state of conditions, so the risks of downward movement in terms of economic growth plus the difficulty situation faced in financial markets has led monetary authorities to act. The Federal Reserve cuts interest rates aggressively and this was joined by European officials and Japanese officials in providing abundant liquidity to markets, not by cutting interest rates, but providing ample funds to markets. And this has help short-term interest rates start to moving lower. And actually today, despite the harsh conditions in terms of financial markets, monetary conditions are not more tighter than they were prior to the financial crisis.

And this is very well shown on graph four in which you can see that despite increasing credit spreads, when you put all things together, that is the decrease of real free risk interest rates, plus the wider spreads, what you can see is that overall sum in terms of yields is not much higher than what has been through almost all 2007. And it is still well below the levels that we have witnessed in the early decade.

So by this token I will say that by pursuing a more accommodative stance in terms of monetary policy, monetary officials have helped to compensate the global, let us say, [new] level for the widening of credits and differentials. And this is positive in terms of activity going forward.

So now entering a little bit more specifically into the economies where Millennium runs its business, starting with Portugal, we had good news in 2007, despite the more challenging environments that we have experienced during the second half of the year. Real GDP growth managed to accelerate throughout the year and we ended with an annual growth of GDP of 1.9% with quite an astonishing development in the final quarter of the year with GDP growing by 0.7%. And one has to remember that, by the final quarter of the year, we were already experiencing some significant signs of the financial -- of financial crisis.

This has been done also by a [reflection] in the contributions to growth, so we are becoming less dependent of external demand and much more dependent of domestic demand. This is the main reason that we have been witnessing throughout 2007 a strong pickup in investment spending. This has been led not only by machinery and equipment, but also by a recovery that seems to be sustained, at least for the news that we had today, in the newspapers from the local associations of the construction sector. So these are good news because it means that the economy, although it continues to be, of course, very dependent from what happens from the outside, is now becoming a little bit more resilient to the changes in outlook from our external partners.

Finally, one final point regarding the latest developments, which to me is very important, is that the inflation rate in Portugal is now much -- is now lower than European average, which shows that we are becoming more competitive in the global marketplace.

So looking forward, what are the positives that we see for Portugal? Clearly, we have a stronger domestic demand. We continue to see investment spending reasonably robust. We are not expecting private consumption to pick up meaningfully. And the expect is to somewhat offset the negative effect that we are expecting regarding the evolution of external demand. We are witnessing smaller, but steady competitiveness gains, coupled with exports diversification, not only in terms of geographical terms, not only in terms of products. And for the first time in 2007, our technology trade balance has been positive, something that has not happened for years.

What are the clear negatives looking forward? Clearly, the external environment so we continue to be very dependent on what happens to the major trading partners for Portugal. The levels of indebtedness of the country as a whole as we are still needing to manage the high public deficit even though it's already below the 2% of GDP, but it's still -- it's still high. Also the levels of households which is high and which, of course hampers private consumption to move much higher.

We are and continue to be highly dependent from energy from the outside, which means that the economic recovery is usually vulnerable to sharp swings in oil prices and we continue to experience structural adjustments in the economy, which leads to a persistent high level of long -- of unemployment rates -- of long-term unemployment and unemployed] We are expecting, nevertheless, for Portugal to grow this year. We have revised this downwards due to the more stringent economic environment we are expecting. GDP growth at around 1.7%, 1.8% for 2008 and then to improve in 2009 to above 2%.

Regarding Poland, well, it has been among the European Union, one of the countries that have recorded one of the fastest growth rates in 2007, 6.5% in terms of real GDP. This has been driven by strong domestic demands, private consumption in late -- in the year also by investment spending in this country, which is clearly benefiting from the strong underlying confidence climate due to all the dynamics of joining Europe and the expectation of within five to seven year's time also to join the euro.

However, due to the strong buoyancy of domestic demand, we are seeing inflation pressures on the rise. And inflation has clearly now surpassed the level of the National Bank of Poland and so the National Bank of Poland is now pursuing a much tighter monetary policy, which is expected to endure into 2008 and apparently we and market are expecting them, the Poland MPC to hike rates by 50 basis points throughout the year to 5.75%.

So what are the outlook for Poland? We are expecting -- well, it's natural to assume that real GDP growth is -- cannot be such strong on a sustained manner as the potential GDP growth is estimated at around 5% to 5.5% and that's why we are also looking for GDP growth to moderate slightly, to be in the area of 5% to 5.5% over the next -- over the next two years.

What are the positives? Labor markets are extremely buoyant. We are seeing unemployment rate dropping dramatically over the years. In 2006, unemployment rate was 14%. It is now moving closer to 10%. We are witnessing also a very strong propensity to invest, which probably will be even reinforced by the new financial perspectives that kick 2008 and move until 2013. And all these coupled with the benefits of European integration.

What are the clear negatives? Well, once again, external environment and, of course, the expectation that monetary conditions will not be as favorable as they have been up to now because the MPC, the Polish MPC, will continue with its tightening campaign moving into [strides] forward.

Turning to Greece, well, not as fast in terms of real GDP growth as Poland. But nevertheless, among the state members has been the fast performer] We had a real GDP growth of 4% in 2007. The major highlight is, once again, very buoyant labor markets with unemployment rate moving down. And once again, a strong willingness to invest. Something that usually accompanies such a dynamic domestic demand is that price pressures are consistently or have been consistently above the euro area average. We are expecting growth for Greece for 2008 and 2009 to be slightly higher than potential.

Potential growth rate is estimated to be between 3.5% and 4%. Estimating real GDP growth at around 3.8% this year and then moving up towards, again, 4% by 2009. Why do we think this? Because labor markets continue to be extremely buoyant and they are - they expect to continue to do so. Fiscal policy will turn accommodative in 2008 and 2009 with cuts in income rates and also in corporates -- in corporate taxes, which will also help to support the investment cycle moving forward.

What are the negatives that we see in terms of Greece? Clearly, once again external environment and then we are witnessing some competitiveness erosion, which is mainly witnessed by the high level of the external -- of external deficit. And also potential negatives that could stem from the current political gridlock because the government only holds a very slim majority in parliament due to domestic issues. But nevertheless, we continue to think that among the state members, Greece will continue to be one of the to four.

Moving to Turkey and Romania. Well, looking to Turkey, I think that the main issue is that there the inflation trend has been very, very positive and after the huge devaluation that they have had to do in 2006, economic policy has become much more stable and responsible and it is driving investors' confidence upwards. So we continue to expect the inflation trend to allow the central bank to continue to pursue a more lax monetary policy. They have already reduced interest rates over the past months. We continue to expect them to continue to deliver low rates throughout the year as they are very confident that the currency inflationary pressures are very -- are temporary and are expected to abate as the year progresses. And so we expect this to drive domestic demand further as the year goes on. And we expect growth and inflation both in the 5% area for 2007 and 2008.

Looking into Romania, we are also expecting growth to hold at around 5% to 5.5%. But nevertheless, Romania faces more risks than Turkey and this has to do with the huge macroeconomic imbalances that are still affecting the country and financial markets. In fact, after the turbulence that erupted in financial markets by the early summer, Romania was one of the first countries in which we saw risk aversion rising and we saw the currency losing value very fast and it has led the Romanian Central Bank to need to start hiking rates in late 2007 and also in early 2008. And this will, of course, affect economic activity going forward.

Nevertheless, 2007 was a year in which the economy was extremely negatively impact by floods, by lousy weather. They had very poor crops in terms of agriculture. That's one of the main reasons why today we are also facing higher wheat prices a little bit in all the world. And so we are going to witness a little bit of offsetting effects in 2008 and 2009 for the near future. So one hand, we are probably facing a more challenging environment in what regards investor confidence for Romania.

But on the other hand, the agricultural production is expected to become much more positive for Romania and Romania is still a country which relies much in the agricultural sector. So all thing sput together we expect real GDP growth to stabilize around current levels. That is between 5% to 5.5%, which still is a very high growth rate in terms of real GDP.

Moving to Africa. Well, Mozambique and Angola are both countries that share, let us say, I would say two major trends. One is that they are both economies that are starting to develop and starting from a very low base. So this give ample scope for them to develop even further in the future. And the other trend has to do with the commodities cycle, which has been -- which has been very positive for both economies. In terms of Mozambique, the commodities have been particularly benefiting the Mozambique economy through the aluminum exports, while Angola has benefit a lot from the oil cycle.

Both economies are using this good environment in order to develop their own country by building infrastructures, namely roads and social equipment. And they are expected to continue to do so and this should probably support the economic activity at high growth rates. We are expecting Mozambique GDP this year to surpass initial expectations. We are expecting GDP to grow above 7.5%. Most estimates point for the 7% growth rate to endure into the near future.

Regarding Angola, well, it's very much linked to the oil production, but we are expecting this year real GDP, again, very near the 20% growth rate and for 2008, again, to repeat such a strong rate. Also to remember that in 2008 and 2009, Angola will face general elections in presidential elections and we feel that the political cycle would provide even a further boost to domestic activity going forward.

What are the main risks? I'll say that, of course, due to the high dependence of both these economies to the commodity cycle, something that could hurt the commodity cycle would, of course, also lead to a slower growth in these economies. Specifically regarding Mozambique, the way that South Africa develops is very important and we are witnessing some signs that the South African economy is moving to a slower gear and also joined by higher volatility in financial markets, which is a risk for the Mozambique economy going forward. Regarding Angola, I'll say that the main risk has to do with its success and has to do with maintaining and keeping inflationary pressures anchored in an environment of very abundant liquidity.

So just summing up, of course, that we are now facing globally more challenging environments in both economic performance and the way the financial markets are moving. Nevertheless, the main economies in which Millennium runs its business have been characterized in the past by very strong domestic demand and we think this will help to cushion these economies from the effects of these downward trends in terms of global environments going forward. Okay. Hand it to you, Pedro.

Unidentified Company Representative

Okay. Thank you very much, Gonzalo. So after looking at the past year 2007 and at the economic trends with a very positive outlook on the major economies where we are in, let's look at the future. As it was said, it was approved a capital increase of EUR1.3 billion. The rationale for this capital increase to improve capital ratios and to finance the current organic growth plans.

The rights issue is fully underwritten by Merrill Lynch and Morgan Stanley and, in terms of the calendar, we expect everything done until early May. Regarding dividend policy, it is now public, there is no further dividends regarding the 2007 exercise. The dividend payment shall be resumed from and including 2008 fiscal year.

In terms of the vision and strategy of the group, the strategic vision of the bank is to focus on retail, efficiency and growth as the key elements to differentiate the bank. So we want to be a reference bank in customer service with innovative distribution platforms, dedicated commercial approach to the different customer segments. With the growth focused on high growth geographies, as you already saw. Focused on retail, allocating more than two-thirds of the capital in high potential markets and a superior efficiency level with the cost to income at superior levels and with efficient capital management.

What are the strategic priorities for 2008 to 2010 and I think this time we have the current ones and the proposed ones. The current ones were the ones that you saw at the Investors Day last year. We are now proposing to have five priorities -- expand retail operations in higher potential markets, refocus on clients, stimulate commercial activity and improve service levels, streamline the bank in order to reach superior efficiency levels, reinforce pricing risk and capital discipline and, last but not least, strengthen institutional reputation.

In terms of the refocus on clients, we intend to strengthen client acquisition efforts with retention and relationship mechanisms to sustain market share gains, especially in an increasing competitive market. On expanding through our retail operations in higher potential markets, we will focus -- we intend to -- we will focus on the historically most profitable segments, where Millennium bcp execution skills are strongest across all geographies. Regarding reinforce of the pricing, risk and capital discipline, we will improve the capital allocation efficiency key to minimize impact from the increasing cost of funding and financing.

In terms of streamlining the bank, we will aggressively simplify the bank's structure and procedures to enable it to operate under a much lower cost base. Regarding the strengthen institutional reputation, we will restore the bank image of credibility and respect to a level coherent with its position as a pioneer of modern and client-oriented banking in Portugal.

In order to do this, we'll have multiple initiatives adapted to the new context. The initiatives are to reinforce the client capture, retention and loyalty, reinforce position in SMEs, increase penetration in customer credit. Regarding the expansion of the retail operation, we will continue to expand the -- our distribution capacity with formats and models adapted to the different markets. We will open another 100 branches in Portugal, the 150 that I already mentioned in Poland and some 235 in other geographies.

Regarding pricing, risk and capital, we will strengthen and streamline the credit recovery processes with a clear segmentation on how we will address the credit recovery. We will align pricing according to risk and capital consumption based on the Basel II. And we will restructure the credit portfolio, giving it stronger focus on retail. On the streamline, we will streamline the organization and restructure the cost base aggressively. And we will implement a new operational model, much more lean in our branches. In terms of reputation, we will increase the management transparency, including compensation of social bodies, meritocracy and incentives.

What are the highlights of the revised Millennium 2010 program and what we intend to achieve? The main impacts will be on the volumes growth, margin improvement, better efficiency and the strengthened capital base. The targets for 2007 in terms of net income -- 2010, sorry -- in terms of net income is to be above EUR1 billion. We will double the net income of [aggregate] Greece and Poland. The revenues for the consolidated -- for -- on a consolidated basis shall grow at more than 10% a year.

In terms of cost to income, the targets are to achieve below 52% for the group and below 48% for Portugal. Return on equity for the group above 18% and for the international operations above 17%. Our target for Core Tier 1 is of 6%. That, we believe, is the right level for the risks that we have. So, 2007 was mainly a lost year that resulted in a one-year delay in achieving the initial targets that were set last year.

In terms of the key messages, we have solid business fundamentals in a demanding market and difficult environment conditions. The performance in Portugal was affected by specific items that I mentioned. We had a very strong performance form international operations. The capital increase is required to improved capital ratios and also to fund expansion plans and we have now a renewed commitment with ambition objectives which have been revisited and will be achieved one year later due to the delay caused by recent events.

I will now pass the discussions to Mr. Carlos Santos Ferreira.

Carlos Santos Ferreira - *Millennium bcp - CEO*

Thank you. Well, ladies and gentlemen, we believe that Millennium bcp can regain the confidence of its customers, shareholders and stakeholders in order to reaffirm itself as the leading Portuguese bank with several international operations in high growth countries. Due to the capital constraints and growth plans, we feel the need to ask for support of the shareholders for the revised strategy of the bank. The new targets that represent are, in our view achievable and we are preparing the grounds to have a superior execution of the new and revised initiatives that we present to you.

We will be glad to take any of your questions now. Thank you very much for your attention.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from Antonio Ramirez of KBW. Please ask your question.

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

Hello. Good afternoon. Antonio Ramirez from Keefe, Bruyette. I have basically three questions. The first one is regarding the rights issue. I was wondering if you could give us some more color on the conditions for the rights issue, like if you have decided already on a price or on a discount on current prices. And also if you can confirm if you have already received interest from existing shareholder or potential new shareholders to participate in this rights issue. I'm thinking more specifically on Sonangol that has been mentioned by the Portuguese press as somebody interested on raising the stake in the bank. So that would be my first question.

The second question is regarding the risk of additional impairments in the near future. It looks to me that the impairment on the investment in BPI was done with the closing prices of December. Since then the share price has dropped quite a lot. So on my calculation, if you need to do that again, you may have to recognize another EUR100 million or EUR120 million loss. Also, I don't know if the risk regarding these offshore vehicles is completely covered with this EUR300 million charge you are taking. So you can comment on the risk of further impairments. And more particularly, what's your strategy, what's your view on this position, this co-shareholding you have with BPI, which is obviously a source of concern right now in the market.

And then my final question is regarding the current perimeter of the group. It looks like from your business plan presentation that you are not considering selling Greece or Turkey and you are planning to further develop these two markets. So you can please confirm that these two banks remain at core investments for bcp and then if there are any other assets you may consider selling in the near future like your small banks in the U.S. So this I might request. Thank you very much.

Operator

Your next question --

Unidentified Company Representative

Antonio, thank you very much. Regarding your first question on the rights issue, the conditions are not agreed yet so we cannot comment on any things like that. So there's no comment on our side. When the conditions will be set, we will come to the market and will explain what will happen.

Regarding of interests from existing shareholders, for the time being what we have -- we have a senior board meeting and a supervisory board meeting. Both the -- in both meetings the proposal was approved unanimously, so all the members of the -- of senior board and the board and supervisory board approved the proposal. That's the only thing that we can say now.

Regarding the additional impairment fund BPI. Of course, if you consider today's current value of BPI in terms of -- will bcp would have gross funds of around EUR160 million. On the net side, it would be around EUR120 million. One of the -- that's something that we have now. We don't see that on the BPI side there is any downside risk to this level. The downside is very limited. We're already on the very low side. And we also believe and we also said yesterday, this is a non-strategic asset. This is a financial asset that we have. Where do we start that this is not the right moment to sell. We expect that the markets will improve and BPI will also improve, the share price of BPI will also improve. That's our expectation.

Regarding the asset sales, they were announced or there were rumors in the press. The view of the bank is that we always want to maximize the value for our shareholders. And we don't believe that any rushed sales under capital constraints would be the right thing to do. That's for sure, we will not manage to achieve the right sales that is operations at. Of course, as we have been saying to all of you, we continue to intend to focus on our portfolio. That's something that we we've been doing and we will continue to do. We will continue to do our portfolio analysis, but we have no pressure now. The capital ratios will be on a very solid basis, at very good levels and if any decision regarding any of these will be taken, we will take it on economic terms when opportunity arises and in that event, this will be communicated to the market. Thank you.

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

Okay. Thank you for your answers.

Operator

Your next question comes from Simon Chiavarini from UBS. Please ask your question.

Simon Chiavarini - *UBS Warburg - Analyst*

Hi. Good afternoon, gentlemen. I had three questions. It might be easier to take them one at a time, if that's okay. So the first question, just following on from Antonio's first question is we will respect your decision not to disclose the terms of the rights issue. However, could you please explain why you're delaying the rights issue until May?

Unidentified Company Representative

Yes, Simon. We are not delaying it. You know that in Portugal we need to follow certain steps and we have sometimes some in terms of the -- of this kind of rights issues. We need to go to the regulatory authorities to [CMPM] to show the prospectus. They need to accept the prospectus and then we can move onwards.

Simon Chiavarini - *UBS Warburg - Analyst*

Oh, I see. So is it fair to say, though, that the rights issue is now fully and irrevocably underwritten?

Unidentified Company Representative

Sorry. Can you say that again?

Simon Chiavarini - *UBS Warburg - Analyst*

Okay, fine, but is it fair to say the rights issue is, at this stage, fully and irrevocably underwritten?

Unidentified Company Representative

Yes, yes. No doubt about that.

Simon Chiavarini - *UBS Warburg - Analyst*

Okay. Great. Can I then ask, in terms of your Q4 numbers --

Unidentified Company Representative

Simon, just one thing. Of course, when we're speaking about early May, that's the timetable that we have. Now there is, of course, this -- we can enter into a fast track and maybe we can have it earlier than May. But now this is what we expect.

Simon Chiavarini - *UBS Warburg - Analyst*

Okay. I understand. In terms of your Q4 numbers, where you've made -- put aside EUR60.9 million provision for other impairments and contingencies, could you please explain what those relate to in a bit more detail? Hello?

Unidentified Company Representative

Sorry. Give us just one second.

Simon Chiavarini - *UBS Warburg - Analyst*

Sorry.

Unidentified Company Representative

Good afternoon. This is [Farmasa] speaking. That amount is related to a some of things. The major item there is the expected impact with the investigations that we have from the authorities and that we think approved and registered the total amount that we can incur at the end of this process.

Simon Chiavarini - *UBS Warburg - Analyst*

Are they --?

Unidentified Company Representative

Directly and indirectly.

Simon Chiavarini - *UBS Warburg - Analyst*

I see. And it's these investigations relating to the matter of offshore vehicles?

Unidentified Company Representative

Yes. Yes.

Simon Chiavarini - *UBS Warburg - Analyst*

Okay.

Unidentified Company Representative

Which the impact is already registered in the accounts as has been explained.

Simon Chiavarini - *UBS Warburg - Analyst*

Okay. I understand. And then, the third question is if you could please give some more details about the two particular cases which drove the spike in loan loss provisions in Portugal in Q4.

Unidentified Company Representative

Simon, these are -- these were two specific cases where we -- the bank did a very thorough analysis on the value of collateral and it was decided on -- to have a more conservative view on the value of this collateral, so the bank decided to book a provision on this.

Simon Chiavarini - *UBS Warburg - Analyst*

I see. Is it fair to say it relates to a corporate client?

Unidentified Company Representative

Yes. Yes.

Simon Chiavarini - *UBS Warburg - Analyst*

And without -- you don't need to give the name for confidence charge reasons, but can you say what sector the client is in and the two cases are in and whether there's any indications of this leading to more widespread deterioration?

Unidentified Company Representative

No, we don't foresee any further deterioration. I can tell you that one of the clients has -- is on real estate -- has real estate activity. The other one I will prefer not to say it for confidentiality reasons, but what we did was a deep analysis on the value of this collateral and due to prudency, the bank decided to book this provision. It could have been considered as a non-recurrent, but these things sometime happen. We refer to put it in the accounts where they are.

Simon Chiavarini - *UBS Warburg - Analyst*

Thank you very much.

Operator

Your next question comes from Kato Mukuru from Citi. Please ask your question.

Kato Mukuru - *Citigroup - Analyst*

Hello. Good afternoon, gentlemen. I have three questions as well. I guess we can do one at a time like Simon did. I think the first one, sorry to ask again on the rights issue. But last night, I believe the chairman spoke and said that he was expecting a discount to yesterday's close, i.e. the subscription price of between 10% and 20%. Now that discount between 10% and 20%, has that been agreed with bcp and its underwriters or just kind of give us where that range comes would be very helpful.

Unidentified Company Representative

Kato, if we can say what the president said, it was nothing like that. He said that an example that the -- of discounts were from 10% to 20% something. So it was a completely open range. It could be whatever. This was just a comment for general question. Nothing has been agreed so far with the banks regarding any discounts on the rights issue.

Kato Mukuru - *Citigroup - Analyst*

Okay. Thank you very much on that. And then in terms of the excess capital that you will have post the rights issue, can you give us a breakdown of how -- where you expect to allocate that and how you expect to allocate that between the Portuguese businesses and the international businesses? Thank you.

Unidentified Company Representative

Regarding excess capital, of course, it's still the calculations based on expected Q1 '08. We'll have, Core Tier 1 ratios slightly above 6%. The -- as I said during the presentation, we will continue to implement our expansion plans in all the locations, also in Portugal. So the capital that we have will be used to fund the growth. We will generate enough capital to fund all of this of the growth that we are -- all of the growth that we intend to have on expansion funds and also on aggressive targets that we are setting in terms of credit growth and customer funds growth.

So the -- we believe that there is not really an excess capital going forward. We need the capital to fund the growth and this -- and we also believe that the 6% level that is the target that I said is the target for the bank in terms of 2010. This is the right level that we think that we need to have to take care of the risks that we led in the downside. We don't want to have a lot more. Sometimes we'll have it more. Sometimes we'll have less. But the bank will manage very thoroughly the capital and if there is excess capital, we will prefer much more to give it back to the shareholders than to keep it with us.

Kato Mukuru - *Citigroup - Analyst*

Thank you. And then, on the business plan targets, the Millenium 2010, could you give us a sense of how management compensation is tied to you achieving that goal, just to get a sense of how the compensation process works?

Unidentified Company Representative

It is not defined how the compensation of the new board functions and what will be the amount. The only thing that have been decided by the senior board and by the supervisory board and the executive board is that those compensations will be reviewed and we expect a reduction in the same one. But the only thing that for now is certain is the presidents of the board are going to agree to review the compensation.

Kato Mukuru - *Citigroup - Analyst*

Thank you. Last very quick question. Sorry about this one. On voting limitations, has any been -- have there been any discussions to change the current caps? Thank you very much.

Unidentified Company Representative

Kato, there is no discussion so far regarding any of these issues. This should be done on the shareholders meeting, if the shareholders intend to do it or not. And the capital adjustment, let me go back to your second question regarding excess capital. You should bear in mind that we have aggressive targets in terms of costs. So the bank will continue its restructuring, so we'll have restructuring costs in 2008 and in 2009. We also need capital to make sure that we can fund it.

Kato Mukuru - *Citigroup - Analyst*

Thank you very much.

Operator

Your next question comes from Pedro Balcao from Santander. Pease ask your question.

Pedro Balcao - *Santander - Analyst*

Hi. Good afternoon. And the first one is if you could explain how were the [EUR600 million] related to offshore accounts calculated? And the second one is about deposits and mutual funds, the growth in deposits was in person, really now geographies. My question is really to what extent was this growth at the cost of mutual funds and what could be the impact in terms of commissions next year of cannibalization? Thank you.

Unidentified Company Representative

It is going on EUR200 million. What we have here is -- I will try to explain it briefly. The bank receives a payment in kind of the bay -- of [London Bay] project. This is one of the major real estate projects in [Millennium]. When we receive these payment in kinds, we consider it in terms of, in our account, at the value that we receives from independent followers. And what we've been discussing here, instead of having these assets at the valuation -- on valuation terms, to have it on the investment then so far.

So the difference that you see here is mainly going from the -- at what value this project was added, orry, and the value of the investments. So the -- this asset is now in our accounts at EUR23 million, a very low value. The independent valuation that we have a much higher value as you can imagine and we expect -- and we expect that any future benefit of this project, where we believe we'll have it for sure in the future will be booked in P&L when they arise.

Regarding the commissions on the mutual funds, we have not seen any -- a strong decrease in terms of -- we do not see a strong decrease in terms of the commissions on mutual funds. What we saw what some -- what that was -- that -- what exists in terms of the funds of the fixed term funds and not through mutual funds. So in terms of the commissions, the funds that give more commissions are the mutual funds. And those ones remain at stable levels. So the ones that were more -- that had a strong impact in terms of the -- in terms of the how value were the cash funds and the bond funds where the commissions are lower, as you can imagine.

Pedro Balcao - *Santander - Analyst*

Still very then negative effects, economic negative impact, no?

Unidentified Company Representative

Yes. It's very slight. It's not very much.

Pedro Balcao - *Santander - Analyst*

Thank you.

Operator

Your --

Unidentified Company Representative

But with -- you need to bear in mind that we will lose commissions where the commissions are low in terms of these cash funds. But we will gain on the margin on the deposits. Yes?

Pedro Balcao - *Santander - Analyst*

Yes, thank you.

Unidentified Company Representative

Okay.

Operator

Your next question comes from [Anito Luckberry] from [Arbuckle Financials]. Please ask your question.

Anito Luckberry - *Arbuckle Financials - Analyst*

Thanks. I also have three questions. The first one is a little too detailed, but if you can answer yes, brilliant. If not, I'll -- that's okay. You sold the stake in Banco Sabadell to the pension fund. Could you remind me of what price, what per share was that transaction took place? Also, does the pension fund internally need to mark-to-market that stake.

Second question relates to pension liabilities. I just want to make sure I understand this correctly. The EUR5.9 billion of pension liabilities, does that include the EUR1.3 billion accounting differences or client differences?

And the third question is back to what Antonio asked at the beginning. We know that Sonangol and [Tan Ho] and the Chinese investment group have showed some support and we expect to see them in the rights issue as the new core investors there. In addition to these two names, could we anticipate other institutional core investors coming closer to the group? Thank you.

Unidentified Company Representative

Anito, regarding Sabadell, I don't have here the number, but I will give it afterwards. I'll just copy and I will give it to you. Regarding the sale to the pension fund. Of course, on the pension fund side, we also need to mark-to-market. And --

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Anito Luckberry - *Arbuckle Financials - Analyst*

So --

Unidentified Company Representative

-- when I say mark-to-market. Your third question regarding pension liability, can you say that again so I can --

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Anito Luckberry - *Arbuckle Financials - Analyst*

Yes, I have from the presentation a number of EUR5.9 billion as the liability, the pension liability. And I also -- I want to make sure whether that EUR5.9 billion includes the EUR1.3 billion differences which the corridor and the rest or does it include it or not? That's the question.

Unidentified Company Representative

Anito, it's EUR5.4 million at the end of year 2007 and, yes, it includes everything.

Anito Luckberry - *Arbuckle Financials - Analyst*

Okay. And the last question about the core shareholder issue. Should we expect to see more names other than Sonangol and Tan Ho coming through?

Unidentified Company Representative

In terms of the names of new shareholders, the only thing for sure now is that, as it was said, the senior boards approved unanimously the increase of capital. And what we -- you know is on the senior board is seated around 37% of our share capital. And until now, in all the newspapers, we didn't have any negative reaction. Not even for -- with the banks that are on our -- as our shareholders. So in terms of names and reactions, this is what we can say for now. But we can -- we are satisfied that we didn't have any negative reaction. But of course, we have some positive reactions that we will not disclose it for now. It's very soon to do that.

Anito Luckberry - *Arbuckle Financials - Analyst*

Okay.

Operator

Your next question comes from Carlos Berastain from Deutsche Bank. Please ask your question.

Carlos Berastain - *Deutsche Bank - Analyst*

Good afternoon. I have a couple of quick questions. Number one is on the [plan] which EUR1 billion euro that you guys are looking for in 2010. It seems like the main focus or one of the main areas of focus would be cost cutting and gaining efficiency. Can you give us an idea of what kind of earnest growth are you guys looking for in Portugal? Or in other words, what kind of contribution fromPortugal are you expecting to [split] and [what percentage] of group earnings by 2010?

And secondly, three quick questions on the rights issue. Does that 6% Core Tier 1 capital target for 2010, does it include the recovery of the EUR223 million from Angola? Does that 6% contemplate a recovery of BPI surplus? And finally, what kind of risk weighted asset expectations do you have for the next three years? Thank you.

Unidentified Company Representative

Okay. Thank you, Carlos. Regarding the 6%, we are not including here any recovery from the [northern] project. And not also from BPI. We are -- when we did the calculation, we considered in that the BPI where stake could be at this level, at the current levels. Regarding risk weighted assets, in terms of the calculation, for under consolidated risks, we expect the risk weighted assets to grow more than 10% in terms -- in the -- until as a CAGR, 2007 to 2010.

Regarding the strategic plan, give me just one second. We expect that the contribution from Portugal -- and I'm looking only at 2010 figure -- we expect that the international side will contribute at around 20% to 25% of the net income and Portugal will come between -- with other differences. So be between 75% and 80%.

Carlos Berastain - *Deutsche Bank - Analyst*

Very good. Thank you.

Operator

Your next question comes from Jose Brito from Banesto. Please ask your question.

Jose Brito Correia - *Banesto Bolsa - Analyst*

Good afternoon. It's Jose Brito Correia from Banesto. My question -- sorry to reiterate. It's about the offshore vehicles. Is this EUR300 million adjustment you made to capital, a full write-down of the owned shares or is just the mark-to-market? And is the EUR300 million plus the EUR41 million in the provisions for contingencies all we can expect or can we expect any further write-down?

And second question, which was answered already, but I would like to have it clear. Regarding the stakes on BPI, I understood that the mark-to-market at the current moment, we would have an impact of EUR160 million gross or EUR120 million net. Could you confirm that? Thank you.

Unidentified Company Representative

Jose, thank you. Regarding BPI, you are correct. Those were the numbers that I said. Regarding the offshore vehicles, I can assure you that the offshore vehicles don't have any sales on bcp since 2002. So there is no mark-to- market here. There is nothing really to compare to what we have now. And the adjustment that was done was on the real estate project that was valued initially at the -- using independent valuation. And we are now booking it at the CapEx. That is the difference. And we -- the CapEx that we incurred so far is to EUR3 million. I can also say that this project is one [of the] project -- is a very, very important project for Angola. We are talking about more than 800,000 square meters of construction. Thank you.

Operator

Your next question comes from Daragh Quinn from Lehman Brothers. Please ask your question.

Daragh Quinn - *Lehman Brothers - Analyst*

Hi. Good afternoon. I have three questions. Firstly, on the underlying results in Portugal and specifically on margins and the cost of risk. On the margin again this quarter, there's been further downward pressure. And I was just wondering your outlook for the remainder of the year. Do you think, given the conditions I the wholesale markets and competition for deposits that the subsequent quarters in 2008 will see continued pressure on margins or do you expect to see a positive impact or sustained spread increases?

And on the cost of risk, not just in this quarter, but also in Q3 and indeed across a number of other Portuguese banks for the presented results, we have seen a deterioration in the cost of risk. I was just wondering if you could -- so why do you think the cost of risk is going to improve from these levels in 2008 or do you think that the level in the second half of '07 is the sustainable level we should be thinking about going forward?

Unidentified Company Representative

Thank you, Daragh. Regarding the cost of risk, we -- as we believe that the trends that we saw in 2007 and the difficulties with just these two cases that were mentioned, the cost of risk for 2007 were around 30 bps. When we did this review of the Millenium 2010 program and due to the evolution of the markets and the tougher economic conditions, we have -- we believe that we will see a duration in terms of cost of risk. What we are expecting this to -- that the cost of risk net of recoveries for 2008 should be more in line with the 40 bps than with the 30 bps that we had in 2007.

But even so there was a bad performance on the fourth quarter than on the third quarter. And regarding the margin pressure going forward, we -- the bank has been implementing a revision on the pricing. That's something that has been started in the fourth quarter of 2007. We are managing to improve the spreads as you saw in the presentation. We expect that during this quarter we will continue to do this work. Okay.

Daragh Quinn - *Lehman Brothers - Analyst*

Okay. I have a second question on the early retirement program that you have going forward. Could you just give us an idea of how much, in terms of restructuring charges you expect to dedicate to that program in the coming years?

Unidentified Company Representative

Daragh, that is something that we are still discussing and analyzing. That's something that we will review and revisit this in terms of the project. I don't have still the numbers.

Daragh Quinn - *Lehman Brothers - Analyst*

Okay. And finally on the question, just on the ongoing investigation into the offshore accounts, do you have any indication on timing?

Unidentified Company Representative

We don't have yet an indication of timing because we haven't been notified yet. What we perceived from the conversations that we carried with the authorities is that they would like to notify the bank of whatever in the next months. We are getting all the information which has been asked and so we hope this will close very soon. But it will take for sure some months.

Daragh Quinn - *Lehman Brothers - Analyst*

Okay. Thank you.

Operator

Your next question comes from Simon Chiavarini. Please ask your question.

Simon Chiavarini - *UBS Warburg - Analyst*

Hi again. Could I please ask to follow up on questions? The first question is really just to clarify some press speculation which is, given that bcp will shortly fill its capital hold and given that there is from executing on these restructuring potential, can I ask you how strongly are you attached to bcp standalone future or are there any possibilities of returning the book to the discussion table?

Unidentified Company Representative

I'm sorry. We cannot understand what you are saying. Can you repeat?

Simon Chiavarini - *UBS Warburg - Analyst*

Sorry. Is that any better?

Unidentified Company Representative

Maybe you are too close to the mike. I don't know.

Simon Chiavarini - *UBS Warburg - Analyst*

Is that any better?

Unidentified Company Representative

I think so. Yes.

Simon Chiavarini - *UBS Warburg - Analyst*

So just to clarify press speculation that pops up from time to time, given that you will shortly fill bcp's capital hold and given the upside that there it from executing on the restructuring potential of bcp, can I ask how strongly are you attached to bcp standalone future or are there any possibilities of returning to the discussion table, either with BPI or with another bank? And the second question would just be that, under the hypothetical scenario that BPI were to raise capital, would you want to take up your rights and invest new money in BPI or would you sell those rights? Thank you.

Unidentified Company Representative

Your first question for what we think about the -- in terms of the restructuring and in the potential for margins, is that for now we have to take care of our bank and of our organic group and of putting everything on its side and so, frankly, we are not considering any merger for the time being.

Second question is in -- related to the eventual increase of capital to -- of BPI. What we can say is that we will analyze it, depending on the conditions of the increase of capital, if it will happen.

Simon Chiavarini - *UBS Warburg - Analyst*

Thank you very much.

Operator

Your next question comes from Kato Mukuru of Citi. Please ask your question.

Unidentified Company Representative

Yes, Kato?

Operator

One moment.

Kato Mukuru - *Citigroup - Analyst*

Hello? Hello? Hi? Hello? Can you hear me now?

Unidentified Company Representative

Yes, we can hear you.

Kato Mukuru - *Citigroup - Analyst*

Yes. I had a question, actually, for the chairman, Mr. Santos Ferreira, on his experience since joining the management, since forming his management team at bcp. In your short time at bcp, sir, what has generally been your most positive experience? What has surprised you on the positive end? And likewise, what has -- what has caused you more concern than you probably thought over there before taking on the position?

Carlos Santos Ferreira - *Millennium bcp - CEO*

Okay. Thank you very much. Let's start by the last point. I was not expecting if I -- because I have in mind the figures from September, I was not expecting to find so difficult Core Tier 1. If you are asking me about what was the most rewarding experience, the most rewarding experience of this month, it has -- it was seeing how the networks and the franchise of bcp works. Really, we have been through a difficult year in markets and we have been through a difficult year in the bank as all of you know. And it is really rewarding to see that the franchise has been working and has achieved reasonable -- quite reasonable results.

Kato Mukuru - *Citigroup - Analyst*

Thank you. Actually, on your strategy with regards to Portugal, sir, how -- I know it's very cost driven and cost focused strategy. But at the same time, I guess, over the last year, you would have lost market share. How do you balance the two? How do you balance reenergizing your network and your sales force at the same implementing quite aversive cost cutting strategy?

Carlos Santos Ferreira - *Millennium bcp - CEO*

Well, I can -- I can try to answer. First of all, it's not necessary that cost control came with -- had with, how do you say, cutting the add count. What we believe is that we can do lots of things in cost control without touching the core of the network and the core of the bank. Second, I don't know how much I know, but anyway, it's not very, very significant the market share that we have lost if we are looking for, if we are looking for, how do you say, mortgage. The market share has not dropped a lot. I will say though that it was the contrary. If we are -- if we are looking for deposits, I will say that it is exactly the contrary.

And if you want to also to take care -- to take into consideration, sorry, it will be better to take into consideration, we have the same headcount. We will have the same headcount with more branches. This means that the number of persons per branch will diminish -- will be lower. So again, I believe that -- we believe that it's possible to control costs, to cut costs that are not related with the operations and we believe it's not -- it's possible to keep the way of keeping the market share or increasing the market share as we have done in the last year, in the -- at least in the two examples that I have given to you.

Kato Mukuru - *Citigroup - Analyst*

Thank you very much.

Operator

Your next question comes from Antonio Ramirez of KBW. Please ask your question.

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

Yes, hello. Antonio Ramirez, again. Just a follow-up question because you mentioned that you have an additional potential loss on the BPI stake. Also, we may -- we may see a negative performance on the pension fund. Who knows? The markets are in very difficult situation right now. So no doubt there is a risk there. You have also mentioned that you may incur into [farther] early retirements in the next couple of years and that will put some pressure on the capital.

So if -- with this rights issue, basically, you will generate very little excess capital in the near term. And there are still some factors that could put additional pressure on the capital depending on the [position] of markets. How -- what kind of flexibility do you have to cope with a potential negative situation? Because it really is quite difficult now the -- what the share price of BPI will do or what the return of the pension fund will be. So are you considering us at sales? I know you didn't answer specifically to the question before, but is there any flexibility or are there any cards you can use in order to compensate for potential material on these negatives in the near future in terms of capital? Thank you very much.

Unidentified Company Representative

In terms of assets disposable, we have already respond, but I can try to summarize. We have announced that we intend to focus our portfolio, so we are analyzing some scenarios. We don't say that we would never make another investment if it is a good opportunity at a certain time after a proper study. What we say is we don't have enough yet on the table for the moment.

The other thing is, of course, something can happen to BPI more. But what we believe is that the major loss in the value of BPI has already happened. And for the other part, the -- if we -- after the increase of capital, the EUR6.2 million of Core Tier 1 give us some space for being comfortable for not having to sell at -- with a rush. So what we can tell you is the increase was EUR1.3 million and not a lower figure for us to be comfortable and for us not to go to the market and for us not to think in the future of a new increase of capital. So with that figure and with additional measures that we take when after the study and after the opportunities appear, we are comfortable and we don't think we need to come back to the markets.

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

Okay. Thanks.

Operator

Your next question comes from Pedro Futardo, Theorema. Please ask your question.

Pedro Futardo - *Theorema Asset Management - Analyst*

Hi. Good afternoon. It's Pedro Futardo from Theorema Asset Management. I just have one follow-up question around the topic of the investigation from authorities on your offshore accounts. Just wanted to be clear of one thing here. What is really the subject of the investigation? Is it accounting irregularities in the establishment of these offshore vehicles or is it of share price manipulation? And who exactly are the authorities investigating? Do I assume that they are domestic? And what I really wanted to understand is how immune is the bank and its shareholders from a potential -- from potential litigation risk of further investigations, given that the stock was listed in other jurisdictions during the time of those irregularities? So if you could clarify on that, I would appreciate. Thank you.

Unidentified Company Representative

As we mentioned, it is very difficult to speak with you about this because we haven't been notified. But what I can tell you is until now, the only investigation that we have is from Portuguese authorities. The other point that has to be considered is the facts related to 1999 until 2002. So with the different opinions of our lawyers, if anything would happen in some jurisdictions, that would be not -- it would be prescribed, so it could not be any kind of litigation according with some of opinions that we have and according these facts. The thing that the bank is investigating is about information and we cannot be explicit because, as I said to you, we have not been notified and so we don't have the accusations.

Pedro Futardo - *Theorema Asset Management - Analyst*

Okay. Thank you. That's very clear.

Operator

Your next question comes from Jacoba Garcia of FPK. Please ask your question.

Jacoba Garcia - *Fox Pitt Kelton - Analyst*

Hello? Hello? Hi, can you hear me? Yes, this is Jacoba Garcia from Fox Pitt. Just a very quick question regarding the dividend. You've cut the dividend for 2007, but you said that you will be receiving dividend payments in the future. Can you explain us what will be the dividend policy once you start paying dividends again?

Unidentified Company Representative

As you know, we maintain a certain payout. In the past, we see the payouts remain to 24%. Our expectation is to go again to a trend of a consistent payout. So what I can tell you is that we want to have a consistent dividend policy to the market and we will announce it at the time in due course, okay?

Jacoba Garcia - *Fox Pitt Kelton - Analyst*

Okay. Thank you.

Operator

(Operator Instructions) There are no further questions at this time. Please continue.

Unidentified Company Representative

I would like to clarify an issue relating to the investigation. It is that in Portugal the banks cannot be accused of any criminal charge. So only individuals can be accused of a criminal charge. So that's not any kind of contingency on that side. On the other -- the other -- the second aspect that I would like to emphasize is on the -- in terms of fines and penalties, we are -- we have registered what we think can be the maximum amount and we are comfortable with that. So two things are on the criminal side. We cannot be charged. The bank itself cannot be charged and so it cannot be responsible for anything. And the second point is, in terms of penalties and fines, that is already booked according what we think and our lawyers think will be the maximum and not the probable amount that can come from those charges.

Okay. If there are no further questions, I will thank you attend this conference call and thank you very much. Give us just a second. Mr. [Pamasis] wants to clarify some addition.

Unidentified Company Representative

Understand very well the concerns and I understand the -- we have to focus on all the downsides, but I think, as it was mentioned, we have also upsides. And if we are considering all the downsides and we want to reduce a lot of the risks that you mentioned like the volatility of the markets that we have some exposure, we are very convinced that we have strong upsides. As you can see from the figures on the cost to income side, we are very committed to reduce this figure and to -- we have a clear upside to -- in that area that we can achieve.

I think we are -- it is very clear for all that we have a significant upside on our external operations and there are significant upside that we think you will all agree that is, if the management can focus on the business and can go along with that, with it, it can go better for sure. What happened happened in the last year. So I would like to stress these three points. There's a new management. There's a confidence from the shareholders that was demonstrated even yesterday with this strong support for this increase of capital. We have this upside in terms of cost. As you said, it is -- we are going to be signs in terms of cutting costs, not only in staff, but in remunerations of -- even of the board, as we mentioned before.

And we have a strong commitment of -- a strong focus on the management on the business and we have a cohesion of the executive board and of the supervisory board. And we see that as very positive for our program until 2010. The other thing that I would like to stress is that the revision that we made of the targets for 2007 to 2010 are for us more reasonable. They have a growth of 7%, an increase of costs of 16%. So I think we are realistic. We are comfortable with them. We believe in them and we, of course, will do everything to achieve them. Thank you very much.

Carlos Santos Ferreira - *Millennium bcp - CEO*

Okay. If there is no further questions, I would like to thank you, too, for attending this conference call. I will be available whenever you want to verify any other issues that you may have. Thank you very much.

Operator

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