

BANCO BPI, S.A. – Publicly held company
Head Office: Rua Tenente Valadim, no.284, Porto
Corporate Body no. 501 214 534
Share capital: € 900 000 000

Earnings release

BANCO BPI'S 2008 CONSOLIDATED RESULTS (Unaudited)

Porto, 23 January 2009

- **Consolidated net profit of 150.3 M.€ (-57.7%), reflects the negative impact of 184.4 M.€ (after tax) of the financial investment in BCP, early-retirement costs of 27.7 M.€ and the 130.6 M.€ gain realised on the sale of 49.9% of BFA's capital. The average return on shareholders' equity (ROE) in 2008 was 9%.**
- **Consolidated net profit of 231.9 million euro (M.€), excluding the impact of BCP, BFA and early-retirements one-offs, which represents a decrease of 34.7% relative to 2007. The average return on shareholders equity (ROE), excluding the aforementioned impacts, reached 13.6%.**
- **Proposed dividend distribution of 60.1 M.€ relating to the 2008 financial year, corresponding to a 40% payout, in accordance with the long-term dividend policy approved by the GM; dividend per share of 0.0668 € attributable to each of the existing 900 million shares.**
- **Solid financial situation**
 - **Capital ratios: Tier I 8.8%, Core Tier I 8% and total ratio of 11.3%.**
 - **Strong growth in deposits funds the expansion in lending; BPI has a strong creditor position of 3.4 Bi.€ in the interbank money market in consolidated terms.**
 - **Credit risk cost of 0.32%.**
 - **Reduced exposure to equities. Within the scope of the Bank's risk management, the available for sale equities portfolio was reduced to 58 M.€ corresponding to 3.9% of BPI Group's shareholders equity (excluding minority interests).**
- **Very positive commercial performance (Dec. 07 / Dec. 08):**
 - **On-balance sheet Customer resources expand 21% (+ 5.0 Bi.€).**
 - **Customer loans grew 6% (+ 1.8 Bi.€).**
 - **Banco BPI – 165 thousand new Customers.**
 - **BFA – 148 thousand new Customers.**
 - **Bank ranked no. 1 in 2008 in the support to PME Líder Small and Medium-sized Enterprises.**
- **Business potential of the new distribution units confers additional growth capacity. Since Dec.07:**
 - **Portugal – opening of 38 branches, 11 investment centres, 1 housing shop and 2 corporate centres for a total of 700, 34, 20 and 54 units, respectively.**
 - **Angola – opening of 14 branches, 1 investment centre and 2 corporate centres for a total of 99 branches, 5 investment centres and 9 corporate centres.**

Porto, 23 January 2009

Net profit of 150.3 million euro – **BANCO BPI** (Euronext Lisbon - Reuters BBPI.LS; Bloomberg BPI PL) earned a consolidated net profit of 150.3 million euro (M.€) in 2008, which represents a 57.7% decline relative to 2007. Earnings per share (Basic EPS) of 0.178 euro are down 61% on the preceding year (0.454 euro).

2008 net profit incorporates the negative impact of the 184 M.€ realised losses and impairment charges recorded in respect of the shareholding in BCP which BPI disposed of fully in the year, early-retirement costs of 27.7 M.€ and the 130.6 M.€ gain realised on the sale of 49.9% of BFA's capital. Excluding these impacts, 2008 consolidated profit would have been 231.9 M.€ (-34.7% relative to 2007), which corresponds to earnings per share (Basic EPS) of 0.275 euro (- 39% relative to 2007) and a return on shareholders' equity (ROE) of 13.6%.

Since the outbreak of the international financial crisis from the second half of 2007, the Bank's management has remained focused on four clear priorities: strengthening the Bank's capitalisation, maintaining a comfortable liquidity position, defending the quality of assets and preserving the relationship with its Customers. The results obtained show that the Bank's balance sheet has been decisively defended and place it on a sound financial footing to face the current extremely demanding financial landscape:

- Tier I ratio was reinforced to 8.8%;
- The Bank has access to financial resources that are superior to the amount of the MLT debt due for refinancing until 2013;
- Credit losses were 0.32% of the average portfolio;
- Minimal exposure to equities: 58 M. €
- The Bank captured 165 thousand new Customers in Portugal and 148 thousand in Angola.

I. Highlights

Consolidated net profit of 150.3 million euro – In 2008, domestic commercial banking activity contributed 185.5 M.€ to consolidated net profit, investment banking contributed 8.4 M.€ and international activity contributed 140.6M.€, which corresponded to a ROE of 14.1% for domestic commercial banking, 38.5% for investment banking and 41.2% for international activity.

Financial investments made a negative contribution of 184.1 M.€ as a result of the negative impact of realised losses of 84.7 M.€ (94.5 M.€ before tax) on the sale of part of the BCP shareholding and the 99.7 M.€ impairment loss (120.6 M.€ before tax) on the remaining BCP shareholding.

Significant reinforcement of the capital ratio - At 31 December 2008, the capital ratio stood at 11.3%, Tier I at 8.8% and core capital at 8.0%.

Comfortable liquidity and funding position – BPI's liquidity and funding position is comfortable given that in domestic operations it has surplus liquidity of 1 500 M.€ and , as concerns activity in Angola, BFA boasts a very liquid balance sheet, with an on-balance-sheet Customer loans/resources ratio situated at 32%. In consolidated terms, the net creditor position on the Interbank Money Market stands at 3 400 million euro.

The financial resources to which the Bank has access to, of 7.2 B.€ - surplus liquidity of 1.5 Bi.€, eligible assets for refinancing with the ECB of 4 Bi.€ and potential issue guaranteed by the Portuguese State of 1.7 Bi. € - are superior to the amount of the MLT debt due for redemption until the end of 2013, which will need to be refinanced.

In addition, the strong growth in deposits since June 2007 has fully funded the loan expansion in domestic operations

Credit risk cost situated at 0.32% – In the period January to December 2008, impairment allowances (net of recoveries of overdue loans previously written off) as a percentage of the average portfolio of performing loans (risk cost indicator) were situated at 0.32%.

Exposure to equities in the portfolio of available-for-sale assets of 58 M€ (vs. 1 084 M.€ at the end of 2007) – in the fourth quarter of 2008, BPI sold the remaining holding in BCP, which at 30 September was 0.8%. Losses recorded in the accounts for the 4th quarter amounted to 8.4 M.€.

At 31 December 2008, the market value of the portfolio of available-for-sale shares was 58 M.€, corresponding to 3.9% of the BPI Group's shareholders equity (excluding minorities).

98.7% cover of pension liabilities – at 31 December 2008, pension fund net assets, including contributions to be made in January 2009, covered 98.7% of pension liabilities to BPI Employees.

On-balance sheet Customers resources expanded 21% – **on-balance sheet** Customer resources expanded 14% in domestic activity and 97% in international activity, where the portfolio's rate of growth when expressed in dollars was 89%.

Off-balance sheet resources in domestic operations decreased by 36% relative to December 2007, reflecting the drop in the value of portfolios and some transfer of funds to balance-sheet resources. The growth in total Customer resources was 0.8%.

Loan portfolio grows 6% – The loan portfolio registered 6.2% growth relative to December 2007. The loan portfolio's growth in domestic operations was 5.4%, while in international activity, which continues to present robust expansion, it was 28.5% (23.5% portfolio growth when expressed in dollars).

BPI affirmed itself as the no. 1 Bank in the support given to more than 3 000 Small and Medium-sized Enterprises (*PME*) which attained the status of *PME Líder* in 2008. This status is granted by IAPMEI, under the Fincesce programme, to companies which strategies aimed at pursuing growth and strengthening their competitive base, and whose risk profiles are positioned at the best levels. BPI was the 1st Bank in the number of signing up for *PME Líder*: 35% of companies signed up through BPI and 70% of the *PME Líder* are BPI Customers.

Net operating revenue down 2.8% – Consolidated net operating revenue fell 2.8% when compared with 2007. Excluding the losses realised on BCP and the gains realised on the disposal of 49.9% of the holding in BFA, it decreased by 9.5% (-115.9 M.€), relative to 2007.

Operating costs increased 1.2% – Consolidated operating costs, excluding costs with early-retirements, rose by 1.2% relative to 2007. The cost increase is also influenced by the expansion of the distribution networks in Portugal and Angola.

In Portugal, the distribution network expanded 7% (+52 units) in 2008. In this period, 38 branches, 11 investment centres, 1 housing shop and 2 corporate centres were opened.

In Angola, the distribution network expanded 18% (+17 units) in 2008, with the opening of 14 branches, 1 investment centre and 2 corporate centres.

The consolidated operating costs, as reported (which include costs with early-retirements of 1 M.€ in 2007 and 37.7 M.€ in 2008), increased by 6.8% relative to 2007.

Rating – the rating agencies recently reaffirmed their credit ratings for Banco BPI – S&P on 14 October (A rating), Moody's on 10 December (A1 rating) and Fitch on 6 October (A+ rating) – maintaining the Stable outlook. They highlighted the adequate capital ratios, the good liquidity situation the quality of its assets, the conservative risk profile and the bank's success in maintaining its competitive position in the national market. They also referred to BPI's good financial profile, namely as regards profitability and efficiency.

II. Consolidated

Consolidated income statement

Amounts in M.€

	2007					2008					Δ 07 / 08	
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	Δ M.€	Δ%
Net interest income (narrow sense)	148.3	153.2	155.7	150.9	608.0	151.6	153.2	159.8	178.2	642.9	+34.9	5.7%
Unit linked gross margin	2.3	2.8	2.8	2.8	10.7	2.4	1.8	1.4	0.9	6.5	-4.2	(38.9%)
Income from securities (variable yield)	0.1	10.8	0.4	11.0	22.3	0.2	3.1	0.3	2.1	5.6	-16.7	(75.0%)
Commissions related to deferred cost (net)	4.7	6.0	5.1	5.2	20.9	5.2	5.0	4.7	6.2	21.2	+0.2	1.1%
Net interest income	155.4	172.7	163.9	169.8	661.9	159.4	163.2	166.2	187.4	676.2	+14.3	2.2%
Technical results of insurance contracts	3.4	2.5	3.6	3.6	13.1	2.1	3.3	1.3	(18.9)	(12.2)	-25.2	-
Commissions and other similar income (net)	83.0	79.9	81.4	98.3	342.6	76.8	73.7	73.8	81.2	305.5	-37.1	(10.8%)
Gains and losses in financial operations	56.1	51.7	20.8	68.9	197.5	65.2	(29.2)	1.9	(17.3)	20.7	-176.9	(89.5%)
Of which: Financial result with pensions	8.5	8.5	21.9	21.6	60.6	16.6	18.0	0.9	0.9	36.6	-24.0	(39.7%)
Operating income and charges	(2.0)	(2.6)	(0.5)	5.5	0.4	5.7	9.2	(4.1)	180.7	191.6	+191.2	-
Net operating revenue	295.9	304.2	269.3	346.1	1 215.5	309.2	220.2	239.3	413.1	1 181.8	-33.8	(2.8%)
Personnel costs	89.0	91.7	96.6	101.9	379.2	102.2	99.7	92.3	125.2	419.4	+40.1	10.6%
Of which: Costs with early-retirements		0.4	0.3	0.4	1.0	0.0	1.5	(0.0)	36.2	37.7	+36.6	-
Other administrative expenses	51.6	64.6	56.4	56.1	228.6	56.1	60.4	56.7	52.6	225.9	-2.8	(1.2%)
Depreciation of fixed assets	10.7	11.2	11.5	11.9	45.4	12.3	12.6	13.3	14.3	52.4	+7.0	15.5%
Operating costs	151.3	167.5	164.5	169.9	653.2	170.5	172.7	162.3	192.1	697.7	+44.4	6.8%
Operating profit before provisions	144.6	136.7	104.8	176.2	562.3	138.6	47.5	76.9	221.1	484.1	-78.2	(13.9%)
Recovery of loans written-off	5.2	5.4	4.9	5.4	20.9	5.8	9.0	4.1	7.0	25.9	+5.0	24.1%
Loan provisions and impairments	23.6	23.2	31.0	34.4	112.3	42.7	19.5	27.2	54.3	143.7	+31.4	28.0%
Other impairments and provisions	1.2	5.7	4.7	6.7	18.3	6.6	114.1	14.6	11.3	146.6	+128.3	-
Profits before taxes	125.0	113.1	73.9	140.5	452.5	95.1	(77.2)	39.3	162.4	219.7	-232.8	(51.5%)
Corporate income tax	29.4	20.2	19.3	39.7	108.6	20.2	(9.9)	11.1	29.9	51.4	-57.3	(52.7%)
Equity-accounted results of subsidiaries	5.0	7.4	6.0	9.5	28.0	4.9	5.5	1.9	(2.6)	9.7	-18.3	(65.3%)
Minority shareholders' share of profit	3.9	4.1	4.3	4.5	16.8	4.4	4.5	4.8	14.0	27.7	+10.9	65.1%
Net Profit	96.8	96.3	56.3	105.7	355.1	75.3	(66.3)	25.3	115.9	150.3	-204.8	(57.7%)

II.1. Consolidated net profit of 231.9 M.€ (excluding the impact of the sale of the holding in BCP, the sale of 49.9% of BFA and the early-retirements programme)

Consolidated net profit was situated at 150.3 million euro (M.€) in 2008, down 57.7% on 2007.

2008 net profit incorporates the negative impacts of : (i) 84.7 M.€ (94.5 M.€ before tax) of losses realised on the sale of the equity holding in BCP; (ii) 99.7 M.€ (120.6 M.€ before tax) of impairment charges relating to the same investment; (iii) 27.7 M.€ (37.7 M.€ before tax) relating to the programme of early retirements. Incorporates, equally, the positive impact of (iv) 130.6 M.€ (176.6 M.€ before tax) of the sale of 49.9% of BFA's capital. Excluding these impacts, consolidated net profit is 231.9 M.€, which corresponds to a decrease of 34.7% relative to the previous year.

II.2. Results by business areas

Domestic commercial banking operations contributed 185.5 M.€ to consolidated net profit in 2008, while the relevant return on average shareholders' equity for the period was 14.1%.

Investment banking business, characterised by its low consumption of capital, contributed 8.4 M.€ to the Group's earnings, corresponding to a return on average shareholders' equity of 38.5% in the period.

The contribution from financial investments was negative in the amount of 184.1 M.€ as a result of the negative impact associated with the BCP shareholding (realised losses and impairment charges).

International operations contributed with 140.6 M.€, while the return on average shareholders' equity allocated this area was situated at 41.2% in this period.

Capital allocation and results by business areas in 2008

	Domestic operations				International operations Commercial Banking	BPI Group (consolidated)
	Commercial Banking	Investment Banking	Shareholdings and other	Total		
Capital allocated adjusted (M.€)	1 313.5	21.7	32.6	1 367.8	341.2	1 709.0
As % of total	76.9%	1.3%	1.9%	80.0%	20.0%	100.0%
Net Profit without BCP, BFA and early-retirements impacts ¹⁾ (M.€)	82.7	8.4	0.3	91.3	140.6	231.9
ROE, without BCP, BFA and early-retirements impact¹⁾	6.3%	38.5%	1.0%	6.7%	41.2%	13.6%

Note: The average capital considered in the calculation of ROE excludes revaluation reserves. In determining the capital allocated to each domestic business area, excluding revaluation reserves, it is assumed that each one uses the exact same amount of capital as the domestic activity as a whole average capital employed, excluding revaluation reserves. In this manner, the amount of capital allocated to each area is calculated by multiplying the weighted assets by the quotient between shareholders' equity (excluding revaluation reserves) and the domestic activity weighted assets. Whenever the shareholders' equity of a business area is more (or less) than the allocated capital, it is assumed that there has been a redistribution of capital, whereby that area's contribution is adjusted by the costs (revenue) resulting from the increase (decrease) in outside resources by virtue of the capital reallocation. In international operations, the capital considered is that as per the accounting records (excluding also the revaluation reserves).

1) Excluding capital losses and impairments booked relating to the BCP shareholding, capital gains from the sale of 49.9% of BFA's share capital and costs arising from early-retirements.

II.3. On-balance sheet Customer resources grew 21%

On-balance sheet Customer resources grew 21% (+5 Bi.€) relative to December 2007, whereas off-balance sheet resources contracted by 35.8% (-2.9 Bi.€), as a consequence of the drop in the value of +portfolios and some transfer of funds to on-balance-sheet resources. Total Customer resources grew 6.7% relative to December 2007.

Domestic operations, responsible for about 90% of total resources taken by the Group, registered 14% growth in Customer resources on the balance sheet, and a drop of 35.8% in off-balance sheet Customer resources. Total Customer resources in domestic activity expanded 0.8%.

In international operations, resources taken expanded by 96.9%, year-on-year, to 3 9 Bi.€ at 31 December 2008. The respective year-on-year growth rate posted by the portfolio when expressed in dollars was 89%.

II.4. Loan portfolio expanded 6.2%

The consolidated Customer loans portfolio expanded 6.2% relative to December 2007. In domestic operations, which represents 96% of the consolidated portfolio, growth was 5.4% year-on-year. International operations continue to post robust portfolio growth, the value of which in euro terms expanded 29% relative to December 2007. Growth expressed in dollar terms was 23.5%.

II.5. Net operating revenue down 2.8%

Consolidated Net operating revenue decreased 2.8% (-33.8 M.€) in relation to 2007. Excluding the losses realised on the BCP holding and the gain realised on the sale of 49.9% of BFA, the decline is 9.5% (-115.8 M.€).

II.6. Operating costs were 1.2% higher

Consolidated operating costs, excluding costs with early-retirements, rose by 1.2% relative to 2007. The cost increase is also influenced by the expansion of the distribution networks in Portugal and Angola.

The consolidated operating costs, as reported (which include costs with early-retirements of 1 M.€ in 2007 and 37.7 M.€ in 2008), increased by 6.8% relative to 2007.

II.7. Efficiency ratio of 56%

The ratio "Operating costs (excluding early-retirement costs) as a percentage of net operating revenue" was situated at 56% (54% in 2007). When one excludes the impacts of the losses/gains realised on BCP and BFA from net operating revenue, the efficiency ratio stand at 60%.

II.8. Credit risk cost situated at 0.32%

Loan impairment charges booked in 2008 (which take into account the estimated loan loss) amounted to 117.3 M.€ and represented 0.41% of the average performing loan portfolio. On the other hand, 25.9 M.€ in arrear loans and interest previously written off was recovered and represented 0.09% of the loan portfolio.

Hence, loan impairments net of arrear loans recovered corresponded in 2008 to 0.32% of the average performing loan portfolio.

Loan portfolio quality

	2007	2008
Loan impairments in the period ¹⁾	0.31%	0.41%
Loan impairments in the period, after deducting the recovery of loans and interest in arrears written-off ¹⁾	0.23%	0.32%
Change in loans in arrears (+90d) adjusted by write-offs and after deducting the recovery of loans and interest in arrears written-off ¹⁾	0.12%	0.29%
Ratio of loans in arrears (+ 90 days)	1.0%	1.2%

1) As percentage of the average balance of the performing loans portfolio. In annualized terms.

2) Following the introduction in Feb. 08 of new provisioning rules in Angola, BFA carried out a review of impairment allowances and arrived at a surplus vis-à-vis the previous methodology, which was used between March and June 2008. Had this procedure not been adopted, the amount of impairment losses in international operations in 2008 would have been roughly 17.2 M.€ (instead of the 9.8 M.€ actually recorded), which would have resulted in a consolidated impairment indicator as a percentage of the average loan balance of 0.44% (instead of 0.41%) and a consolidated impairment indicator, net of loan recoveries, as a percentage of the average loan balance of 0.35% (instead of 0.32%).

II.9. Liquidity

BPI has a comfortable liquidity position taking into consideration that:

- Strong growth in deposits since the second half of 2007 has funded in full the loan expansion in domestic activity
- In Angola, BFA has a very liquid balance sheet: the ratio Customer loans / resources on the balance sheet is situated at 32%.
- In domestic activity, it has surplus liquidity of 1 500 M.€, while in consolidated terms, it has a net creditor position in the Interbank Money Market of 3 400 million euro.
- The financial resources to which the Bank has access to, of 7.2 B.€ - surplus liquidity of 1.5 Bi.€, eligible assets for refinancing with the ECB of 4 Bi.€ and potential issue guaranteed by the Portuguese State of 1.7 Bi. € - are superior to the value of the MLT debt redemptions due until the end of 2013, which will need to be refinanced.

II.10. Own funds and own funds requirements

In June, BPI concluded as envisaged the increase of its capital from 760 M.€ to 900 M.€. The capital increased was fully subscribed and generated cash proceeds of 350 M.€. This increased permitted a significant reinforcement of the capital ratio by 1.4 percentage points.

According to Bank of Portugal rules, unrealised gains and losses on bonds in the available-for-sale portfolio ceased to be included in Tier II and Tier I capital, respectively (rules which were already adopted in various European Union countries), while the period for the deferral of the impact of the IAS on pensions (SAMS, mortality table and others) which at 30 June 2008 had not yet been recognised in retained earnings, was extended by 3 years. The percentage limit of the proportion of preference shares in the composition of Tier 1 capital was also increased from 20% to 35% (new European rule being prepared). In terms of Notice no. 11/2008 of 23 December, the negative actuarial variances calculated in 2008, net of the expected income from pension fund assets for this year are being deferred in a gradual manner up until 30 Dec. 2012.

At 31 December 2008, the own funds requirements ratio was situated at 11.3%, Tier I at 8.8% and core Tier I at 8%, calculated according to Basel II¹.

Own funds and own funds requirements

According to Bank of Portugal rules

Amounts in M.€

	31 Dec. 07	31 Mar. 08 ¹⁾	30 Jun. 08	30 Sep. 08 ¹⁾	31 Dec. 08
Basis own funds	1 689.7	1 462.6	1 976.4	1 976.5	2 397.9
Core capital	1 388.8	1 170.0	1 678.3	1 679.0	2 102.4
Preference shares	300.9	292.5	298.1	297.5	295.5
Complementary own funds	1 073.0	901.4	991.5	976.2	731.5
Deductions	(192.8)	(147.0)	(130.2)	(130.6)	(166.3)
Of which: Participating interests in credit institutions and insurance companies	(178.8)	(143.4)	(126.1)	(126.3)	(161.8)
Other deductions	(14.0)	(3.6)	(4.1)	(4.2)	(4.5)
Total own funds	2 569.9	2 217.0	2 837.7	2 822.2	2 963.2
Own funds requirements	2 074.0	2 044.2	2 017.9	2 057.0	2 097.2
Risk weighted assets²⁾	25 924.7	25 552.3	25 224.2	25 712.6	26 214.4
Own funds requirements ratio	9.9%	8.7%	11.2%	11.0%	11.3%
Core capital	5.4%	4.6%	6.7%	6.5%	8.0%
Tier I	6.2%	5.4%	7.6%	7.4%	8.8%
Tier II	3.7%	3.2%	3.7%	3.5%	2.5%
Preference shares as a % of Tier I	17.8%	20.0%	15.1%	15.1%	12.3%

Note: in March 08, BPI adopted the standard method for calculating own funds requirements for covering credit risk and the basic indicator method for calculating requirements for covering operational risk.

1) Takes into consideration profit for the quarter, net of dividends, and the impact of actuarial and financial variances of the pension funds outside the corridor that may exist on that date.

2) Own funds requirements x 12.5.

1) BPI adopted the standard method for calculating own funds requirements for covering credit risk and the basic indicator method for calculating requirements for covering operational risk.

III. Domestic operations

III.1. Net profit of 91.3 M.€ (excluding impacts of the shareholding in BCP, the gain on the sale of 49.9% of BFA and early-retirement costs)

Net profit from domestic operations in 2008 amounted to 9.7 M.€. Net profit for 2008 incorporates the negative impact of 184.4 M.€ (after tax) of realised losses and impairment charges relating to the BCP investment, early-retirement costs of 27.7 M.€ (after tax) and the positive impact of the gain of 130.6 M.€ (after tax) realised on the sale of 49.9% of BFA. The combined effect of these impacts on profit was a negative 81.6 M.€. Profit from domestic operations, excluding the aforementioned BCP, early retirements and BFA impacts, was 91.3 M.€, which corresponds to a 67% decrease relative to the 2007 figure.

The return on average shareholders' equity (excluding revaluation reserves) allocated to domestic operations (ROE), without the BCP, early retirements and BFA impacts, was situated at 6.7% in 2008.

Income statement

Amounts in M.€

	2007					2008					Δ 07 / 08	
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	Δ M.€	Δ%
Net interest income (narrow sense)	121.0	120.7	118.2	117.0	476.8	116.7	116.4	116.7	120.6	470.4	-6.5	(1.4%)
Unit linked gross margin	2.3	2.8	2.8	2.8	10.7	2.4	1.8	1.4	0.9	6.5	-4.2	(38.9%)
Income from securities (variable yield)	0.1	10.8	0.4	11.0	22.3	0.2	3.1	0.3	2.1	5.6	-16.7	(75.0%)
Commissions related to deferred cost (net)	4.7	6.0	5.1	5.2	20.9	5.2	5.0	4.7	6.2	21.2	+0.2	1.1%
Net interest income	128.2	140.2	126.4	135.9	530.7	124.5	126.3	123.1	129.8	503.7	-27.1	(5.1%)
Technical results of insurance contracts	3.4	2.5	3.6	3.6	13.1	2.1	3.3	1.3	(18.9)	(12.2)	-25.2	-
Commissions and other similar income (net)	72.6	69.6	69.7	86.7	298.5	66.9	62.6	60.9	65.4	255.8	-42.7	(14.3%)
Gains and losses in financial operations	51.0	50.3	12.9	61.9	176.1	57.9	(38.0)	(10.4)	(29.6)	(20.2)	-196.2	(111.4%)
Of which: Financial result with pensions	8.5	8.5	21.9	21.6	60.6	16.6	18.0	0.9	0.9	36.6	-24.0	(39.7%)
Operating income and charges	(1.9)	(2.4)	(0.2)	5.4	0.9	6.0	9.3	(2.3)	178.5	191.5	+190.5	-
Net operating income	253.3	260.2	212.4	293.5	1 019.3	257.5	163.4	172.7	325.1	918.6	-100.7	(9.9%)
Personnel costs	82.5	86.2	90.3	94.8	353.8	94.7	92.5	84.5	115.4	387.0	+33.2	9.4%
Of which: Costs with early-retirements		0.4	0.3	0.4	1.0	0.0	1.5	(0.0)	36.2	37.7	+36.6	-
Other administrative expenses	46.3	57.4	50.0	49.3	203.0	49.2	53.1	49.0	44.7	196.0	-7.0	(3.5%)
Depreciation of fixed assets	8.7	9.1	9.3	9.3	36.4	9.5	9.8	10.4	10.7	40.5	+4.1	11.2%
Operating costs	137.5	152.7	149.6	153.4	593.2	153.3	155.4	143.9	170.8	623.5	+30.3	5.1%
Operating profit before provisions	115.8	107.5	62.7	140.1	426.1	104.1	7.9	28.8	154.2	295.1	-131.0	(30.7%)
Recovery of loans written-off	5.2	5.4	4.8	5.4	20.8	5.8	9.0	4.1	6.9	25.7	+5.0	24.0%
Loan provisions and impairments	17.9	15.4	24.1	26.5	84.0	38.6	19.5	26.3	49.6	133.9	+49.9	59.5%
Other impairments and provisions	0.4	4.9	4.0	5.6	14.8	5.7	113.3	13.7	6.6	139.4	+124.6	-
Profits before taxes	102.7	92.6	39.4	113.3	348.1	65.6	(115.9)	(7.1)	104.9	47.5	-300.5	(86.3%)
Corporate income tax	22.1	14.1	9.0	32.4	77.6	13.8	(15.4)	4.3	21.8	24.6	-53.0	(68.3%)
Equity-accounted results of subsidiaries	3.5	7.0	4.8	9.2	24.4	3.8	4.5	0.7	(3.8)	5.2	-19.2	(78.8%)
Minority shareholders' share of profit	3.9	4.1	4.3	4.5	16.8	4.4	4.5	4.8	4.6	18.4	+1.6	9.5%
Net Profit	80.2	81.4	30.9	85.5	278.0	51.1	(100.5)	(15.5)	74.7	9.7	-268.3	(96.5%)

III.2. 14% growth in on-balance sheet Customer resources

On-balance sheet Customer resources in domestic activity registered strong growth – rising by 3.1 billion euro (+14%) relative to December 2007 to 25.2 Bi.€¹, which in turn reflects primarily the 22.4% growth (+3.6 Bi.€) in deposits.

Off-balance sheet resources¹ (unit trust funds, PPR and PPA and pension funds), registered a decline of 35.8% (-2.9 MM.€) relative to December 2007, which reflects the drop in the value of portfolio of assets under management and redemptions which resulted in some fund transfers to balance sheet placements, namely, time deposits.

In domestic operations, total Customer resources expanded by a year-on-year 0.8%.

Customers resources	Amounts in M.€		
	31 Dec. 07	31 Dec. 08	Δ%
On-balance sheet resources			
Customers' Deposits	16 118.0	19 726.1	22.4%
Capitalisation insurance and PPR (BPI Vida)	4 199.3	3 060.4	-27.1%
Bonds placed in Customers	1 459.4	2 101.9	44.0%
Subordinated bonds placed in Customers	286.1	279.1	-2.4%
Preference shares placed in Customers	54.1	49.4	-8.5%
On-balance sheet resources¹	22 116.8	25 216.9	14.0%
Off-balance sheet resources¹			
Unit trust funds	2 547.4	1 099.0	-56.9%
PPR and PPA	1 615.9	1 036.5	-35.9%
Hedge Funds	273.7	92.3	-66.3%
Pension funds ²	3 524.8	2 881.0	-18.3%
Off-balance sheet resources¹	7 961.8	5 108.8	-35.8%
Total Customer resources¹	30 078.6	30 325.6	0.8%

1) Total resources corrected for double recording (unit trust funds' placements in deposits and bonds and pension funds' placements in deposits, bonds and unit trust funds).

2) Pension funds managed by BPI Pensões.

III.3. 5.4% expansion in Customer loans

In domestic operations, the loan portfolio expanded by 5.4%, to reach at the end of December 2008 29.0 Bi.€

Loans to companies and institutional clients recorded year-on-year growth of 3.9% (+0.5 Bi.€), while loans to small businesses posted year-on-year growth of 0.2%.

For its part, the home loans portfolio grew 7.4% (+0.8 Bi.€).

1) Corrected for double recording (unit trust funds' placements in deposits and bonds and pension funds' placements in deposits, bonds and unit trust funds).

Loans to Customers

Million euro (M.€)

	31 Dec. 07	31 Dec. 08	Δ%
Loans to Individuals	11 907.6	12 806.5	7.5%
Mortgage loans ¹⁾	10 753.9	11 545.0	7.4%
Other loans to individuals	1 153.7	1 261.5	9.3%
Loans to small businesses	2 552.3	2 556.6	0.2%
Loans to Corporates and institutionals	12 408.9	12 888.8	3.9%
Other	664.8	774.9	16.6%
Total loan portfolio (net)^{1,2}	27 533.6	29 026.8	5.4%

1) For comparison purposes, securitised mortgage loans which were derecognised from assets, were added back (1264 M.€ in Dec.07 and 986 M.€ in Dec.08).

2) Includes interest and other amounts receivable / payable.

III.4. Expansion of the Individuals and Small Businesses distribution network

BPI completed in December its branch-network expansion programme in Portugal.

In 2008, 38 branches, 11 investment centres, 1 housing shop and 2 corporate centres were opened in Portugal, which corresponded to a 6.9% increase in the national distribution network.

Over the past 4 years, BPI has expanded the branch and investment centre network in Portugal by 40%. In this period, 192 branches and 19 investment centres were opened.

At the end 2008 BPI had a distribution network comprising 700 branches, 34 investment centres, 20 housing shops and 54 corporate, institutional and Project Finance centres.

The expansion of the branch network in Portugal essentially explains the increase seen in the workforce. In 2008, the staff headcount increased by 83 new Employees¹, to 7 900 at the end of December 2008, that is, a 1.1% increase relative to December 2007. The average headcount in 2008 was 7 900 Employees, which corresponds to a 6.2% increase relative to the same period of 2007.

III.5. Available-for-sale shares

At 31 December 2008, the market value of the portfolio of available-for-sale shares stood at 58 M.€, corresponding to 4.5% of domestic activity's shareholders equity (excluding minority interests).

III.6. Net operating income down 9.9%

Net operating income from domestic operations amounted to 918.6 M.€, 100.7 M.€ lower than in 2007 (-9.9%).

1) Includes temporary work.

Excluding the loss realised on BCP (94.5 M.€ before tax¹) and the gain realised on BFA (176.6 M.€ before tax), net operating income amounted to 836.5 M.€ which corresponds to a decrease of 18% (-182.8 M.€) relative to 2007. About 15% of this decrease is explained by the decline in net interest income, 23% by lower commission income and the remaining 62% by the drop in profits from financial operations and other operating income.

III.6.1. Narrow net interest income falls 1.4%

Narrow net interest income from domestic operations was 1.4% lower (-6.5 M.€) relative to 2007.

The positive impact on net interest income from the expansion in lending and deposits was not sufficient to compensate for the negative impact on net interest income resulting from the contraction in spreads.

The international financial crisis was reflected in banks' higher funding costs. The medium and long-term funding market registered a steep drop in liquidity and a significant rise in spreads, compounding the competitive pressure on the attraction of deposits, in particular time deposits. BPI maintained its competitive range of time deposit products, giving priority to the relationship with Customers in the procurement of resources. This policy is mirrored in the strong growth in deposits (+3.6 Bi.€), while 1.3 Bi.€ were raised by way of medium and long-term issues all realised in July (a 1.0 Bi.€ mortgage-bond issue, a 150 M.€ public-sector bond issue and two senior debt issues of 150 M.€).

For their part, the spreads on Customer loans, in the process of adjustment, do not fully reflect the higher funding costs borne by banks.

Total net interest income from domestic operations fell by 5.1% (-27.1 M.€) relative to 2007. Net interest income in 2007 includes 16.1 M.€ of dividends received on BCP shares, whereas in 2008, up until the full disposal of the shares in November, BCP had not paid any dividends.

III.6.2. Commissions decreased 14.3%

Commissions (net) from domestic activity amounted to 255.8 M.€, which corresponds to a 14.3% decline (-42.7 M.€) relative to 2007 and which is chiefly explained by the lower commissions from unit trust and pension funds (-30%; -21.8 M.€) and from investment banking (-30%; -13.1 M.€).

Commissions from commercial banking, excluding commissions from unit trust and pension funds, amounted to 174.2 M.€, which corresponds to a decrease of 4.3% (-7.8 M.€) relative to 2007. Commissions from cards rose 6.5% (+3.4 M.€), commissions relating to insurance broking increased 3.3% (+1.0 M.€) and commissions relating to loans and guarantees fell by 12% (-6.9 M.€).

1) Additionally, in 2008, were made 120.6 M.€ impairment charges (before tax) related to the BCP shareholding.

Net commissions

Amounts in M.€

	2007	2008	Δ M.€	Δ%
Commercial Banking	254.1	224.5	-29.6	(11.6%)
Investment Banking	44.4	31.3	-13.1	(29.5%)
Total	298.5	255.8	-42.7	(14.3%)

III.6.3. Losses from financial operations of 20.2 M.€

Profits from financial operations in domestic activity were negative to the tune of 20.2 M.€ in 2008, whereas in 2007 they had been positive (176.1 M.€)

In 2008, losses of 50.4 M.€ on equities (gain of 62.0 M.€ in 2007) were recorded resulting mainly from the losses realised on BCP of 94.5 M.€ and gains of 21.7 M.€ and 10.1 M.€ on Galp and Tvtel, respectively. On the other hand, gains from equities trading amounted to 10 M€

Bonds posted losses of 1.5 M.€ (gain of 18.2 M.€ in 2007).

Net financial income from pensions was 36.6 M.€¹ in 2008 (60.6 M.€ in 2007). In the first half of 2008, net financial income from pensions was 34.7 M.€, which mainly reflected the positive differential between the expected income from the funds (7.0%) and the discount rate (5.0%) in this period, whilst in the 2nd half of 2008, following the adoption of an assumption of 5.5% for both the expected income rate of the fund and for the discount rate, the financial income from pensions amounted to 1.9 M.€

III.6.4. Other operating income

Other operating income of 191.5 M.€ in 2008 (0.9 M.€ in 2007) primarily reflects the recording of the gain on the sale of a 49.9% stake in BFA of 176.6 M.€ (before tax).

III.7. Operating costs decreased 1.1%

Operating costs in domestic activity, excluding early-retirement costs, decreased by 1.1% (-6.4 M.€) relative to 2007.

In response to a significantly more demanding environment for banking activity, BPI stepped up its cost containment measures throughout 2008.

Personnel costs, excluding early-retirement costs, decreased 1% (-3.4 M.€), as a consequence of the 53% reduction in the variable component of remuneration, despite the 6.7%² increase in the average headcount in domestic activity and the 2.6% salary increase in the ACTV salary scales for 2008.

1) The financial net income from pensions corresponds to the differential between pension funds' expected income and the interest cost of the liabilities at the discount rate.

2) If temporary workers are taken into account, which cost is recorded in the caption "Outside supplies and services", the increase in the average staff was 6.2%.

Outside supplies and services were 3.5% lower (-7.0 M.€) in relation to 2007. Depreciation and amortisation were 11.2% higher (+4.1 M.€) year-on-year.

Operating costs as reported (which includes early retirement costs of 37.7 M.€ in 2008) rose by 5.1%, that is, +30.3 M.€, relative to 2007.

A programme involving 200 early retirements was approved in December to be executed by the end of March 2009. The cost of this programme was fully reflected in 2008 results, although the impact on the staff complement and corresponding reduction in personnel costs will only filter through in 2009. It is estimated that this programme will permit an annual saving in personnel costs of around 10 M.€.

Operating costs

	Amounts in M.€			
	2007	2008	Δ M.€	Δ%
Personnel Costs	353.8	387.0	+33.2	9.4%
Of which: Early-retirements costs	1.0	37.7	+36.6	-
Other administrative expenses ¹	203.0	196.0	- 7.0	(3.5%)
Amortisation and depreciation	36.4	40.5	+4.1	11.2%
Total operating costs	593.2	623.5	+30.3	5.1%
Operating costs as a % of net operating income ²	58.1%	70.0%		

1) In 2007, includes 9.9 M.€ of costs associated with BCP's takeover bid for BPI.

2) Operating costs, excluding early-retirement costs, as percentage of Net operating income. For the calculus of the efficiency ratio in 2008, Net operating income did not consider the capital loss related with the BCP shareholding, nor the capital gain attained from the sale of a 49.9% stake in BFA.

The indicator "Operating costs (excluding early-retirement costs) as a percentage of Net operating income (excluding the BCP and BFA impacts)" was situated at 70% in 2008.

III.8. Equity-accounted results of subsidiaries

In domestic operations, the net profit of the subsidiaries recognised using the equity method was 5.2 M.€ in 2008. The contribution from the companies in the insurance business was 1.2 M.€ (3.2 M.€ from Allianz Portugal and -2.0 M.€ from Cosec).

Equity-accounted earnings

	Amounts in M.€		
	2007	2008	Δ%
Insurance companies	14.0	1.2	- 91.5%
Allianz Portugal	13.2	3.2	- 75.5%
Cosec	0.9	(2.0)	-
Viacer	4.0	2.6	- 36.0%
Finangeste	6.3	1.4	- 78.1%
Other	0.04	0.05	-
Total	24.4	5.2	- 78.8%

III.9. Credit risk cost situated at 0.30%

Loan impairments, which take into consideration the expected loss, increased from 52.8 M.€ in 2007 to 107.6 M.€ in 2008. The indicator for loan impairments as a percentage of the loan portfolio climbed from 0.21% in 2007 to 0.40% in 2008.

Recoveries of arrear loans and interest previously written off totalled 25.7 M.€ in 2008 (20.8 M.€ in 2007).

The cost of credit risk (impairment losses occurring in the period after deducting recoveries of arrear loans written off) amounted to 81.8 M.€ in 2008, which represents 0.30% of the average loan portfolio (32 M.€ in 2007, representing 0.12% of the average loan portfolio).

Loan portfolio quality

	31 Dec. 07	31 Dec. 08
Loan impairments in the period ¹⁾	0.21%	0.40%
Loan impairments in the period, after deducting the recovery of loans and interest in arrears written-off ¹⁾	0.12%	0.30%
Change in loans in arrears (+90d) adjusted by write-offs and after deducting the recovery of loans and interest in arrears written-off ¹⁾	0.11%	0.31%
Ratio of loans in arrears (+ 90 days)	1.0%	1.2%

1) As percentage of the average balance of the performing loans portfolio.

At 31 December 2008, the ratio of customer loans in arrears for more than 90 days was situated at 1.2%.

Loans in arrears for more than 90 days (adjusted for write-offs) increased by 108.9 M.€ relative to December 2007. After deducting recoveries of overdue loans written off, the variation in loans in arrears for more than 90 days in 2008 was 83.1 M.€, which represented 0.31% of the average loan portfolio.

III.10. Pension liabilities covered 99%

At 31 December 2008 the employee pension funds¹ covered 98.7% of the amount of pension liabilities to Employees.

At 31 December 2008, the 10% corridor envisaged by the Bank of Portugal (of 229.9 M.€) was fully utilised to accommodate the negative variances in the fund's income, while outside the corridor there was a negative variance of 271.4 M.€

1) Including contributions due at January 2009.

At the end of 2008, BPI changed the assumptions for salary growth from 4% to 3.5% and from pension growth from 2.5% to 2.25%. On the other hand, it began to consider for the population covered a higher life expectancy by virtue of, maintaining the mortality tables (TV 73/77-H and TV 88/90-M), considering an age one year less than beneficiaries' actual ages.

The Bank maintained the discount rate and the assumption of the fund's expected income the same at 5.5%¹.

It should be noted that the fund's actual income rate since its creation in 1992 is 9.7% per annum and that in the last 3, 5 and 10 years the annual average income rates were 3.7%, 5.9% and 6.8%.

It is also worth noting the significant change in the composition of the pension funds' assets. The relative weight of the equities component decreased from 61% on 30 June 2007 to around 18% at the end of December 2008, while the relative importance of the cash and bonds component rose from 25% on 30 June 2007 to 65% at the end of December 2008.

Financing of pension liabilities

Amounts in M.€

	31 Dec. 07	31 Dec. 08
Pension obligations	2 445.4	2 298.2
Pension funds	2 798.5	2 269.4 ⁽¹⁾
Financing surplus	353.1	(28.8)
Cover of pension obligations	114.4%	98.7%
Maximum corridor	279.9	229.9
Negative deviations recorded in the corridor	-	229.4
Positive deviations recorded in the corridor	40.8	
Available margin	320.7	0.4
Amount outside the corridor	(1.5)	(271.4)
Pension fund return	17.8%	-20.5%

1) Includes contributions due at Jan09.

¹ At the beginning of 2008, with impact in the 1st half of 2008, the Bank changed the financial assumption relating to the pension funds' expected income, reducing it from 7.5% to 7.0%.

In June 2008, with impact in the 2nd half of 2008, the Bank reduced to 5.5% the assumption for the pension fund's income, i.e. the same level as the discount rate for pension liabilities, in force as from 30 June 2008 (inclusive). On that date, taking into account the yields on low-risk corporate bonds, BPI increased the discount rate by 0.50 basis points from 5.0% at 31 December 2007 to 5.5% at 30 June 2008. In accordance with the IAS, "the rate used for discounting post-employment benefit obligations must be determined with reference to market returns at balance sheet date on high-quality corporate bonds.

IV. International operations

IV.1. Net profit of 140.6 M.€

In international operations, net profit expressed in euro terms in 2008 was 140.6 Million euro (M.€), which corresponds to an improvement of 82% (+63.5 M.€) relative to 2007.

Banco de Fomento Angola's contribution to the BPI Group's consolidated net income in 2008 was 136.4 M.€, up 85% on the 2007 figure. December 2008 saw the conclusion of the sale of a 49.9% stake in BFA, while minority interests of 9.3 M.€ were recognised.

The contribution to profit from the 30% holding in BCI (Mozambique), which is equity accounted, was 4.2 M.€ in 2008, 26% more than in 2007.

Income statement

Amounts in M.€

	2007					2008					Δ 07 / 08	
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	Δ M.€	Δ%
Net interest income (narrow sense)	27.2	32.5	37.5	33.9	131.2	34.9	36.9	43.1	57.7	172.5	+41.4	31.5%
Unit linked gross margin												
Income from securities (variable yield)												
Commissions related to deferred cost (net)												
Net interest income	27.2	32.5	37.5	33.9	131.2	34.9	36.9	43.1	57.7	172.5	+41.4	31.5%
Technical results of insurance contracts												
Commissions and other similar income (net)	10.3	10.3	11.7	11.7	44.1	9.9	11.1	12.9	15.8	49.7	+5.6	12.7%
Gains and losses in financial operations	5.1	1.4	7.9	7.0	21.5	7.3	8.9	12.3	12.4	40.8	+19.4	90.2%
Operating income and charges	(0.1)	(0.2)	(0.2)	0.1	(0.5)	(0.3)	(0.1)	(1.7)	2.2	0.1	+0.6	120.0%
Net operating revenue	42.6	44.1	56.9	52.7	196.2	51.7	56.8	66.6	88.1	263.2	+67.0	34.1%
Personnel costs	6.5	5.5	6.3	7.1	25.4	7.5	7.1	7.9	9.8	32.3	+6.9	27.3%
Other administrative expenses	5.2	7.2	6.4	6.8	25.6	6.9	7.4	7.7	7.9	29.9	+4.2	16.6%
Depreciation of fixed assets	2.0	2.2	2.2	2.6	9.0	2.8	2.8	2.9	3.5	12.0	+3.0	33.0%
Operating costs	13.7	14.8	14.9	16.6	60.0	17.2	17.3	18.5	21.2	74.2	+14.1	23.6%
Operating profit before provisions	28.8	29.2	42.0	36.1	136.2	34.5	39.5	48.1	66.8	189.0	+52.8	38.8%
Recovery of loans written-off			0.1		0.1		0.0		0.1	0.1	+0.0	48.3%
Loan provisions and impairments	5.7	7.9	6.9	7.9	28.3	4.1		0.9	4.7	9.8	-18.5	(65.5%)
Other impairments and provisions	0.8	0.8	0.8	1.1	3.5	0.8	0.8	0.9	4.7	7.2	+3.7	107.0%
Profits before taxes	22.3	20.6	34.5	27.1	104.5	29.5	38.7	46.4	57.5	172.1	+67.7	64.8%
Corporate income tax	7.3	6.2	10.3	7.3	31.0	6.4	5.5	6.8	8.1	26.8	-4.2	(13.6%)
Equity-accounted results of subsidiaries	1.5	0.5	1.3	0.3	3.6	1.1	1.0	1.3	1.2	4.5	+0.9	25.8%
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.0)	9.3	9.3	+9.3	-
Net Profit	16.6	14.9	25.4	20.2	77.1	24.2	34.3	40.8	41.3	140.6	+63.5	82.3%

IV.2. 97% growth in Customer resources

In international operations, total Customer resources registered growth of 97%, from 1 958 M.€ in December 2007 to 3 856 M.€ in December 2008. Customer resources posted year-on-year growth expressed in dollars¹ of 89%.

Sight deposits grew by a year-on-year 67% to 1 972 M.€ in December 2008.

The more attractive conditions offered to Customers via securities sold with repurchase agreement, has caused the diversion of funds previously held in deposits to these investments. The aggregate of time deposits and security sales with repurchase agreements grew by 143% year-on-year to 1 884 M.€ at the end of December 2008.

Customer resources	Amounts in M.€		
	31 Dec. 07	31 Dec. 08	Δ%
Sight deposits	1,183.6	1,972.3	66.6%
Term deposits	196.3	147.9	-24.6%
Securities sold with repurchase agreements	578.5	1,735.7	200.0%
Total	1,958.3	3,856.0	96.9%

IV.3. 28% growth in Customer loans

In international operations, the loan portfolio grew by a year-on-year 28%, from 961 M.€ in December 2007 to 1 235 M.€ in December 2008. Customer loans growth expressed in dollars¹ was 24%, year on year.

IV.4. Securities portfolio

At 31 December 2008, BFA's securities portfolio totalled 2 002 M.€, or roughly 46% of assets. The portfolio's profile is essentially short term. The portfolio of dealing securities comprising Central Bank Securities and Treasury Bills amounted to 1 474 M.€. In December 2008, the dealing securities portfolio's average residual maturity term was 3.3 months.

IV.5. 37% increase in the number of Customers

The number of Customers rose by 37%, from 405 thousand in December 2007 to 553 thousand in December 2008.

¹ The local currency is the Kwanza; however, the Angolan economy's high utilisation of the dollar explains why the major share of business with Banco de Fomento Angola's Customers, namely credit and deposits, is expressed in American dollars.

IV.6. Expansion of the distribution network

Physical distribution network

The distribution network in Angola increased 18% in 2008. During this period, 14 new branches, 1 investment centre and 2 corporate centres were opened. At the end of December 2008 the distribution network comprised 99 Branches, 5 Investment centres and 9 Corporate centres.

The new branches are part of Banco de Fomento Angola's ambitious expansion programme, which involves the opening of branches, an expressive increase in the headcount and staff skills, the launching of innovative products and services onto the market, and a segmented approach to customers aimed at harnessing the huge potential for growth in the Angolan market.

Cards

BFA holds a prominent position in the debit and credit cards with a 37% market share in November 2008 in terms of valid debit cards. At the end of 2008, BFA had some 557 thousand valid debit cards (Multicaixa cards) and 7 051 active credit cards (Gold and Classic cards).

BFA has since May 2007 a POS VISA acquiring system which has enabled BFA to commercialise POS VISA on the Angolan market, making possible the acceptance of Visa international cards and stimulating the issue of credit cards in national currency.

Automatic and virtual channels

In the automatic and virtual channels arena we emphasize the growing use of electronic banking (more than 50.1 thousand subscribers of BFA NET in December 2008, of who 46.8 thousand are individuals).

As regards terminals, (ATM and POS), BFA occupied first place in November 2008 both in ATM and POS with market shares of 26% in ATM (with 151 ATM), and 39% in active POS in the EMIS network (672 active terminals).

IV.7. 4.6% increase in the number of Employees

BFA's workforce at the end of December 2008 stood at 1 598, which represents an increase in staff of 70 relative to the staff complement in December 2007. At the December 2008 BFA's workforce represented approximately 17% of the Group's total employees.

IV.8. Net operating revenue up 34%

In international operations, net operating revenue was up by 34%, from 196.2 M.€ in 2007 to 263.2 M.€ in 2008.

As regards its principal components and relative to 2007, net interest income rose by 32% (+41.4 M.€), commissions increased by 14% (+6.2 M.€), while profits from financial operations were up 90 (+19.4 M.€).

IV.8.1. Net interest income 32% higher

In international operations, net interest income was 32% higher, from 131.2 M.€ in 2007, to 172.5 M.€ in 2008, which reflects the strong expansion in the volume of loans advanced and in the resources taken, as well as the increase in the portfolio of dealing and investment securities

IV.8.2. Commissions up 14%

Commissions (net) in international operations were up 14% (+6.2 M.€) relative to 2007 to 49.8 M.€

IV.8.3. Profits from financial operations

In international operations, profits from financial operations climbed from 21.5 M.€ in 2007 to 40.8 M.€ in 2008.

IV.9. Operating costs rise 24%

The strong growth in activity and the ambitious capital expenditure programme directed at expanding BFA's presence in Angola were responsible for an increase in operating costs of 24% (+14.1 M.€) relative to 2007. Personnel costs increased by 27% (+6.9 M.€), outside supplies and services were up by 17% (+4.2 M.€), depreciation and amortisation were 33% higher (+3.0 M.€), all relative to 2007.

The indicator "operating costs as a percentage of net operating revenue" stood at 28.2% in 2008.

IV.10. Quality of the loan portfolio

In the international loan portfolio, loan provision charges totalled 9.8 M.€ in 2008, which corresponded to 0.87% of the loan portfolio's average balance.

Following the introduction in February 2008 of new rules for the constitution of accounting provisions in Angola, BFA carried out a review of impairment allowances, having established a surplus vis-à-vis the previous methodology, which was used between March and July 2008. Had this procedure not been adopted, the amount of impairments in 2008 would have been around 17.2 M.€ instead of the 9.8 M.€ actually recorded, which corresponds to 1.52% of the average balance on the loan portfolio.

Loan portfolio quality

	31 Dec. 07	31 Dec. 08
Loan provisions in the period ¹⁾	3.51%	0.87%
Loan provisions in the period, after deducting the recovery of loans and interest in arrears written-off ¹⁾	3.50%	0.85%
Change in loans in arrears (+90d) adjusted by write-offs and after deducting the recovery of loans and interest in arrears written-off ¹⁾	0.36%	-0.06%
Ratio of loans in arrears (+ 90 days)	1.0%	0.7%
Total loan provisions as % of loans in arrears (+ 90 days)	602%	629%

1) As percentage of the average balance of the performing loans portfolio.

At 31 December 2008, the ratio of Customer loans in arrears for more than 90 days stood at 0.7% (was 1.0% at the end of December 2007).

At the end of December 2008, loans in arrears for more than 90 days were 629% covered by total loan provisions.

IV.11. Equity-accounted results of subsidiaries

In international operations, the equity-accounted earnings of subsidiaries in 2008 totalled 4.5 M.€ (+25.8% relative to the 3.6 M.€ in 2007)¹, and refer to the appropriation of 30% of the net profit earned by BCI, a commercial bank operating in Mozambique and in which BPI owns a minority interest.

BCI recorded growth of 23.1% in net total assets relative to December 2007. Customer deposits increased by a year-on-year 15.3% to 523.6 M.€ at the end of 2008, while the Customer loan portfolio expanded 49.5% to 370.8 M.€.

In October 2008, BCI had market shares in loans of 30% (29% in December 2007) and in deposits of 23% (23% in December 2007).

At the end of December 2008, BCI had 843 Employees, corresponding to an annual increase of 17.9% and a distribution network with 49 branches (41 branches a year earlier).

IV.12. Corporate income tax

In international operations, corporate income tax in 2008, totalled 26.8 M.€ (31.0 M.€ in 2007), which corresponded to an average tax rate of 16% (30% average tax rate in 2007). The decrease in the average tax rate is explained by the higher relative weight of Treasury Bills portfolio, with the resumption of TB issues, and bearing in mind that the income from TB's is exempt from taxation.

1) BCI Fomento's total contribution to consolidated net profit was 3.3 M.€ in 2007 and 4.2 M.€ in 2008, given that, besides the equity-accounted results, deferred tax relating to the distributable earnings of BCI Fomento is recorded in the caption "Corporate income tax" (0.3 M.€ in 2007 and 0.4 M.€ in 2008).

IV.13. Sale of 49.9% stake in BFA to Unitel

December 2008 saw the completion of the sale of 49,9% of BFA's capital to Unitel. The Sales proceeds were 475 M.US\$ (370 M.€)¹. The gain realised by the BPI Group was 176.6 M.€, before tax and 130.6 M.€ after tax. The impacts of the sale on the BPI Group's results and regulatory capital were fully recognised in 2008.

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1) Payment of 200 M.US\$ took place on the date the deal was concluded, while the payment of the remaining 275 M.US\$ will be phased over 8 years.

V. Annexes

Consolidated income statement

Amounts in M.€

	2007					2008					Δ 07 / 08	
	1Q	2Q	3Q	4Q	Total	1Q	2Q	3Q	4Q	Total	Δ M.€	Δ%
Net interest income (narrow sense)	148.3	153.2	155.7	150.9	608.0	151.6	153.2	159.8	178.2	642.9	+34.9	5.7%
Unit linked gross margin	2.3	2.8	2.8	2.8	10.7	2.4	1.8	1.4	0.9	6.5	-4.2	(38.9%)
Income from securities (variable yield)	0.1	10.8	0.4	11.0	22.3	0.2	3.1	0.3	2.1	5.6	-16.7	(75.0%)
Commissions related to deferred cost (net)	4.7	6.0	5.1	5.2	20.9	5.2	5.0	4.7	6.2	21.2	+0.2	1.1%
Net interest income	155.4	172.7	163.9	169.8	661.9	159.4	163.2	166.2	187.4	676.2	+14.3	2.2%
Technical results of insurance contracts	3.4	2.5	3.6	3.6	13.1	2.1	3.3	1.3	(18.9)	(12.2)	-25.2	-
Commissions and other similar income (net)	83.0	79.9	81.4	98.3	342.6	76.8	73.7	73.8	81.2	305.5	-37.1	(10.8%)
Gains and losses in financial operations	56.1	51.7	20.8	68.9	197.5	65.2	(29.2)	1.9	(17.3)	20.7	-176.9	(89.5%)
Of which: Financial result with pensions	8.5	8.5	21.9	21.6	60.6	16.6	18.0	0.9	0.9	36.6	-24.0	(39.7%)
Operating income and charges	(2.0)	(2.6)	(0.5)	5.5	0.4	5.7	9.2	(4.1)	180.7	191.6	+191.2	-
Net operating revenue	295.9	304.2	269.3	346.1	1 215.5	309.2	220.2	239.3	413.1	1 181.8	-33.8	(2.8%)
Personnel costs	89.0	91.7	96.6	101.9	379.2	102.2	99.7	92.3	125.2	419.4	+40.1	10.6%
Of which: Early-retirements costs		0.4	0.3	0.4	1.0	0.0	1.5	(0.0)	36.2	37.7	+36.6	-
Other administrative expenses	51.6	64.6	56.4	56.1	228.6	56.1	60.4	56.7	52.6	225.9	-2.8	(1.2%)
Depreciation of fixed assets	10.7	11.2	11.5	11.9	45.4	12.3	12.6	13.3	14.3	52.4	+7.0	15.5%
Operating costs	151.3	167.5	164.5	169.9	653.2	170.5	172.7	162.3	192.1	697.7	+44.4	6.8%
Operating profit before provisions	144.6	136.7	104.8	176.2	562.3	138.6	47.5	76.9	221.1	484.1	-78.2	(13.9%)
Recovery of loans written-off	5.2	5.4	4.9	5.4	20.9	5.8	9.0	4.1	7.0	25.9	+5.0	24.1%
Loan provisions and impairments	23.6	23.2	31.0	34.4	112.3	42.7	19.5	27.2	54.3	143.7	+31.4	28.0%
Other impairments and provisions	1.2	5.7	4.7	6.7	18.3	6.6	114.1	14.6	11.3	146.6	+128.3	-
Profits before taxes	125.0	113.1	73.9	140.5	452.5	95.1	(77.2)	39.3	162.4	219.7	-232.8	(51.5%)
Corporate income tax	29.4	20.2	19.3	39.7	108.6	20.2	(9.9)	11.1	29.9	51.4	-57.3	(52.7%)
Equity-accounted results of subsidiaries	5.0	7.4	6.0	9.5	28.0	4.9	5.5	1.9	(2.6)	9.7	-18.3	(65.3%)
Minority shareholders' share of profit	3.9	4.1	4.3	4.5	16.8	4.4	4.5	4.8	14.0	27.7	+10.9	65.1%
Net Profit	96.8	96.3	56.3	105.7	355.1	75.3	(66.3)	25.3	115.9	150.3	-204.8	(57.7%)

Consolidated balance sheet

Amounts in M.€

	31 Dec. 07	31 Dec. 08	Δ%
Assets			
Cash and deposits at central banks	1 126.4	1 088.3	-3.4%
Amounts owed by credit institutions	281.5	227.1	-19.3%
Loans and advances to credit institutions	1 540.9	3 504.2	127.4%
Loans and advances to Customers	27 230.5	29 275.2	7.5%
Financial assets held for dealing	4 591.4	2 853.6	-37.8%
Financial assets available for sale	3 925.4	3 262.6	-16.9%
Financial assets held to maturity	-	407.7	-
Hedging derivatives	412.2	484.4	17.5%
Investments in associated companies and jointly controlled entities	151.0	137.9	-8.7%
Other tangible assets	316.9	331.7	4.6%
Intangible assets	15.5	15.4	-0.6%
Tax assets	141.4	273.5	93.4%
Other assets	812.9	1 163.7	43.1%
Total assets	40 545.9	43 025.1	6.1%
Liabilities and shareholders' equity			
Credit institutions' resources	3 731.9	2 007.4	-46.2%
Resources from the European Central Bank	-	-	-
Clients' resources and other loans	20 621.9	25 633.6	24.3%
Debts evidenced by certificates	5 341.9	6 417.8	20.1%
Technical provisions	2 774.6	2 246.4	-19.0%
Financial liabilities associated to transferred assets	3 008.2	2 070.8	-31.2%
Hedging derivatives	544.6	596.5	9.5%
Provisions	72.9	77.6	6.5%
Tax liabilities	125.3	89.0	-29.0%
Instruments representing capital	27.3	28.7	5.2%
Other subordinated loans	930.8	767.6	-17.5%
Other liabilities	1 461.2	1 128.1	-22.8%
Share capital	760.0	900.0	18.4%
Share premium account and reserves	539.4	458.2	-15.1%
Other equity instruments	10.8	12.3	13.7%
Treasury stock	(30.2)	(22.7)	24.9%
Net profit	355.1	150.3	-57.7%
Minority interests	270.3	463.4	71.4%
Shareholders' equity	1 905.5	1 961.5	2.9%
Total liabilities and shareholders' equity	40 545.9	43 025.1	6.1%

Profitability, efficiency, loan quality and solvency
Consolidated indicators according to the Bank of Portugal Notice 16/2004

	31 Dec. 07	31 Dec. 08	31 Dec.08, excluding BCP, BFA and Early-retirements impact ³⁾
Net operating revenue and results of equity accounted subsidiaries / ATA	3.2%	2.9%	2.7%
Profit before taxation and minority interests / ATA	1.2%	0.6%	0.8%
Profit before taxation and minority interests / average shareholders' equity (including minority interests)	25.8%	12.9%	16.5%
Personnel costs / net operating revenue and results of equity accounted subsidiaries ¹⁾	30.5%	32.0%	34.4%
Operating costs / net operating revenue and results of equity accounted subsidiaries ¹⁾	52.5%	55.4%	59.5%
Loans in arrears for more than 90 days + doubtful loans / loan portfolio (gross)	1.0%	1.2%	
Loans in arrears for more than 90 days + doubtful loans, net of specific loan provisions / loan portfolio (net)	0.2%	0.3%	
Total capital ratio (according to Bank of Portugal rules)	9.9%	11.3%	
Tier I (according to Bank of Portugal rules) ²⁾	6.2%	8.8%	

1) Excluding early-retirement costs.

2) After allocating to Tier I capital 50% of the deductions from own funds of equity interests in credit institutions and insurance undertakings, in accordance with the Bank of Portugal's instructions currently in force.

3) Excluding realised losses and impairment charges booked relating to the BCP shareholding, capital gains on the sale of the 49.9% stake in BFA and early-retirement costs.

ATA = Average total assets.