2009

Banco BPI 2008 Annual Report 2008

Banco BPI, S.A.

Annual Report

Banco BPI 2008

This page was intentionally left blank.

Report

This page was intentionally left blank.

Index

Leading business indicators

(Consolidated figures in millions of euros, except where indicated otherwise)

	2004	2005	2006	2007	2008	07/08 Δ%	2008 adjusted[1]	07/08 Δ%
Net total assets	24 010	30 159	35 565	40 546	43 003	6.1%		
Assets under management[2, F]	9 671	14 339	15 184	15 884	12 665	(20.3%)		
Business volume[3, F]	43 452	49 328	56 407	64 520	68 245	5.8%		
Loans to Customers (gross) and guarantees[4]	21 959	24 409	28 263	32 483	34 069	4.9%		
Total Customer resources[F]	21 493	24 919	28 144	32 037	34 176	6.7%		
Business volume[3] per Employee[5] (thousands of euro)	6 170	6 583	6 806	6 904	7 185	4.1%		
Net operating revenue[1, F]	794.5	898.8	1 018.1	1 215.5	1 181.8	(2.8%)	1 099.7	(9.5%)
Net operating revenue per Employee[5] (thousands of euro)[1]	110	122	129	138	125	(9.4%)	116	(15.7%)
Operating costs[F] / Net operating revenue[1, 6]	62.6%	57.7%	56.6%	53.7%	55.8%	-	60.0%	-
Net profit[1, F]	192.7	250.8	308.8	355.1	150.3	(57.7%)	231.9	(34.7%)
Cash flow[G] after taxation[1, F]	300.2	390.6	410.3	531.1	493.0	(7.2%)	454.0	(14.5%)
Return on average total assets (ROA)[1, F]	0.8%	0.9%	1.0%	0.9%	0.4%	-	0.6%	-
Return on Shareholders' equity (ROE)[1, 7, F]	15.2%	23.7%	24.3%	24.7%	8.8%	-	13.6%	-
Loans in arrears for more than 90 days (in the balance sheet) / Customer loans[F]	1.1%	1.3%	1.1%	1.0%	1.2%	-		
Loan impairments (in the balance sheet) / Customer loans[F]	-	1.6%	1.4%	1.4%	1.6%	-		
Net credit loss[8, F]	0.33%	0.24%	0.19%	0.23%	0.32%	-		
Cover of pension obligation recognised in the balance sheet[F]	100.3%	100.2%	110.7%	114.4%	98.7%[9]	-		
Shareholders' Equity	1 231.5	1 181.4	1 450.6	1 635.1	1 498.1	(8.4%)		
Ratio of own funds requirements[10, G]	9.8%	11.5%	9.4%	9.9%	11.3%	-		
Tier I[10]	6.5%	7.3%	7.4%	6.2%	8.8%	-		
Core Tier I[10]	5.1%	5.9%	5.9%	5.4%	8.0%			
Adjusted data per share (euro)[11]								
Cash flow after taxation[1, 11]	0.38	0.50	0.53	0.68	0.59	(13.8%)	0.54	(20.6%)
Net profit[1, 11]	0.25	0.32	0.40	0.45	0.18	(60.7%)	0.28	(39.4%)
Dividend[11, 12]	0.10	0.12	0.15	0.18	0.07	(60.7%)		
Book value[11]	1.56	1.52	1.86	2.09	1.68	(19.6%)		
Weighted average no. of shares[F] (in millions)[11]	782.3	778.2	776.4	782.1	842.3	-		
Closing price (euro)[13]	2.864	3.710	5.680	5.151	1.750	(66.0%)		
Total Shareholder return[F]	5.1%	33.7%	56.3%	(7.0%)	(64.4%)	-		
Stock market capitalisation at year end	2 264.8	2 933.6	4 491.6	4 073.6	1 575.0	(61.3%)		
Dividend yield[F, G]	3.4%	4.0%	4.1%	3.2%	1.4%	-		
Retail branches[14] (number)	615	622	692	805	870	8.1%		
Corporate and institutionals centers network[15] (number)	52	52	55	59	63	6.8%		
BPI Group staff complement[16] (number)	7 080	7 493	8 288	9 345	9 498	1.6%		

Table 1

Note: 2004 accounts prepared in accordance with the Portuguese standards laid down in the Chart of Accounts for the Banking Sector (Plano de Contas para o Sector Bancário – PCSB).

1) Banco BPI's 2008 consolidated net profit of 150.3 M.€ was negatively affected by the loss incurred on the sale of the shares in Banco Comercial Português (BCP) and by the impairment charges set aside on the BCP investment, both of which had a negative impact on after-tax net profit of 184.4 M.€, and by early-retirement costs of 27.7 M.€ (after tax), and positively affected by the gain realised on the sale of 49.9% of BFA's capital to Unitel, with a positive impact on after-tax net profit of 130.6 M.€.
The above table presents the indicators relating to efficiency, profitability, earnings and earnings per share after eliminating the abovementioned impacts.

2) Unit trust (mutual) funds, Retirement Savings Plans (PPR) and Equities Savings Plans (PPA), capitalisation insurance, guaranteed-capital and limited-risk bonds, assets under discretionary management and advisory mandates of Private Banking Clients and institutional Clients and assets of pension funds under management (including the Group's staff pension funds).

3) Loans, guarantees and total Customer resources.

4) To ensure comparability, 1 266 M.€ and 989 M.€ of securitised mortgage loans (gross balance) written off from the balance sheet in 2007 and 2008, respectively, were added back.

5) Number of Employees of the companies which are consolidated in full.

6) Personnel costs (excluding costs with early-retirements), outside supplies and services, depreciation and amortisation as percentage of net operating revenue.

7) In 2007 and 2008, for the purpose of the calculation of the ROE, the revaluation reserves were excluded from the allocated capital.

8) Loans provisions (PCSB; 2004) and loan impairments (IAS / IFRS; from 2005 onwards) in the year, deducted of recoveries of loans in arrears written-off (in the income statement) as percentage of Customer loans portfolio.

9) Including contributions of 119.3 M.€ to the pension fund to be made at the beginning of 2009.

10) Calculated in accordance with Bank of Portugal rules governing minimum own funds requirements.

11) Corresponds to net profit, cash flow, dividends to be distributed and shareholders' equity (excluding minority interests) divided by the weighted average number of shares (end-of-year number in the case of the indicator "book value per share"), with the number of shares adjusted by the capital increase which took place in June 2008.

12) The amount of dividends to be distributed in respect of 2008 corresponds to a dividend per share of 0.0668 euro which will be paid on each one of the 900 million shares representing the capital at 31 December 2008.

13) Historical share prices adjusted by the share capital increase realised in June 2008.

14) Includes traditional branches, housing shops, investment centres and automatic shops in Portugal, branches in Angola, investment centres in Angola and branches in Paris.

15) Distribution network specialising in serving companies, 1 Project Finance[G] centre, Institutionals, the branch in Madrid and corporate centres in Angola.

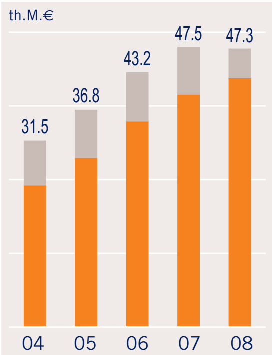
16) Group staff complement in the domestic activity and in the international activity. Includes term Employees and temporary workers, and excludes bursaries.

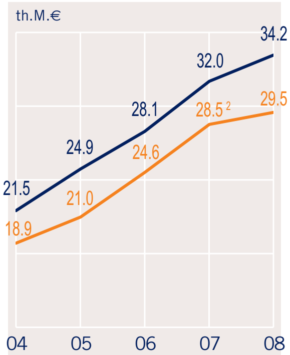
GROWTH, PROFITABILITY, STRENGTH AND VALUE
2004-2008

Net total assets plus disintermediation[F]

Net total assets[1]
Disintermediation[2]

1) Corrected for duplication of balances.
2) Off-balance sheet Customer resources.



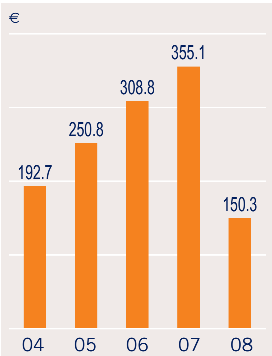


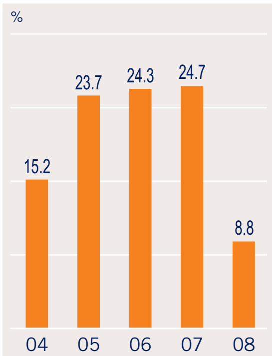
Loans and Customer resources

— Total Customer resources[1]
— Loans to Customers

1) Corrected for duplication of balances.
2) Includes securitised loans derecognised from the balance sheet (1.3 th.M.€ in 2007 and 1.0 th.M.€ in 2008).

Net profit

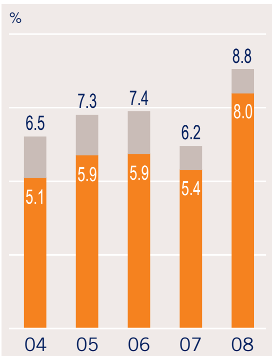


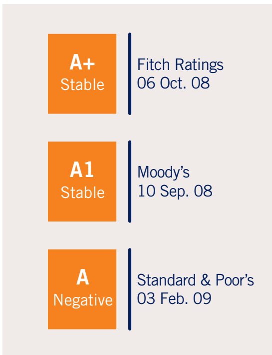


ROE

Tier I ratio
According to Bank of Portugal rules

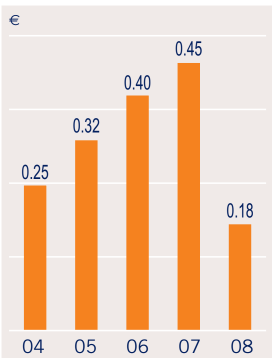
Tier I
Core capital

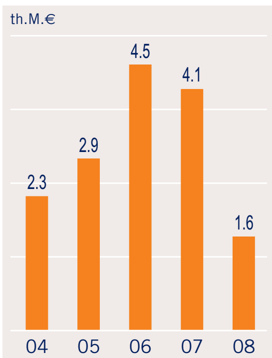




BPI Ratings
Long-term rating notations

Net profit per share





Stock market capitalisation

Figure 1

Introduction

CHALLENGE AND RESPONSE

2008 will be remembered as the year of the unrelenting worsening of the grave international financial crisis which began to emerge in the second half of 2007, and which history will indubitably record as one of the most serious and protracted of the last century. Unparalleled in many of its manifestations, this turmoil has its origins in the financial sector, exhibiting there in the first phase its most violent impact, with the virtual standstill of activity in the ensuing phases on the interbank and medium and long-term capital markets, fruit of a generalised lack of confidence which translated itself into a sudden scarcity of liquidity accompanied by a brutal decline in the value of asset portfolios. As a consequence, we witnessed the bankruptcies of some of the world's most reputable banking institutions and the most extensive post-war programme for the mobilisation of public resources, firstly to safeguard the functioning of the financial systems and later to minimise the serious repercussions of a crisis of this dimension on the economy and on society.

Four priorities

As from the third quarter of 2007 and during the course of 2008, BPI's management was concentrated on four priorities, organised along the lines of a programme responding to the immediate challenges posed by the financial turmoil: defending and reinforcing capital, guaranteeing comfortable liquidity levels, risk mitigation and strengthening the relationship with its Customers. The attainment of these four priorities, which entails sacrificing immediate returns, enabled the Bank to close the 2008 financial year with a very solid financial base and a reinforced reputation, underpinned by its own resources and without resorting to the guaranteed instruments created by the State in due time.

As concerns Capital, BPI ended the year with a total ratio of 11.3%, which corresponds to a tier 1 ratio of 8.8% and 8% for core tier 1 capital, the strongest such indicators of the last five years. Contributing to this situation were the cash proceeds of 350 M.€ raised through the share capital increase from 760 to 900 M.€ realised in June, and the sale finalised in December of 49.9 % of the capital held in BFA. These two cash inflows had an impact on the capital ratio of 1.4 and 1.2 percentage points, respectively.

Turning to Liquidity, the Bank presents a particularly comfortable position, probably a unique situation in Portugal:

- the net inflow of on-balance sheet Customer resources was higher in 2007 and 2008 than the growth in loans advanced in domestic and international activity;
- the net creditor position in the interbank markets at the end of 2008 totalled 1.5 thousand M.€ (th.M.€) at domestic level and 3.4 th.M.€ in consolidated terms;
- Banco de Fomento Angola's balance sheet is extremely liquid, reflecting a 32% ratio for loans-to-balance-sheet-resources;
- the ability to access the European Central Bank remains intact and the State's guarantee was not used; thus, total financial resources potentially available at the end of 2008 totalled 7.1 th.M.€, corresponding to the surplus position on the interbank market (1.5 th.M.€), the refinancing facility at the European Central Bank (3.9 th.M.€) and the possibility of an issue guaranteed by the Portuguese State (1.7 th.M.€) –

a sum that exceeds the volume of medium and long-term debt repayments to be made by the end of 2013.

On the Risks front, it is worth pointing out the reduced exposure to equities in the portfolio of financial assets available for sale, which declined from approximately one thousand M.€ at the close of 2007 to 58 M.€ at the end of the year, a level which corresponds to 3.8% of shareholders' equity; in the same period, the exposure to equities also fell, from 60% to 18% in the Pension Fund's asset portfolio, which presented in December 2008 a liabilities cover level of 98.7%. Globally, the cost of credit risk for the Bank as a whole rose from 0.23% to 0.32%, but is nevertheless still below the index recorded in 2004 at a time when the domestic economy was mired in recession.

The investment and results in the Customer relations domain are reflected from the outset in the capture of 165 thousand new Customers, 9 % more than in 2007 and the largest number ever recorded in the Bank's history. Including operations in Angola, BPI attracted in 2008 more than 310 thousand of the roughly two million Customers its serves today. This performance can be ascribed to the continued investment made in the expansion in the distribution network which has grown by 40% in the past four years in Portugal alone to number a total of 700 branches, 34 investment centres, 54 corporate centres and 20 housing shops by the end of the year.

Business and Reputation

The dedicated attention to keeping abreast of Customers' banking requirements was mirrored in important commercial activity indicators, amongst which we highlight the 14% growth in balance sheet resources and a reasonable (given the prevailing situation) 5.2% rise in lending in Portugal, in particular, the leading position which the Bank has conquered in the financing provided to Small and Medium-sized Companies through special lines created by the State. Also important are the reputation indicators which consolidated the strong affirmation trend noted in the past three years: BPI was the Portuguese bank which received the most awards in 2007 and 2008, being honoured with 32 top-class distinctions awarded by independent entities in the main areas of commercial and investment banking: best big bank in Portugal (*Deloitte / Exame*), best Private Banking (*Euromoney*); best asset management company (*Diário Económico / Morningstar*), best Annual Report in the financial sector and best Equity Research in Portugal (*Investor Relations & Governance Awards, Deloitte / Diário Económico / Semanário Económico*) and the best open-end pension fund (Investment & Pensions), amongst many others that are singled out through this report.

Chairman of the Board of Directors

Artur Santos Silva

Meriting special mention is the confirmation of the leading spot in Customer satisfaction through the *Basef* (Base Survey of the Financial System) and the *ECSI* Portugal surveys (National Index of Customer Satisfaction), based on a common European methodology which assesses the quality of the range of products and services from seven perspectives: image, expectations, perceived quality, perceived value, satisfaction, loyalty and complaints. Indeed the Bank pursued in 2008 the ongoing investment it has been making in the technological and operational fields, as well as in modernisation processes, aimed at improving the efficiency of services provided. Key examples are the modernisation of the support platform for investment banking, the entry into service of a new data centre, the streamlining of the contingency systems, the automation of the home-loan decision process and the progressive elimination of information circulating in paper form.

Crisis and results

The deepening of the financial crisis from the final quarter of 2007 onwards, with successive signals of deterioration throughout 2008 – reflecting itself in risk levels, the downward spiral in asset prices, the blockage of the money and credit markets – exerted strong pressure on the Bank's earnings despite the very positive commercial performance. Consolidated net profit fell by 57.7% to 150.3 M.€, reflecting three extraordinary factors: one positive, the gain of 130.6 M.€ realised on the sale of a 49.9% shareholding in BFA, and two negative: the net loss of 184.4 M.€ resulting from the sale of the total stake in BCP, and costs of 27.7 M.€ associated with 200 early retirement accords decided on and announced in December 2008. Excluding these three non-recurring effects, net profit would have suffered a drop of 34.7% to 231.9 M.€, while the ROE would have been 13.6% instead of the reported 9%.

The financial crisis had a decisive influence on these earnings in five fundamental domains:

- profits on financial operations, with a sharp contraction in trading profits, and a fall in the Pension Fund's net financial income to a figure of close to zero from June 2008 onwards;
- commissions, with a steep decline in asset management business as a consequence of the strong erosion in volumes, fruit of the decline in the value of securities and abnormally high redemptions; and with smaller growth in commercial banking as a consequence of the deceleration in the sale of credit and insurance;
- loan impairment losses, with a significant increase in the relevant amount due to the slowdown in economic activity in spite of the indicator for net credit losses as a percentage of the portfolio presenting a relatively good figure of 0.32%;
- net interest income, pressured by the combination of the higher average costs of resources and by the deceleration in lending growth, with a slower adjustment of spreads so as to reflect the increase in funding costs;

- the indispensable reinforcement of cost control, with positive deferred benefits and some immediate negative impacts, as in the case of early retirements.

Angola and Mozambique

With a market experiencing robust growth, shielded from the most violent repercussions of the crisis in 2008 notwithstanding the steep plunge in the oil price in the second half of the year, the Bank's activity in Angola, via BFA, presented a net profit of 140.6 M.€, the best ever and 82% higher than in 2007. Although less important in absolute and relative terms, BCI (Mozambique) – in which BPI has a 30% equity interest – also posted a highly positive performance with a contribution to consolidated net profit of 4.2 M.€, which means a 26% improvement when compared with the preceding year.

Banco de Fomento Angola's expressive net profit is the reflection of a very high commercial performance:

- the number of Customers climbed from 405 to 553 thousand, up 37%;
- Customer resources expanded 97%, and correspond to 19% market share and second place in the banks' ranking;
- loans grew 28%, permitting BFA to retain market leadership with a 20% share, a non-performing loan ratio of 0.7% and a provisioning cover of 629%;
- net operating revenue climbed by 34%, net interest income by 32% and commissions by 14%.

Executive Committee of the Board of Directors

António Domingues (Deputy-Chairman) | António Farinha Morais | Manuel Ferreira da Silva | Pedro Barreto (standing)
Fernando Ulrich (Chairman) | Maria Celeste Hagatong | José Pena do Amaral (seated)

These quantitative indicators are being accompanied by an accelerated introduction of new products and services, in particular as concerns payment means and virtual channels – domains in which BFA is the undisputed market leader with 548 thousand active debit cards and 7 000 credit cards, corresponding to a 37% market share, 151 Automatic Teller Machines – ATM (26%), 672 POS payment terminals (39%), 47 thousand subscribers to BFA Net Particulares (individuals) and 3300 subscribers to BFA Net Empresas (companies).

The expansion in the bank's activity – the only bank present in all of Angola's provinces –, is founded on an expressive expansion of its distribution network which grew by 18% in 2008 to reach a total of 113 units, of which 99 are retail branches, 5 are investment centres and 9 are corporate centres. This growth represents the chief explanation for the 5% increase in the number of Employees, bringing the workforce to 1 598 people today, with only 15 expatriates. The ambitious investment in human material and resources was responsible for the 24% increase in operating costs: despite this trend, the efficiency ratio fell from 30.6% to 28.2%. From a more qualitative perspective, it is important to highlight the Bank's extremely solid financial base, underpinned by strong capitalisation and the balance sheet's very high liquidity which presents a loans / resources relationship of 32%.

The opening of BFA's capital, concluded on 9 December with the sale of a 49.9% interest to Unitel for 365.7 M.€, in the wake of negotiations which began in June and which were concluded as regards the key issues with a memorandum of intent on 12 September, introduces a far-reaching alteration in the Bank's life, from which a valuable contribution is expected in order to guarantee continuity in the growth process confirmed in 2008, if possible at an even faster pace and with much broader horizons.

On 17 December, in an independent movement from the business deal aimed at opening up BFA's capital, Santoro, a company controlled by one of the key shareholders of Unitel, announced that it now held roughly 10% of BPI's capital through the acquisition of BCP's stake in the Bank. The crossing of interests thus established between the shareholder structures of BFA and BPI represents a vital fact for the future of the Group and for each one of the banks in Angola and Portugal, by virtue of the convergence of the efforts and prospects that it can undoubtedly stimulate.

The Future

On a more general level, it is this constructive attitude that will lead to the Bank defining point by point, step by step, the response to the unparalleled challenge which the present crisis has posed to the financial sector on a world-wide scale, forcing a veritable reconstruction of the foundations supporting its business. In 2008, BPI concentrated on the essential issues: ensuring financial strength and reinforcing its Customer base. The success achieved in this first stage, in which the determination of Shareholders and the professionalism of our Employees were decisive factors, allows one to conclude that the Bank is unquestionably among the winners in the tough and prolonged test that this crisis represents.

Governing Bodies

Shareholders' General Meeting

Chairman
João Vieira de Castro

Deputy-Chairman
Manuel Cavaleiro Brandão

Secretaries
Alexandra Magalhães
Luís Manuel Amorim

Remunerations Committee

Chairman
IPI – Itaúsa Portugal Investimentos, SGPS, Lda.[1]

Members
Arsopi – Holding, SGPS, S.A.[2]
HVF, SGPS, S.A.[3]

Supervisory Board

Chairman
Abel António Pinto dos Reis

Members
Jorge de Figueiredo Dias
José Neves Adelino

Portuguese Statutory Auditor

Member in office
Deloitte & Associados, SROC, S.A.[4]

Alternate member
Carlos Luís Oliveira de Melo Loureiro

Board of Directors

Chairman
Artur Santos Silva

Deputy-Chairmen
Carlos da Câmara Pestana
Fernando Ulrich
Ruy Octávio Matos de Carvalho

Members
Alfredo Rezende de Almeida
António Domingues
António Farinha Morais
António Lobo Xavier
Armando Leite de Pinho
Carlos Moreira da Silva
Edgar Alves Ferreira
Henri Penchas
Herbert Walter[5]
Isidro Fainé Casas
José Pena do Amaral
Juan Nin Génova
Klaus Dührkop
Manuel Ferreira da Silva
Marcelino Armenter Vidal
Maria Celeste Hagatong
Pedro Barreto
Roberto Egydio Setúbal
Tomaz Jervell

Nomination, Evaluation and Remuneration Committee

Chairman
Artur Santos Silva

Members
Armando Leite de Pinho
Carlos da Câmara Pestana
Herbert Walter
Marcelino Armenter Vidal

Corporate Governance Committee

Chairman
Artur Santos Silva

Members
António Lobo Xavier
Edgar Alves Ferreira
Carlos Moreira da Silva
Tomaz Jervell

Audit and Internal Control Committee

Chairman
Artur Santos Silva

Deputy-Chairman
Ruy Octávio Matos de Carvalho

Members
Alfredo Rezende de Almeida
Henri Penchas
Marcelino Armenter Vidal

Company Secretary

Member in office
João Avides Moreira

Alternate member
Fernando Leite da Silva

Executive Committee of the Board of Directors

Chairman
Fernando Ulrich

Deputy-Chairman
António Domingues

Members
António Farinha Morais
José Pena do Amaral
Manuel Ferreira da Silva
Maria Celeste Hagatong
Pedro Barreto

1) IPI – Itaúsa Portugal Investimentos, SGPS, Lda nominated Carlos da Câmara Pestana to represent it in the exercise of this office.
2) Arsopi-Holding, SGPS, S.A. nominated Armando Leite de Pinho to represent it in the exercise of this office.
3) HVF, SGPS, S.A. nominated Edgar Alves Ferreira to represent it in the exercise of this office.
4) Deloitte & Associados, SROC, S.A. nominated Augusta Francisco to represent it in the exercise of this office.
5) Allianz Europe, Ltd. nominated, in terms of article 15(2) of Banco BPI, S.A.'s Statutes, Herbert Walter to exercise the office in his own name.

Figure 2

Historical milestones

LEADERSHIP, INNOVATION AND GROWTH

1981

Sociedade Portuguesa de Investimentos was conceived in **1981** with a well-defined project for a decade that had just started: to finance investment projects launched by the private sector, to participate in the creation of a dynamic capital market and to contribute to the country's industrial modernisation. BPI counted on a diversified shareholder base that included a strong domestic component, represented by 100 of the most dynamic companies in the country, and five of the most prominent international financial institutions.

1985

SPI was transformed into an investment bank in **1985**, thereby allowing it to attract sight and term deposits, grant short-term loans, participate in the interbank markets and engage in currency operations. A year later, in 1986, the bank's future direction was marked by the opening of its capital to the general public and the listing of its shares on the Lisbon and Oporto Stock Exchanges.

1991

In **1991**, a decade after its formation, BPI had already conquered an undisputed leadership in the principal areas of Investment Banking, playing a major role that gained further momentum as the decade advanced thanks to the privatisation programme in Portugal, and assumed its ambition to consolidate its position as one of the country's premier financial groups. It was in this spirit that it resolved to acquire **Banco Fonsecas & Burnay**, thereby marking BPI's entry into the Commercial Banking arena, affording it a substantial gain in size in preparation for the corporate concentration process in the Portuguese financial system.

It was the Group's overriding objective to guarantee the provision of a complete range of financial services to companies and individuals alike. An alliance was then forged with the Itaú Group, initially through its equity participation in BFB. In 1993, this interest was converted into a direct shareholding in BPI, following which Banco Itaú became one of the key shareholders.

1995

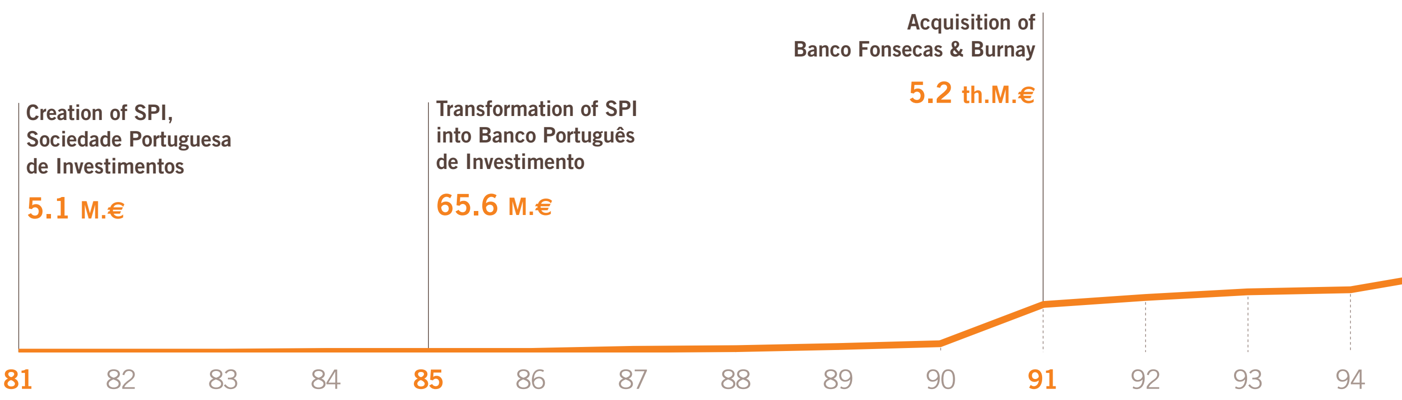
The Institution's composition was reorganised in **1995**: the original BPI was transformed into an SGPS (**holding company**), following which it became the only Group company to be listed on the stock exchange, controlling Banco Fonsecas & Burnay and Banco Português de Investimento, formed in the meantime through the transfer of the assets and liabilities allocated to the business activity traditionally conducted by this type of institution and hitherto undertaken by BPI.

This reorganisation precipitated the specialisation of the Group's various units and was accompanied by an important reinforcement of its shareholder structure with the entry of two new strategic partners of considerable size to team up with the Itaú Group: La Caja de Ahorros y Pensiones de Barcelona ("La Caixa"), and the German insurance group Allianz.

1996 / 1998

A year later (in **1996**) the **acquisition of Banco de Fomento and Banco Borges** marked the beginning of the process involving the integration of the BPI Group's three banks that would culminate, two years later, with the creation of Banco BPI, providing it with the largest single-brand banking network in Portugal. **Banco BPI was formed** in **1998** by the merging of **Banco Fonsecas & Burnay (BFB)**, **Banco de Fomento e Exterior (BFE)** and **Banco Borges & Irmão (BBI)**, to be joined later that year by Banco Universo (an in-store bank), acquired in the meantime. After the merger, the structure was significantly simplified: BPI SGPS now comprises just two banking institutions: Banco Português de Investimento, named BPI – Investimentos, and a new commercial bank called Banco BPI.

Net total assets plus disintermediation



1999-2001

The next three years – **1999 to 2001** – have confirmed BPI's potential for **growth, modernisation and structural reinforcement** engendered by the 1998 merger: the Group has boosted market shares in all the key areas of commercial banking, it has expanded and streamlined its distribution structure, rapidly transforming itself into a multi-channel bank, it has thoroughly renovated its technological capability and built up one of the financial system's most dynamic brand names.

2002-2005

In **2002**, BPI concluded an **important reorganisation programme** that endowed the Group with a much simpler legal configuration, more attuned to its business model and more conducive to the obtainment of cost savings and efficiency gains in the Group's functioning. In essence, the programme involved the centralisation at Banco BPI of commercial banking business and the concentration at Banco de Investimento of its natural business. BPI SGPS incorporated Banco BPI and simultaneously its business object was altered to embrace Commercial Banking, adopting the name Banco BPI and assuming the command position at the helm of the whole Group. Banco de Fomento was formed in Angola in the wake of the transformation of Banco BPI's Luanda branch into a fully-fledged Angolan-law bank.

At the same time, BPI intensified the programme directed at the **rationalisation, rejuvenation and qualification** of its human resources, the upgrading of its technology, the streamlining of its distribution channels and boosting Brand development. This process is constantly evolving and seeks to reinforce in a decisive manner the essential skills required to affirm the goals that form the springboard for the Bank's plans for the future: efficiency, quality and service.

In **2004**, **Artur Santos Silva**, BPI's founder and leader from its first hour, ceased executive functions, retaining the chairmanship of the Board of Directors.

2006-2007

In October **2006**, BPI completed 25 years of activity (taking as the reference the formation of SPI – Sociedade Portuguesa de Investimentos, in 1981). May **2007** saw the unsuccessful conclusion of the hostile takeover bid launched for the Bank in March 2006 – accepted by a mere 3.9% of BPI's capital –, and which was unanimously rejected from the outset by the Bank's Board of Directors, considering it to be "totally unacceptable". BPI thus pursued its sustained strategy of creating value for Shareholders, Employees and Customers, the merit of which is objectively expressed in the annual average return of 16% on BPI shares since its foundation up till the end of the 2007 financial year.

2008

In **2008**, BPI fulfilled four priorities – defended and reinforced capital, guaranteed a comfortable liquidity position, reduced risks and strengthened Customer relations – which constituted the Bank's response programme to the challenges posed by the persistent deterioration of that which is already one of the most severe and enduring international financial crisis of the last century. In Angola, BFA's capital was opened up through the sale of a 49% stake to Unitel, a partnership that is hoped will make a valuable contribution to ensuring the bank's continued expansion.

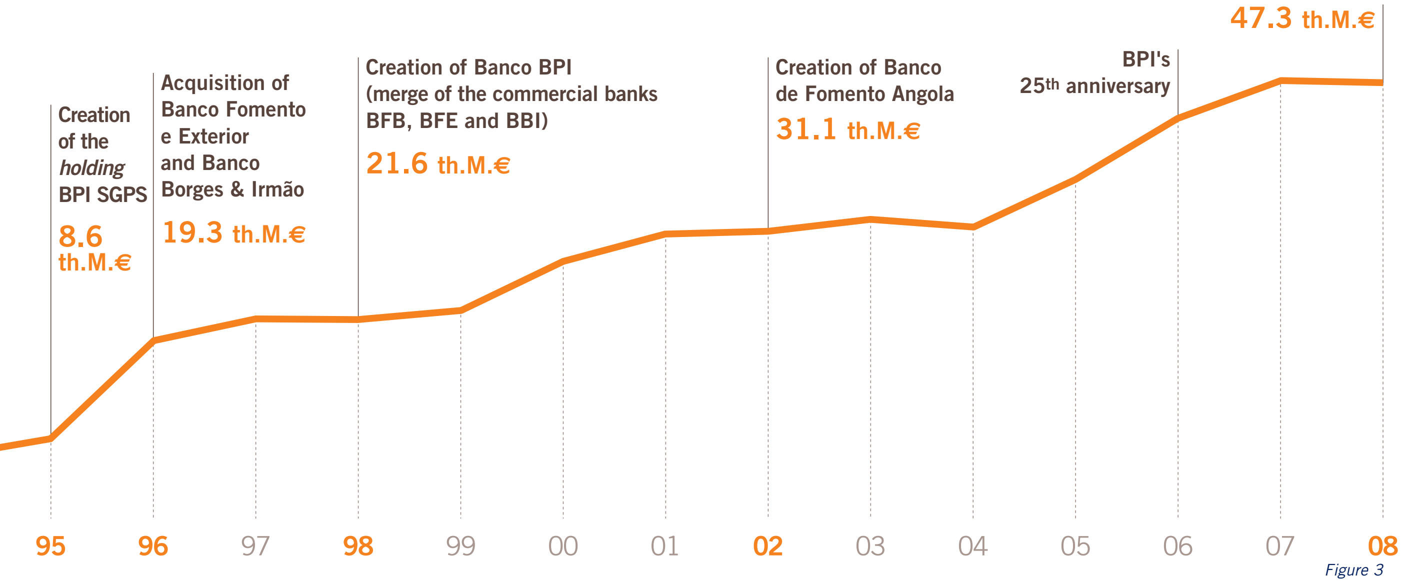


Figure 3

Highlights

2008

January

24 Disclosure of the consolidated results for 2007: net profit of 355.1 M.€ which represents a year-on-year improvement of 15%. The ROE was situated at 22.4%.

BPI's Private Banking was distinguished with the honour of "Best Private Banking" in Portugal, according to the Euromoney Private Banking Survey 2008.

March

6 Banco BPI's Board of Directors deliberates submitting to the Shareholders' General Meeting for approval a motion to increase the share capital in order to raise 350 M.€ in cash.

April

16 BPI Gestão de Activos was the bigger winner in the 5th edition of the Morningstar – Diário Económico Awards, having been voted in 1st place in the categories Best National Management Company and Best National Fixed-Income Management Company. Moreover, the Unit Trust Funds "BPI Reestruturações", "BPI Euro Taxa Fixa" and "BPI Liquidez" also received awards in their respective classes.

22 Release of the consolidated results for the first quarter of 2008: net profit of 75.3 M.€, representing a 22% year-on-year decline. The ROE was 18.8%.

23 BPI Shareholders unanimously approve at the Annual General Meeting, the annual report, the dividend distribution of 18.7 cents relating to the 2007 financial year and grant authorisation to the Board of Directors to deliberate on a share capital increase to raise cash of 350 M.€. The Shareholders also approve an amendment to the company's statutes, essentially entailing the adoption of a management and oversight model composed of a Board of Directors, a Supervisory Board and a Portuguese Statutory Auditor, and elect with a majority of 99.6% of the votes cast, the members of the governing bodies for the term 2008-2010.

23 Banco BPI's Board of Directors informs about the appointment of the Executive Committee and the capital increase deliberation.

30 Banco BPI signs a Programme of Mortgage Bond Issues[G] amounting to 7 000 M.€; the issues pursuant to the Programme received the following ratings – Aaa / AAA / AAA (Moody's / S&P / Fitch).

May

8 Banco BPI pays a dividend of 18.7 cents per share, which corresponds to a 40% payout and a dividend yield[G] of 3.5%.

June

3 Standard & Poor's reiterates its long-term A rating[G] and Stable Outlook for Banco BPI and for Banco Português de Investimento.

13 Banco BPI announces the result of the capital increase: all the major Shareholders subscribed to the increase or increased their positions, the increase is fully subscribed and raises cash proceeds of 350 M.€.

20 The 140 000 000 new shares resulting from the capital increase are admitted to trading.

July

2 In the *Investor Relations & Governance Awards*, an event promoted by *Deloitte, Diário Económico and Semanário Económico*, with the object of rewarding excellence in financial communication by entities listed on the Euronext

Lisbon market, BPI was distinguished with the prize for the Best Annual Report and Accounts in the financial sector and the Best Financial Institution in Research.

25 Release of the consolidated results relating to the first half of 2008: consolidated net profit of 9.1 M.€, which represents a year-on-year fall of 95.3%.

September

10 Moody's reiterates its A1 long-term rating and Stable Outlook for Banco BPI.

12 Banco BPI and Unitel sign a memorandum of understanding with a view to the formation of a strategic partnership with respect to BFA, via the sale to Unitel at market value of shares representing 49.9% of the share capital and respective voting rights of that Angolan credit institution.

18 / 19 Banco Português de Investimento stages in Sintra, the fifth Iberian conference for small and mid caps, which was attended by more than 70 institutional investors and 34 Iberian companies.

30 BPI was rated for the third consecutive year the "Best Big Bank in Portugal" in the "Banca & Seguros" survey conducted by Deloitte for the Exame magazine, with the collaboration of Informa D&B Portugal, firm specialising in economic and financial information.

October

24 The consolidated results relating to the first nine months of 2008 are released: consolidated net profit of 34.4 M.€, down 86% on the corresponding period of 2007.

November

The BPI brand was considered the financial sector's most attractive according to "Brands' Magnetic Fields' 07". This survey evaluated the capacity of brands to attract Portuguese consumers based on three dimensions: the Trust they inspire, the Prestige with which they are perceived and the Identification they manage to generate in consumers.

3 Fitch Ratings upgrades the rating on the tranche "Class B Notes" of the home-loan securitisation[G] operation Douro Mortgages n.º 1 from AA to AA+ and simultaneously alters the outlook for this tranche from Stable to Positive. The agency also revises upwards from Stable to Positive the outlook for a further five tranches of the operations "Douro Mortgages No. 1" and "Douro Mortgages No. 2". The "Class A Notes" tranches of both operations have the maximum AAA rating.

6 Banco de Fomento Angola signs a Protocol with the Angolan Armed Forces, with the object of granting access upon preferential conditions a broad range of products and services to Permanent Force officers and sergeants.

December

9 Banco BPI concludes the sale of 49.9% of BFA's capital to Unitel, in the terms previously announced, forging a strategic partnership focused on the Bank's expansion and on the provision of a financial service of excellence.

2009

January

23 BPI reports consolidated net profit of 150 M.€ for 2008. Tier I capital ratio situated at 8.8%.

The identity of BPI

A company is just like a person: it has its own identity and personality, it stands out for its character, its principles, its way of doing, its objectives.

Banco BPI's identity is marked by the financial and business culture of Banco Português de Investimento. The essential traits of this culture are management independence, organisational flexibility, team work, recognition of merit, the ability to anticipate, strict management of risks and the secure creation of value.

Earning a just return from the Bank's business operations through the adoption of superior management and service practices constitutes a fundamental goal of our activity. The safeguarding of Customer interests, with dedication, loyalty and confidentiality, is one the core principles of the business ethics and code of conduct assumed by the Bank's Employees.

An institution's identity asserts itself through its own attributes, which gain consistency and credibility in its daily interaction with Customers and the community. In particular, BPI values two of these attributes: Experience and Harmony.

Experience is the reflection of the training undergone by our teams and the important professional capital accumulated during the history of each one of the institutions which gave rise to the Bank. It translates itself into the dimension of our commercial presence, the soundness of our financial indicators, the security of our growth and in our proven ability to achieve and lead.

We wish to combine Experience with Harmony, which expresses the permanent ambition of serving our Customers and the community with the highest standards of ethics and quality. It is a projected aspiration for the future, always open-ended, imposed by the constant desire to refine so that we do better. It is our most challenging mission that, in the final analysis, justifies all others.

Financial structure and business

The BPI Group – headed by Banco BPI – is a financial and multi-specialist group, focusing on the banking business, with a comprehensive spectrum of financial services and products for corporates, institutional and individual Customers.

The Group's operations are mainly conducted in Portugal, a developed and competitive market where BPI has a strong competitive position, and in Angola, an emerging economy which has recorded robust and sustained growth in recent years, where BPI, through its equity interest in BFA, is market leader.

At the end of 2008 86.3% of the Group's shareholders' equity was allocated to domestic activity[1], and the remaining 13.7% to international activity.

Leading indicators by business segment
At 31 December 2008

Amounts in M.€

	Domestic activity	International activity
Net total assets	39 145	4 402
Shareholders' equity	1 292	206
Loans to Customers (net)	28 041	1 235
Total Customers resources	30 320	3 856
No. of Customers (thousand)	1 536	553
No. of Employees	7 900	1 598
Distribution network (no.)	820	113

Table 2

Main units of the BPI Group

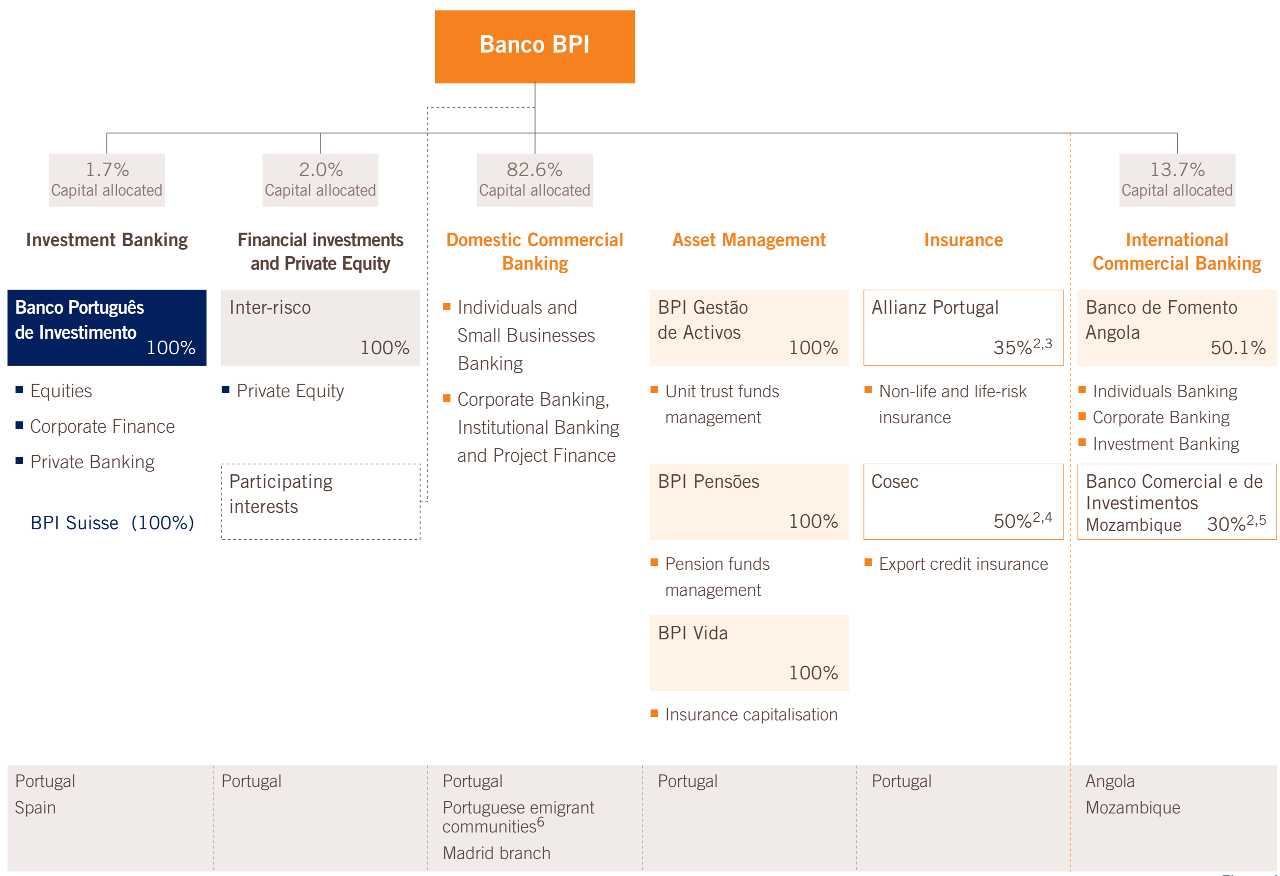


Figure 4

Note:The percentages indicated refer to the participations (direct and indirect) of Banco BPI in each company.
1) BPI Group adopted the geographical segmentation as the main basis for the segmentation of its activities, having defined two segments: domestic activity and international activity.
2) Equity-accounted subsidiaries.
3) In association with Allianz, which holds 65% of the capital.
4) In association with Euler Hermes, a company of Allianz Group.
5) In partnership with Caixa Geral de Depósitos and a group of Mozambican investors, together, hold 70% of the share capital.
6) The BPI Group has overseas branches, representative offices and distribution agreements in overseas cities with large communities of Portuguese emigrants.

Domestic activity

The domestic activity corresponds to commercial banking business in Portugal, the provision overseas of banking services to non residents – notably to communities of Portuguese emigrants and the services provided at the Madrid branch –, and to investment banking services, private equity[G], asset management and insurance.

Domestic Commercial banking operations – predominantly focused on the attraction of resources from Customers and on the granting of loans to individuals, companies and institutionals –, is carried on by Banco BPI, backed by a multi-channel distribution network which includes specialised physical networks whose ample geographical coverage thereby ensures a high degree of Customer proximity. The Bank is the fifth biggest financial institution operating in Portugal, serving more than 1.5 million Customers and has market shares of close to 11% in loans and deposits.

Commercial banking activity is organised into two major business areas: Individuals and Small Businesses Banking and Corporate, Institutional and Project Finance[G] Banking.

Individuals and Small Businesses Banking serves individual Customers – including high net-worth or earning individuals, catered for by the investment centres –, and small businesses with turnovers of up 5 M.€, via a distribution network composed of 700 retail branches 34 investment centres, branches specialising in home loans (20), network of external promoters (11 871), and virtual channels, namely, telephone banking (BPI Directo), homebanking service (BPI Net) and online brokerage (BPI Net Bolsa).

BPI also makes available a broad range of life and non-life insurance by means of a insurance distribution agreement with Allianz Portugal, which is 35% held by the BPI Group within the scope of the strategic partnership with the Allianz Group.

Corporate, Project Finance and Institutional Banking serves companies with a turnover of more than 2 M.€, operating in competition with Individuals and Small Businesses Banking in the segment up to 5 M.€. Also includes the provision of project finance services and the relationship with Public Sector, State-owned Companies, Municipalities and the State Business Sector, Foundations and Associations. Corporate Banking, Project Finance and Institutional Banking had at the end of 2008 a specialised network composed of 47 corporate centres (including the Madrid branch), 6 institutional centres and one Project Finance centre.

Investment banking business is conducted by Banco Português de Investimento, the BPI Group's original parent company, and is structured into four main areas: Equities, Corporate Finance, Private Equity and Private Banking.

The equities business which encompasses research services, sales of national and international shares and stock exchange dealing, and the corporate finance business are conducted within the geographical ambit of the Iberian Peninsula through its structure in Portugal and a branch in Madrid. BPI also has a team dedicated to Angola and Mozambique.

Private Banking activity, centred on the provision of specialist discretionary management and financial advisory services, is undertaken by Banco Português de Investimento.

BPI's **asset management** – unit trust funds, life-capitalisation insurance and pension funds – is carried on by dedicated subsidiaries controlled 100%, with the products being placed with Customers through Banco BPI's distribution network and Banco Português de Investimento.

At the end of 2008, BPI Gestão de Activos was the fourth biggest fund manager in Portugal, with a market share of 14.5%, BPI Pensões was the second largest pension fund manager with a 16.9% market share, and BPI Vida had an 8.3% market share in the segment of capitalisation and PPR products in the form of insurance.

Private Equity activity is founded on the management of venture-capital funds promoted by the BPI Group (through its shareholding in Inter-Risco), which are directed to investments in equity interests in non-financial companies with a view to sectorial consolidation and internationalisation drives.

At the end of 2008, the Private Equity area managed a group of assets totalling 52.6 M.€ at market values, forming part of the own portfolio of participating interests and venture-capital funds managed.

International activity

The international activity encompasses the business conducted by **Banco de Fomento** in Angola **(BFA)** – 50.1% held by BPI in partnership with Unitel, owner of the remaining 49.9% of the capital –, as well as the appropriation of the results attributable to the 30% interest held in **Banco Comercial e de Investimentos (BCI)**, in Mozambique.

BFA is a retail bank and has an ample base of deposits and reduced transformation of deposits in loans. BFA is market leader in Angola, with market shares of close to 20% in terms of loans and deposits and 40% in cards and payment terminals.

BFA has a structured and differentiated spectrum of products and services for individuals, which includes loans, deposits and investment, cards and transfers, and for companies, namely, treasury management, financing and support for imports. The offer to companies is also complemented by the availability of project finance, corporate finance and private equity services.

At the end of 2008, BFA served 553 thousand Customers, through a distribution network with a strong presence in Luanda and wide coverage throughout of the whole territory, comprising 99 branches, 5 investment centres and 9 corporate centres. The physical network is complemented by homebanking services – BFA Net Particulares and BFA Net Empresas.

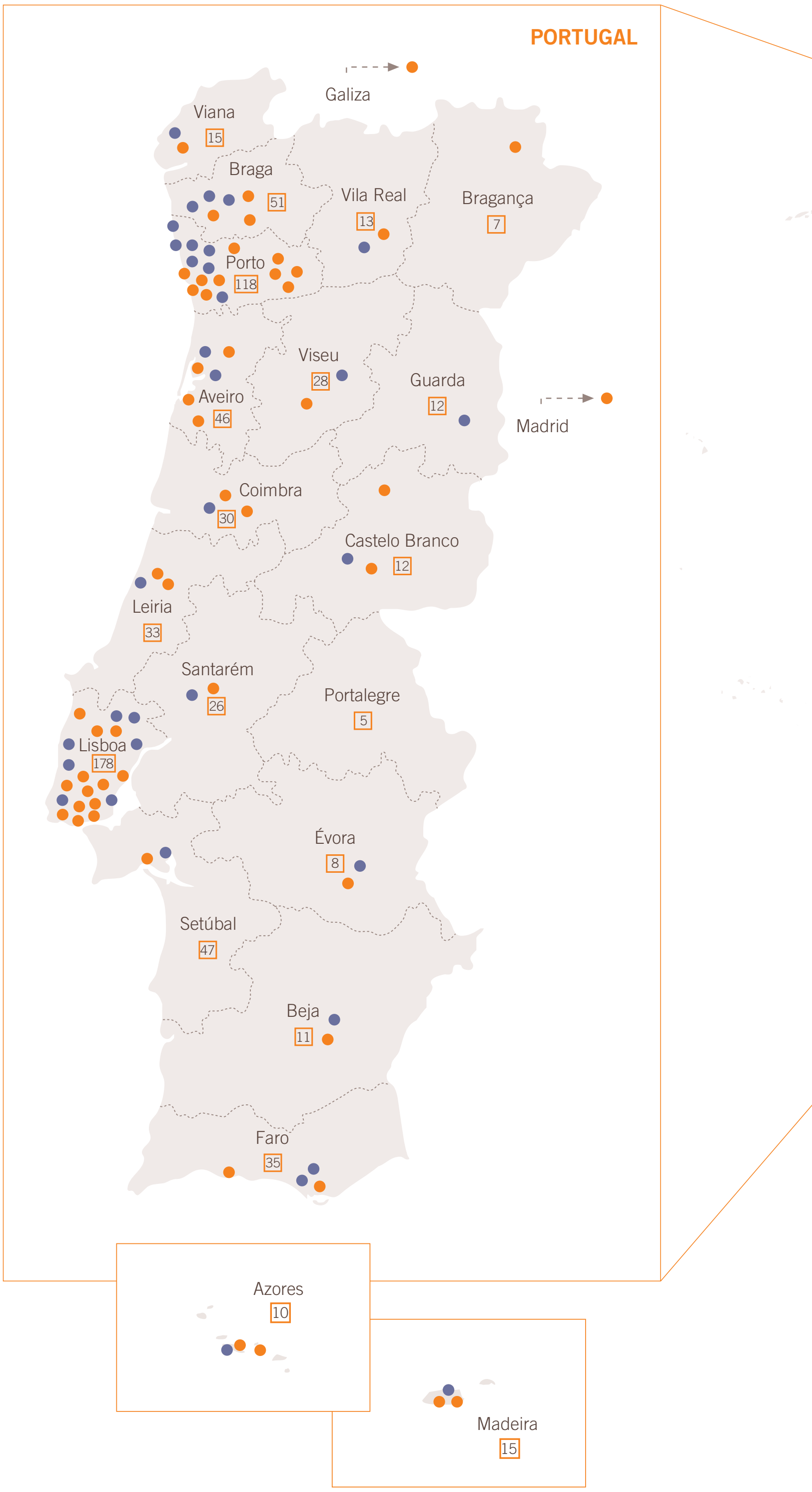
BCI is a retail bank predominantly focused in collecting resources and granting loans, in which activities the bank has market shares of 23% and 30%, respectively. BCI serves 86 thousand Clients via a branch network of 51 units, ATM and POS.

Distribution channels

DOMESTIC ACTIVITY

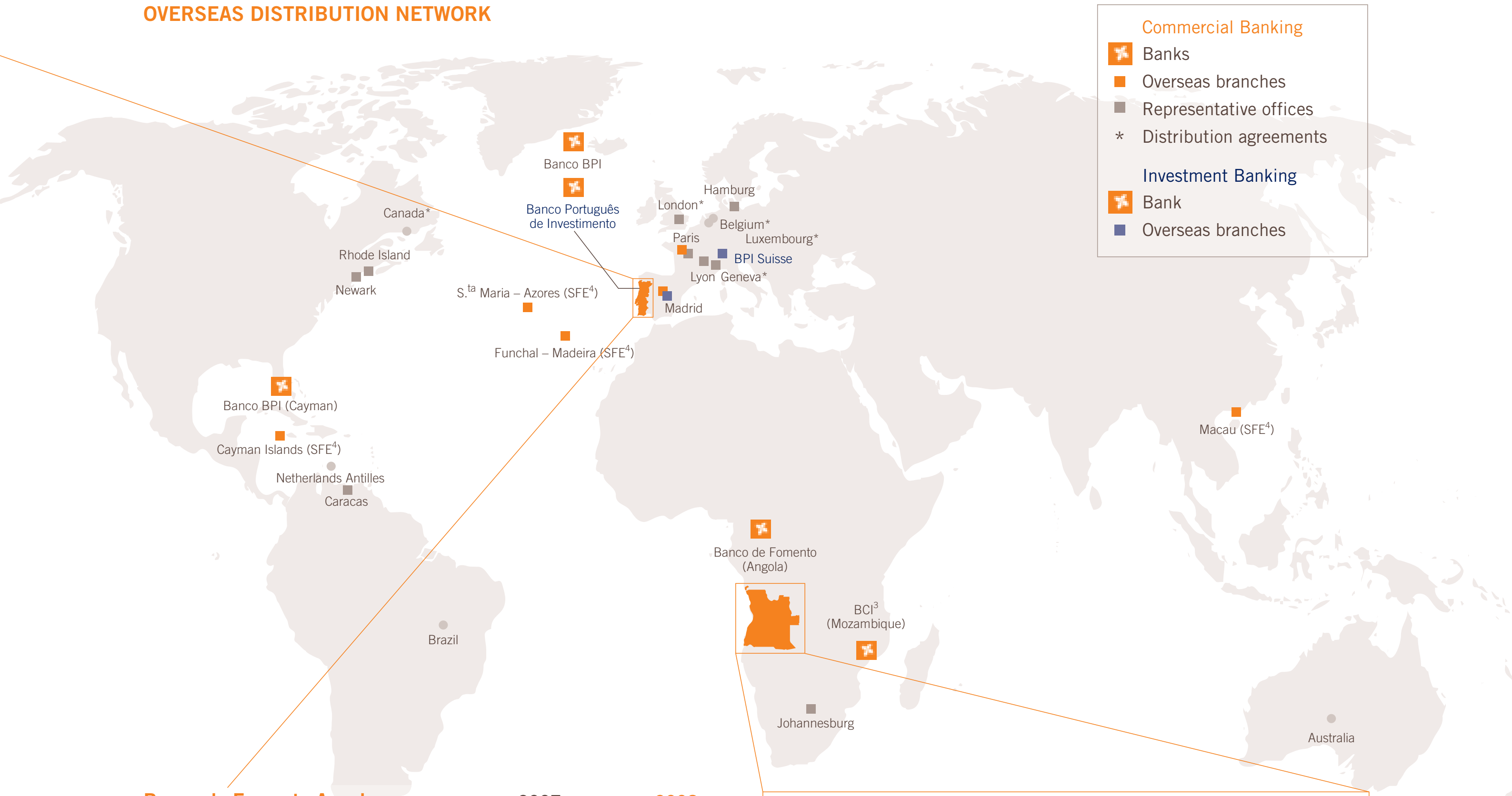
Individuals and Small Businesses Banking	2007	2008
Clients (thousand)		
Individuals	1 212	1 260
Small businesses	157	169
(Turnover below 5 M.€)		
Physical network		
Traditional branches □	662	700
Investment centres ●	23	34
Housing shops	19	20
Automatic bank (ATM)	1 372	1 536
External promoters	8 846	11 871
Remote channels (thousand)		
BPI Net (regular users)	464	533
BPI Directo (regular users)	400	429
BPI Imobiliário (real estate properties)	680	926
Customer resources (M.€)	21 347	22 514
Loans granted (M.€)	14 635	15 581

Corporate Banking, Institutional Banking and Project Finance	2007	2008
Clients		
Companies	14 919	14 704
Project Finance	211	196
Institutional[1]	963	970
Madrid branch	178	202
Physical network ●		
Corporate centres	44	46
Project Finance centre	1	1
Institutional centres	6	6
Madrid branch[2]	1	1
Remote channels (thousand)		
BPI Net Empresas (regular users)	65	81
Customer resources (M.€)	2 365	1 775
Loans granted (M.€)	15 568	15 839



1) Local authorities, autonomous regions, social security system, universities, public utility associations, State Business Sector and other non-profit entities.
2) The corporate banking distribution network in Portugal includes the Madrid branch.
3) 30% shareholding.
4) SFE – Sucursal Financeira Exterior (off-shore financial branch).

OVERSEAS DISTRIBUTION NETWORK



Banco de Fomento Angola	2007	2008
Clients (thousand)	405	553
Physical network		
Number of branches	85	99
Investment centres	4	5
Corporate centres	7	9
Automatic bank (ATM)	137	151
Active POS	322	672
Remote channels		
BFA Net Particulares (subscribers)	29 827	46 774
BFA Net Empresas (subscribers)	2 606	3 332
Customer resources (M.€)	1 958	3 856
Loans granted (M.€)	961	1 235

BCI – Banco Comercial e de Investimentos (Mozambique)	2007	2008
Clients (thousand)	90	86
Physical network		
Number of branches	41	50
Automatic bank (ATM)	85	108
Active POS	782	1 101

Support structures to Portuguese communities	2007	2008
Representative offices	7	10
Paris branches	12	12
Distribution agreements	10	9

Figure 5

REINFORCED COMMERCIAL CAPACITY

PORTUGAL

In December 2008, BPI completed an expansion plan for its physical distribution network, opening during the year 38 traditional branches, 11 investment centres, 1 housing shop and 2 corporate centres.

In the past 4 years, BPI increased the network of traditional branches and investment centres in Portugal by 40%. In that period, 192 branches and 19 investment centres were opened. The corporate centre network was enlarged by 2 units (+4%), while the number of external promoters grew by 10 675 (+893%).

Traditional branch network

At the end of the year, the bank boasted a total of 700 traditional branches, 34 investment centres, 20 housing shops and 54 corporate and institutional centres, thereby guaranteeing good physical coverage of the local market.

Investment centres

In 2008 BPI gave continuity to its expansion plan for the Investment Centres, opening eleven new premises in Barcelos, Castelo Branco, Guarda, Lisbon (Av. Liberdade), Oeiras (Miraflores), Parede, Portimão, Porto (Antas), Póvoa do Varzim, São João da Madeira and Vila Real. With these new centres, BPI now has a national network of 34 Centres, with teams especially prepared and trained to offer personalised service to wealthy or high-earning clients.

Corporate centres and institutional centres

In 2008, and as regards the Corporate and the Institutional Centres, BPI also reinforced its presence, extending the number of the specialised units to 54:

- in October, BPI opened the Lisbon North and Lisbon West Corporate Centres;
- in November, BPI opened the Guarda Corporate Centre, reinforcing its presence in the Beira Interior region where, besides various branches, it already has 2 Corporate Centres in Castelo Branco and in Covilhã.

With a view to improving the service provided to business Customers in the Spanish market, a Corporate Centre was set up at the Madrid branch, aiming at reinforcing the close collaboration with Customers in this market.

BPI's Corporate Centres are attendance facilities geared to business Customers, manned by teams specialising in responding to the companies' financial needs and in the provision of high-quality service. The Institutional Centres are specialised attendance areas catering for public-sector bodies (namely, central administration, regional and local authorities).

By boosting the Corporate Centre network, BPI seeks to foster greater proximity and greater response capacity to its business Customers.

Retail branch.

Automated Teller Machine (ATM).

External promoters' network

Complementing the physical network, Banco BPI also counts upon a Network of External Promoters, created in 2003, whose commercial initiatives are targeted at the Customer segments of Individuals and Small Businesses Banking, with a view to signing up new Customers for the Bank, and the identification and development of new business opportunities.

At the end of 2008, this network comprised 11 871 promoters, 3 000 of whom commenced working as the Bank's promoters in 2008.

In December 2008, this network now numbers more than 60 thousand Customers and has a business volume of 2 671 M.€.

NON-RESIDENTS' NETWORK

With the opening in May 2008 of the Rhode Island representative office in the United States of America, BPI concluded the 1st phase of its expansion project initiated towards the end of 2007, which doubled the network of BPI's overseas representative offices.

In the wake of this expansion plan BPI now has overseas representation in Germany, France, United Kingdom, Switzerland, Luxembourg, Canada, United States of America, Venezuela and South Africa.

These Representative Offices are premises specially directed at Portuguese communities, where BPI Customers have access to a wide range of the Bank's products and services, namely, savings, investment and credit solutions.

ANGOLA

In Angola, BFA continued in 2008 to expand its physical distribution network (whose number of units has trebled in five years) with the opening since the end of last year of a further 14 branches, one investment centre and two corporate centres.

At 31 December 2008, BFA had a network of 99 branches (of which 56 are in Luanda and 43 in the provinces), five investment centres and nine corporate centres.

BFA's branch network is the largest in the Angolan market and its enlargement forms part of Banco de Fomento Angola's ambitious expansion plan, which involves the opening of branches, a significant increase in the workforce, the introduction of innovative products and services into the market and a segmented approach to the Angolan market.

Investment centre.


Banco de Fomento Angola's branch.

The BPI Brand

In 2008 BPI confirmed its position as the best bank in Portugal, as gauged from a very diversified array of distinctions in the principal areas of financial enterprise. The Bank maintained for the third consecutive year the highest Customer satisfaction indices out of the five largest financial institutions operating in the Portuguese market, as well as the market's best efficiency level in terms of advertising expenditure.

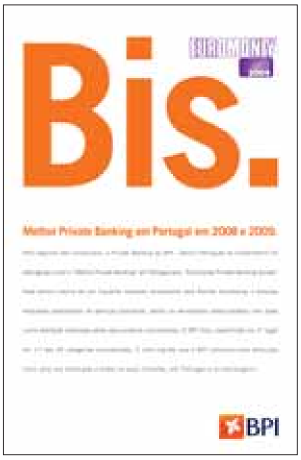
On the other hand, we saw the confirmation and greater reorientation of investment and communication policy targeted at strengthening the direct relationship with Customers at the expense of advertising expenditure on the high visibility media.

Reputation and recognition

BPI's performance was recognised publicly by way of virtually all the distinctions bestowed in Portugal in the past three years to financial institutions by independent national and international entities in all major areas of financial activity, in a total of 32 awards, amongst which we highlight the following:

- for the third year running, BPI was judged the "Best Big Bank in Portugal", based on a battery of technical performance indicators evaluated with the ambit of the "Banking and Insurance" survey conducted by Deloitte on behalf of the Exame business magazine;
- BPI's Private Banking was honoured for the second consecutive year as the "Best Private Banking" in Portugal by "Euromoney Private Banking Survey". This prize is the result of a survey conducted by the magazine Euromoney of a number of firms offering banking services, with the winners being selected based on an assessment made by their peer competitors. BPI was ranked in first place in 17 of the 29 categories considered;
- BPI Gestão de Activos was elected for the second year running the "Best Global National Management Company", in the 2008 edition of the Morningstar-Diário Económico awards for the best unit trust funds. It was also rated "Best National Fixed-Rate Management Company";
- as part of the same selection, the unit trust funds BPI Reestruturações, BPI Taxa Fixa and BPI Liquidez were the winners in the categories "Variable Income, Global-National Funds", "Fixed Income, National Euro Bond Funds" and "National Dynamic Euro Money Funds", respectively;
- for the fourth time out of six editions, BPI was rated as the best Portuguese equities research house in the Investor Relations Awards, organised by Deloitte / Semanário Económico. BPI's analyst in charge of the small caps research coverage was voted the best Portuguese analyst in the same edition, and BPI's Annual Report and Accounts, voted the best for the eleventh time in twenty-one editions;

No. 1 in the Banking System in Portugal.



Best Private Banking in Portugal in 2008 and 2009.

No. 1 in the Unit Trust Funds Management.

No. 1 in Customer Satisfaction.

32 first places awarded by independent entities.

- the open-end Pension Fund BPI Segurança was honoured as the "Best Pension Fund in Portugal" in the category of awards by country by the magazine Investment & Pensions Europe, one of the sector's most prestigious European magazines.

In the edition published in 2009 of the survey "Trusted Brands" ("Marcas de Confiança") carried out annually by the Reader's Digest Selections, BPI attained third place in the rankings of the most trusted banking brands, having slipped one position when compared with the 2008 edition.

Principal attributes

BPI was classified as the "Best Bank in Customer Satisfaction" according to the ECSI Portugal – National Index of Customer Satisfaction. This index, based on a common European methodology, assesses the quality of the goods and services available on the national market from the standpoint of 7 aspects: image, Customer expectations, perceived quality, perceived value (price / quality relationship), satisfaction, loyalty and complaints. The Bank has always been in first place amongst the five biggest Portuguese banks since the survey was first realised five years ago, but achieved absolute leadership for the first time in 2008. This position is confirmed by the base study of the financial system (BASEF), published by Marktest, in which BPI has always maintained first position amongst the Portuguese market's five largest institutions in this domain.

According to BASEF, BPI occupies one of the 3 leading positions in the ranking of 53% of the image and satisfaction indicators; amongst the Customers who regard it as their main bank, it maintains 1st position in the attributes Total Satisfaction, Attendance, Quality of Products, Best Bank, Elected Bank and Share of Abandonment.

The same survey also reveals that BPI occupies third place amongst the Portuguese financial system's 5 largest banks in the attributes Attendance, Information and Efficiency, and fourth in Trust, Solidity, Best Bank, Elected Bank and Top of Mind, having registered in the last category a climb of one position *vis-à-vis* the previous edition.

In the analysis of these results, it should be noted that the BASEF survey is prepared based on perceptions, influenced by direct experience and by the volume of advertising expenditure. In this respect, the results presented become even more expressive when one considers that BPI's investment in 2008 represented a mere 2.3% of the total expenditure of the 5 largest banking brands and a 91% decrease when compared with 2006.

Investment and communication policy

The financial sector registered a 19% decrease in advertising expenditure, declining from 3rd to 6th position in the group comprising all the sectors of activities considered.

BPI occupied 13th place in the ranking of the financial sector's adspend, with a share of 1%, down 74% on the previous year. BPI was in fact absent from the Television, Outdoor and Radio platforms during 2008.

For the 2nd consecutive year, the Bank achieved the best advertising-expenditure efficiency ratio for the financial sector, needing to invest less than half of that spent by the 2nd ranked in order to obtain each unit of advertising recollection.

The cutback in the Bank's advertising expenditure was accompanied by a reorientation of the communication policy, in progress since 2007, which has concentrated on strengthening the quality of the service provided and the creation of major promotional offers for individual and corporate Customers.

In this domain, the following merit special mention:

- Dynamic promotion of large-scale sponsorship through the creation of multiple initiatives with Customers and publicity campaigns for promoting bank products. Examples include the association of Cirque du Soleil with Home Loan Transfers, Motor Car Insurance and Finance, and the linking of singer Tony Carreira to the emigrants' welcoming campaign;

BPI Mortgage Loans.

BPI Small Businesses.

BPI Emigrant solutions.

- the renewal of support for the most important institutions of Portuguese culture: patron of the Museum of Contemporary Art of the Fundação de Serralves, of the Casa da Música and of the Great Orchestras of the Fundação Calouste Gulbenkian. This theme is dealt with in greater detail in a separate chapter of this report devoted to social responsibility;

- the reinforced investment in the Internet, with special focus on Google as a channel for generating banking business;

- the commitment to the creation of partnerships with key brands in several business areas;

- the launching of bpiexpressoimobiliario.pt, which resulted from the merging of the BPI's and the Expresso newspaper's real-estate web sites, giving origin to the country's most comprehensive property web site.

Personal Loans – Prestige products.

Car Finance – "What is your style?".

Salary account – "12.5% discount in fuel".

The country's biggest real estate website is born.

Social responsibility

BPI interprets its corporate responsibility as being the set of duties and obligations the Institution is bound by in relation to the Community in which it is integrated and to the specific interest groups that depend on its activity: Customers, Shareholders, Employees and Investors, represented in the capital market where the share is subject to permanent scrutiny.

From this perspective, the exercise of corporate social responsibility assumes multiple dimensions of quite contrasting natures which from the outset entail compliance with the Law and applicable regulations, the observance of specific conduct rules, the corporate governance policy and its execution, the relationship with Investors, the promotion of Quality Service and the policy of human resources advancement, as well as the support for initiatives within Society in fields such as Health, Solidarity, Education and Culture.

Governance

Since its inception BPI has pursued a set of practices and guiding principles, the application of which ensures a diligent, effective and balanced management of the interests of all its Shareholders and other stakeholders.

Some of the structural pillars of BPI's governance policy are the creation of value as management's overriding objective, the adoption of best market practices in terms of communication and the dissemination of information, the independence of executive management *vis-à-vis* any Shareholder or specific interest groups, and the commitment to stringent standards of ethical and professional conduct. BPI's governance policy is described in much greater detail in the annual corporate governance report which BPI has published since 2000 when such practice was not yet compulsory for quoted companies in Portugal.

Indeed, the Bank has adopted – in the majority of cases, ahead of time – the corporate governance recommendations issued by the CMVM, while simultaneously keeping abreast of the latest pronouncements in this domain by the European Commission, the OECD and other national and international bodies.

Investor relations

BPI attributes great importance to keeping a frank and transparent relationship with shareholders, investors, financial analysts, the authorities and other capital market players.

Consequently and long before it was already common practice amongst companies listed on the stock exchange, BPI created in 1993 a structure dedicated exclusively to this end – the Investor Relations Division which reports directly to the Executive Committee of the Board of Directors and to the Chairman of the Board of Directors.

The dissemination of accurate, timely, regular, clear and unbiased information that is relevant for assessing its shares listed on the stock market constitutes one of BPI's primary concerns.

Comprehensive information about investor relations activity during 2008 is provided in the BPI Group's Corporate Governance Report.

Service quality

The quality of service provided to Customers represented one of the main strategic priorities and one of the BPI brand's most outstanding attributes.

No. 1 in Customer Satisfaction.

In confirming the importance attributed to the quality policy and the adequateness of the measures which have been adopted in this domain, special mention is made of the fact that in 2008 BPI was rated by two independent benchmark surveys covering this subject the best Bank in Quality of Service: 1st place in the Ranking of Banking Satisfaction (ECSI 2007 – National Index of Customer Satisfaction and 1st place amongst the 5 largest banks in Total Satisfaction,

Satisfaction with Attendance and Satisfaction with Products (BASEF Banca 2008).

BPI has pursued a policy strongly centred on the quality of Customer attendance and the improvement of Central Services, as a form of asserting a differentiated service culture valued by the market.

As part of the drive to enhance attendance skills, 2008 saw the launch of an e-learning course entitled "Quality in attendance", the distribution to all Employees of the brochure "Quality of attendance at key moments" and the added importance accorded to the Mystery Customer instrument.

On the question of Quality of Service of the Central Units, we highlight the increased use of the instrument "Quality of Service at the Central Units Index" in the periodic assessment of the level of satisfaction of Employees attached to the commercial network with the service provided by the central structures, as well as the review and full publication of the service levels for the main commercial processes of the Individuals and Small Businesses Network.

Advancement of human resources

During the year, roughly 79% of the Employees deployed in operations in Portugal participated in in-house and external training courses. Each Employee received on average 30.8 training hours. The investment in training as a percentage of payroll costs recorded an increase compared with 2007, being situated at 1.6%. In this group is included assistance given to 93 Employees attending post-graduate courses.

In Angola in 2008, BFA stepped up training quite significantly when compared to 2007. Priorities entailed improving the technical and attendance skills of the most junior tiers of the commercial teams, reinforcing the management and leadership competencies of managerial staff, increasing internal training periods and the implementation of long-duration practical training secondments in Portugal for personnel deployed in the specialist technical areas.

In 2008 close to 151 classroom-type training sessions were held, which corresponded to more than 1 800 training hours, of which 315 were devoted to IFBA – Instituto de Formação Bancária Angolano (Angolan Bank Training Institute).

51 practical training assignments were held in Luanda for new Employees and 6 at Banco BPI in Portugal for Employees from specialist areas lasting between 6 and 12 months.

Sponsorship

BPI continued to support in 2008 a number of projects and initiatives promoted by prestigious institutions in areas as diverse as Health, **Social Solidarity**, **Education**, **Research** and **Culture**. These initiatives took place and made a difference in countries where the Bank is present, namely in Portugal, Angola and Mozambique.

BFA – Banco de Fomento Angola continued to support important activities in numerous fields through its Social Fund. This Fund was created in 2005, year in which it was decided to allocate 5% of annual net profit to corporate social responsibility initiatives for a period of five years. At the end of 2008, total contributions to the Fund stood at 10.4 M.

In Mozambique, BCI intensified support for a variety of initiatives in the education, cultural, health and social solidarity fields.

Health and Social Solidarity BPI continued during the course of 2008 to associate itself with institutions involved in the **Health** and **Solidarity** areas, in particular, its special interest in the protection of infants and youth at risk.

In the **infantile protection** domain, support was given to the MSV – Movimento ao Serviço da Vida (Life Service Movement) – by way of the partnership within the scope of the "Swatch Perfect World" project.

This Project contributed to the construction of the Casa das Cores, a temporary shelter centre for children and teenagers at risk, and which is already functioning.

Retirement Savings Plans – "A future for you and for them".

Mention is also made of the support given to the Ajuda de Berço, Operação Nariz Vermelho, Associação Raríssimas and to the Instituto de Surdos-Mudos da Imaculada Conceição. As is the case of the Casa das Cores, these four institutions were the recipients of a donation as part of the social solidarity campaign which the Bank has promoted every year at Christmas time.

Raríssimas – Associação de Deficiências Mentais e Raras (association for children with mental and rare handicaps) – also has the collaboration of the Project Finance Division, which offers a regular financial consultancy and management service, as well as support for the conception and development of several initiatives and projects launched by this institution. At this moment, the major project envisages the construction of the Casa dos Marcos, an infrastructure which will permanently accommodate around 60 Portuguese citizens infected with rare diseases, besides offering external consultations as part of a unique initiative in our country.

Also meriting reference by virtue of the ongoing support to these institutions are the Associação Portuguesa para os Direitos dos Menores e da Família (association for minors' and family rights), CADIn – Centro de Apoio ao Desenvolvimento Infantil (child development centre), Novo Futuro – Associação de Lares para Crianças e Jovens (home for children and adolescents), Liga dos Amigos das Crianças do Hospital Maria Pia and Children's International Summer Villages.

In the **Solidarity** arena, other major initiatives include aid given to Pro Dignitate – Fundação de Direitos Humanos (human rights), Paróquia de São João Baptista da Foz do Douro, Centro Social Paroquial do Santíssimo Sacramento, Comunidade Vida e Paz, Centro Comunitário São Cirilo, Casa dos Pobres de Coimbra (shelter for the poor), Igreja Paroquial de São Nicolau, REAPN – Rede Europeia Anti-Pobreza (anti-poverty) and Leigos para o Desenvolvimento.

In Angola, on the day of the opening of the 100th branch and the 14th anniversary of the Bank's presence in that country, BFA offered four generators to the Medical Centres of Cariango, Vila da Mata, Progresso and Paz, in the Luanda province.

Also noteworthy as concerns Angola was the gift of two vehicles to the Catholic Congregation of Sagrado Coração de Jesus in the city of Lubango in Huíla province. These Sisters give assistance to the Bula Matady Medical Centre, in the obstetrics ward. A vehicle was also donated to Kimbo Liombembwa for transporting children. This institution has as its mission improving living conditions for under-privileged children, affording them greater access to education and health.

In Mozambique, BCI continued to assist the Casa do Gaiato, the Republic of Mozambique Police Welfare Services, the Associação Rural de Ajuda Mútua, the Associação Nacional para a Educação e Reabilitação de Cidadãos Inadaptados and the Associação Moçambicana para Promoção e Desenvolvimento da Mulher. It also made its contribution to the Associação Mahlahle which cares for orphaned children in the Massinga district and helped in the organisation of the youth football tournament 'Locomotiva da Esperança' (Locomotive of Hope), promoted by Clube Ferroviário de Maputo.

In the **Health** area, it is worth noting the support given to the Portuguese Red Cross, Associação Portuguesa de Paralisia Cerebral (cerebral palsy), Associação dos Amigos do Hospital de Santa Maria, CEDEMA – Associação de Pais e Amigos dos Deficientes Mentais Adultos (support group for mentally-handicapped adults), Associação Portuguesa de Osteoporose, Abraço – Associação de Apoio a Pessoas com VIH/Sida (AIDs support group), Liga Portuguesa Contra o Cancro (anti-cancer league), ATT – Associação de Tratamento de Toxicodependências (treatment of drug addiction), Associação Portuguesa de Apoio à Mulher com Cancro da Mama (breast cancer support group), APPDA – Associação Portuguesa para as Perturbações do Desenvolvimento e Autismo (child development problems and autism) and Caritas Portuguesa.

In Angola, BFA supported the 'Quality of Life' Project whose mission is the combat against hunger and under-nutrition, through the adoption of essential family practices covering nutrition. This project, which took place amongst various communities, was co-promoted by KPMG, ONG Criskari and UNICEF, and counted with the collaboration of the Ministry for the Family, Promotion of Women and the Ministry of Health.

Through BCI, the Bank supported in 2008 the Associação Médica de Moçambique (Mozambican Medical Association) and contributed to the completion of the building work at the Paediatrics ward of the Hospital Central de Nampula. Also noteworthy was the support given for the staging of the Fórum da Sociedade Civil para Questões de Saúde Pública of the Portuguese speaking countries (public health forum) in partnership with Mr. Jorge Sampaio (former president of the Portuguese Republic).

Education, Research and Innovation In 2008, in the field of **Education**, the highlights included the support provided, as patron, to The Lisbon MBA, launched with the object of creating in Portugal a world-renowned MBA – Master in Business Administration – programme. The Lisbon MBA is the product of a partnership between three top-flight institutions dedicated to teaching the economic and business sciences: Universidade Nova de Lisboa, Universidade Católica Portuguesa and the MIT Sloan School of Management, in Boston. The Lisbon MBA curriculum is focused on the development of management skills and inter-personal competencies, and will offer its students lectures at the MIT campus during the summer period, as well as professional training secondments at reputable companies.

At the end of 2008, BPI had protocols in place with a total of 27 institutions of higher education. Of particular note are the long-term protocols with the Instituto Superior Técnico (IST), the Sciences and Technology Faculty and the Law Faculty of the Universidade de Coimbra and the Fine Arts Faculty of the Universidade de Lisboa. Certain Student Associations, such as that of the IST, Lisbon Medical Faculty and the Instituto de Ciências Biomédicas Abel Salazar, in Oporto, have also forged long-term partnerships with the Bank.

In 2008, BPI formed a partnership for three years with the Escola de Tecnologias Navais da Armada (ETNA) of the Portuguese Navy which contemplates support for training, namely, the funding of innovative projects for the Sergeants Course run by the Propulsion and Energy Department.

Also worthy of mention is the awarding of prizes to the best students of the Universidade de Lisboa (Medicine and Fine Arts), Universidade do Algarve, Universidade de Aveiro (Economics and Engineering), Universidade da Beira Interior, Universidade Católica Portuguesa (Master in Economic and Business Sciences), Universidade de Coimbra (Sciences, Technology and Law), Instituto de Ciências Biomédicas Abel Salazar and Polytechnic Institutes of Leiria and Tomar.

In Angola, the main focus in the Education field is on the support given since 2006 to the Doctoral and Post-graduate courses of the Law Faculty of the Universidade Agostinho Neto.

For its part, in Mozambique, BCI renewed its backing for the Escola Nacional de Artes Visuais and awarded cash prizes and remunerated practical training assignments to the best students of the Universities Eduardo Mondlane (Management Computer Engineering and Law), Polytechnic (Business administration, Legal Sciences and IT Sciences) and Instituto Superior Politécnico de Manica (Agronomy and Agrarian Management).

In the realm of **Research**, we refer to the continued support to IPATIMUP – Instituto de Patologia e Imunologia Molecular of the Universidade do Porto. This institution, backed in a systematic manner by BPI, carries out work of enormous merit in the field of scientific research in the oncology and genetics areas.

It is worth noting the inauguration in 2008 of the Laboratório de Óptica Avançada and Fotónica (advanced optics), the Laboratório Didáctico de Engenharia Mecânica (mechanical engineering), the Laboratório de Microbiologia e Biotecnologia Molecular (microbiology and molecular biotechnology), the Laboratório de Comunicação e Telemática (communication and telematics) and the Laboratório de Sistemas Digitais (digital systems). These laboratories were fully subsidised by BPI and result from a long-term partnership established with the Faculty of Sciences and Technology of the Universidade de Coimbra.

Also deserving mention is the continued collaboration with the CIM – Centro Internacional de Matemática (international mathematics centre) of the Universidade de Coimbra.

Innovation had as its main initiative, for the second consecutive year, the holding in partnership with Optimus and the Universidade Nova de Lisboa, of START – Prémio Nacional de Empreendedorismo (National Entrepreneurship Prize). This award has as its primary objectives stimulating entrepreneurship and innovation, involving in a coordinated manner entrepreneurs, researchers, the business community and investors, and to reward and disseminate innovative ideas for creating companies. The winning project, from more than 500 candidatures, was WeAdapt which has as its mission making available online inclusive products for handicapped persons. By demonstrating the best quality combination of the management team, international-scale capability and technological innovation and business model, WeAdapt received a prize of 50 thousand euro to be incorporated in the new company's share capital.

Start – National Entrepreneurship Prize – "The best prize for the best ideas".

In addition, we refer to the support given by BPI to the 1st edition of the National Prize for Creative Industries, organised by Unicer and Fundação de Serralves, with the goal of promoting, supporting, accompanying and assisting in the implementation of projects which are innovative, have economic and financial feasibility, create new skilled work posts and act as a catalyst for Portuguese intellectual output within the global market context. In this manner, we aim to contribute to increasing the number of registrations of copyrights, industrial property rights, as well as trademarks and patents. We highlight once again the support given to the APGEI – Associação Portuguesa de Gestão e Engenharia Industrial (Portuguese Association of Industrial Management and Engineering).

Culture BPI continued to contribute towards a number of institutions and initiatives linked to art and music which fall under its cultural patronage policy.

In the realm of the **Arts**, BPI maintains the status of patron of the Serralves Museum and sponsored the exhibition dedicated to the centenary of the film-maker Manoel de Oliveira. It published the book "A razão das coisas" of the painter Júlio Pomar, with photographs by Gérard Castello-Lopes and José M. Rodrigues. The launch was backed by a special exhibition presented at the Casa de Serralves.

Manoel de Oliveira – Serralves Museum (exhibition sponsored by BPI).

Still on the publishing front, BPI published in conjunction with the Fundação Calouste Gulbenkian the second and last volume of the "Catalogue Raisonée" by Amadeo de Souza-Cardoso, which completes the publications dedicated to this painter's works and life, initiated in 2006.

BPI is since last year the sponsor of the Elvas Museum of Contemporary Art which has already asserted itself as a leading reference amongst national museums and whose number of visitors has been climbing year after year.

In 2008, BPI concluded a patronage accord with the Fundação Batalha de Aljubarrota, constituted with the goal of enhancing the value of, dignifying and restoring this battlefield and its surroundings.

Also deserving mention under the cultural patronage heading are the support given to the Caramulo Museum, the Viriato Theatre in Viseu, and to the Foundations Museu do Douro and Eça de Queiroz, Eugénio de Andrade, Júlio de Resende, Luís Miguel Nava, to the Cooperativa Árvore and to the National Culture Centre.

BCI continued its activity aimed at contributing to the editing and publication of literary works of recognised interest, with special mention of ‘Moçambique: Identidades, Colonialismo e Libertação’ by the author José Luís de Oliveira Cabaço, ‘Arquitectura de Moçambique’ by MaisImagem and the book by the plastic artist Chica Sales.

“We give music to Porto” (BPI, patron of Casa da Música).

Turning the spotlight on **Music**, BPI continues to be the principal patron of the Casa da Música, the first building built in Portugal exclusively devoted to this art form. The Casa da Música is one of our country’s major cultural institutions, with an innovative and high quality annual agenda which includes large-scale international productions to projects of a more experimental nature.

Also worthy of mention is the cycle of concerts “Great World Orchestras’, staged in partnership with the Fundação Calouste Gulbenkian, which this season completes two decades of existence that have always been marked by the superior level of the musical programming.

In Mozambique, BCI gave continuity to support for Top Ngoma Moçambique and to the Maputo International Music Festival.

Human resources

At 31 December 2008, the BPI Group's workforce numbered 9 498. At the end of 2008 there was an increase of 83 people (+1.1%) deployed in domestic operations, and 70 people (+4.6%) in international operations in Angola.

Banco BPI staff complement
Distribution by geographical and business area in 2008

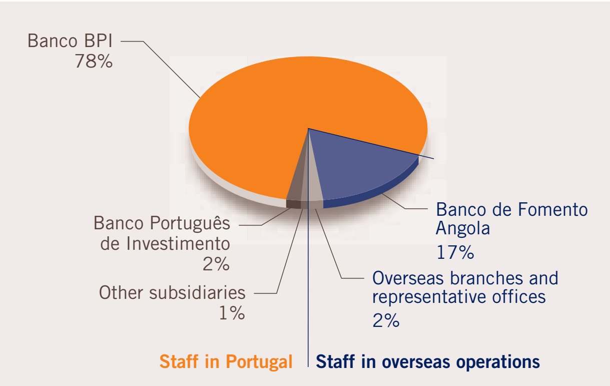


Chart 1

BPI Group staff complement

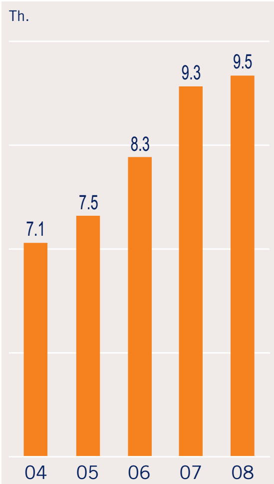


Chart 2

Distribution network

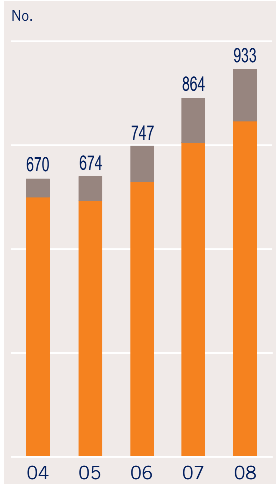


Chart 3

- Overseas branches: Angola and France.
- In Portugal: retail branches, investment centres, housing shops, automatic branches and corporate centres.

BPI Group Employees

	Year-end figures			Year-average figures		
	2007	**2008**	**Δ%**	**2007**	**2008**	**Δ%**
Domestic activity						
Banco BPI	7 356	7 410	0.7%	7 010	7 419	5.8%
Banco Português de Investimento	145	163	12.4%	137	153	11.7%
Other subsidiary companies	100	108	8.0%	94	102	8.5%
Subtotal – activity in Portugal[1]	**7 601**	**7 681**	**1.1%**	**7 241**	**7 674**	**6.0%**
Overseas branches and representative offices	216	219	1.4%	197	226	14.7%
Subtotal – domestic activity	**7 817**	**7 900**	**1.1%**	**7 438**	**7 900**	**6.2%**
International activity						
Banco de Fomento Angola	1 528	1 598	4.6%	1 375	1 557	13.2%
Subtotal – international activity	**1 528**	**1 598**	**4.6%**	**1 375**	**1 557**	**13.2%**
Total[1]	**9 345**	**9 498**	**1.6%**	**8 813**	**9 457**	**7.3%**
Of which:						
Activity in Portugal						
Fixed-term contracts	856	724	(15.4%)	705	756	7.2%
Temporary employment[2]	193	132	(31.6%)	201	177	(11.9%)
Overseas branches and representative offices						
Fixed-term contracts	25	15	(40.0%)	23	28	21.7%
Temporary employment[2]		1			1	

Table 3

1) Includes fixed-term contracts and temporary employment of persons with no binding work contracts with BPI. The number of Employees with stable binding work contracts with BPI in the activity in Portugal increased 4.2% from 6 552, in 2007, to 6 825, in 2008.
2) Temporary employment costs are recorded in the books under the caption GENERAL AND ADMINISTRATIVE OVERHEADS.

DOMESTIC ACTIVITY

Banco BPI

The overall increase in the workforce in 2008 resulted from the reinforcement of human resources deployed in the commercial function, primarily that associated with the programme concluded in 2008 directed at expanding the branch network in Portugal.

Of the total of 511 Employees admitted, 318 (62%) form part of the Commercial Network and 193 (38%) are attached to central services. Of the total 7 410 Employees working at Banco BPI at the end of 2008, 80.2% were allocated to commercial activity.

The improvement in efficiency levels at central services has permitted an absolute reduction in Employees deployed in support activities: at the end of 2008, only 19.8% were attached to the centralised support services.

Banco BPI Employees[1]
Distribution by area of activity

	2007	2008	Δ%
Retail branches network[2]	4 339	4 435	2.2%
Corporate centres[3]	438	475	8.4%
Non-traditional channels[4]	396	355	(10.4%)
Product factories[5]	652	506	(22.4%)
Marketing	161	171	6.2%
Commercial activity	**5 986**	**5 942**	**(0.7%)**
Central services	**1 370**	**1 468**	**7.2%**
Total	**7 356**	**7 410**	**0.7%**

1) Activity in Portugal. Includes temporary workers (193, in 2007 and 132, in 2008) and fixed-term contracts (856, in 2007 and 724, in 2008).
2) Branches, investment centres and respective support structure (the following divisions: loans to individuals and small businesses, retail network projects, new branches and commercial support).
3) Corporate Centres and Credit Risks Division.
4) Telephone Banking, Internet, Automated Banking and Protocol Banking.
5) Cards, mortgage loan financing (which includes 19 housing shops), personal loans and motor-car finance.

Table 4

Banco BPI Employees
Selected indicators

	2007	2008
Employees (no.)	7 356	7 410
Employees as % of the Group total staff	79%	78%
with higher education	44.1%	45.9%
with higher education (at the Individuals network)	38.2%	41.0%
Average age	39.0	39.7
Average period of service in BPI	12.4	12.9
Men	47.6%	47.1%
Women	52.4%	52.9%
Employees per branch[1]	5.9	5.7

1) Based on the number of Employees at the traditional and in-store network (3 884 in 2007 and 3 983 in 2008).

Table 5

Banco BPI staff complement

Distribution by area of activity

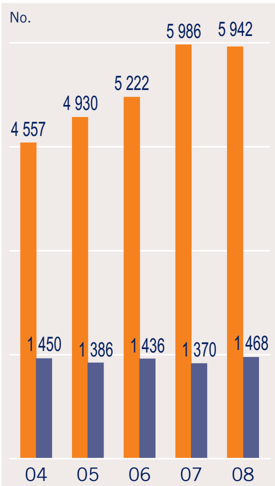


Chart 4

- Commercial activity
- Central services

Distribution by functional areas

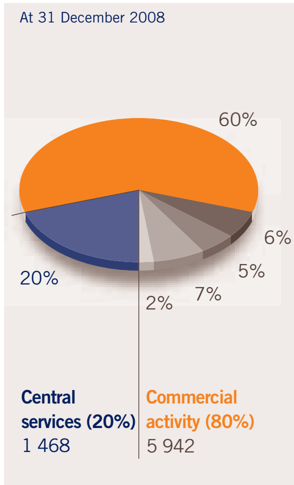


Chart 5

- Retail branches
- Corporate centres network
- Non-traditional channels
- Product factories
- Marketing
- Central services

Banco Português de Investimento

Banco Português de Investimento's activity remains centred on the Equities, Corporate Finance and Private Banking businesses, the backbone of which is a young, experienced and highly-qualified workforce with specific technical skills. Of the total of 163 Employees working at Banco Português de Investimento, 72% were university graduates.

Banco Português de Investimento Employees
Selected indicators

	2007	2008
Employees	145	163
Employees with higher education	73.8%	72.0%
Average age	37.7	36.9
Average period of service in BPI	9.7	8.5
Men	56.6%	62.6%
Women	43.4%	37.4%

Table 6

Banco Português de Investimento
Staff complement

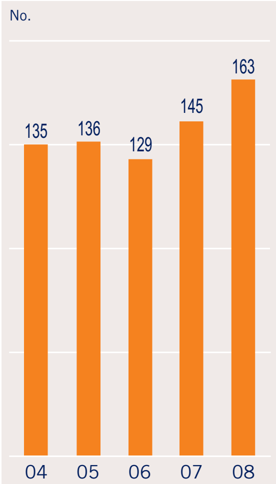


Chart 6

BANCO DE FOMENTO ANGOLA

At the end of 2008, BFA's staff headcount was 1 598, 4.6% more than in the same period of 2007, while the number of expatriate staff remained unchanged at just 15 (BPI Employees in Portugal seconded to Angola).

BFA's human resources are mainly characterised by their youth and higher academic backgrounds:

- average age of Employees is 30;
- 57% of Employees have completed or are studying for university degrees.

Banco de Fomento Angola Employees
Selected indicators

	2007	2008
Employees	1 528	1 598
Employees with higher education[1]	56%	57%
Average age	29.3	29.6
Men	51.6%	51.6%
Women	48.4%	48.4%

1) Includes attendance and graduation.

Table 7

Banco de Fomento Angola
Staff complement

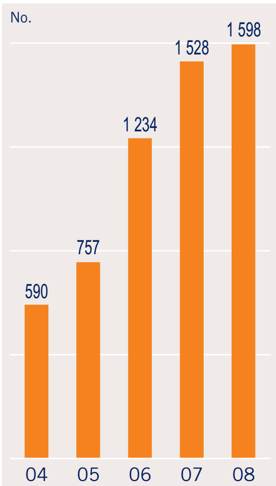


Chart 7

Distribution network

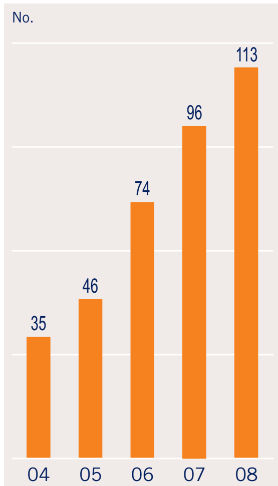


Chart 8

TRAINING

Activity in Portugal

During the year, roughly 79% of the Employees deployed in Portugal received internal and external training. The average number of training hours per Employee was 30.84. The training rate (expenditure on training as a percentage of payroll costs) was situated at 1.6% in 2008.

The training of newly-recruited Employees continued to occupy a large proportion of training work as a consequence of the opening of a new branches: the branch network accounted for some 84% of total training courses.

It is also worth mentioning the holding of training sessions for training staff, directed at those Employees more frequently responsible for conducting in-house courses.

In the context of classroom-type training sessions, there were more than 25 thousand participants, occupying a total of 118 thousand hours. 70% of Employees attended this type of training.

E-learning involved around 27 thousand participations (70% of Employees), representing a total of 69 thousand training hours.

Training – Activity in Portugal

	2007	2008
Global training		
Percentage of Employees with training	96%	79%
In-house courses	91%	76%
External courses	5%	5%
Average no. of training hours per Employee	28	31
Average duration of training (hours)	3.1	3.5
Percentage of personnel allocated to training	0.12%	0.13%
Training rate	1.8%	1.6%
Classroom training		
Percentage of Employees with training	70%	70%
In-house courses	91%	76%
Average no. of training hours per Employee	26.8	22.1
Average duration of training (hours)	4.8	4.7
Average no. of participants per session	5.6	4.8
Training rate	1.4%	1.3%
Investment in training per participant (€)	533	539
E-learning training		
Employee participation	93%	70%
Average duration of training per Employee (hours)	9.2	12.9
Investment in training per participant (€)	112	108
Support for personal advancement		
Graduates	173	163
Post-graduates	85	93

Table 8

Technology

INFORMATION SYSTEMS IN PORTUGAL

BPI's IT platform which comprises information systems and physical infrastructures, is based on a multi-channel architecture integrating web environments and transactional platforms.

Efficiency, availability and performance in Portugal
Selected indicators

	2007	2008
Central systems processing capacity (in millions of instructions per second – MIPS)	1 647	1 647
Middle range systems processing capacity (in transactions per minute – tpm)	1 127 862	1 481 960
Central and middle-range systems storage capacity (in terabytes)	30.5	42.0
PC's per Employee[1]	1.3	1.2
Employees with access to the intranet and e-mail	100%	100%
Page views on the intranet, per day (x th.)	1 700	1 800
Employees with access to the Internet	40%	40%
Availability of transaction sites	99.5%	99.5%
Page views on the Internet per day (all the BPI sites) (x th.)	1 600	2 060
Systems availability at the branches before 8.30 a.m.	99.7%	99.8%
Real time[G] in cards: from 7 a.m. till 4 a.m.	99.6%	99.6%
Response time to transactions at the branches (less than two seconds)	98.5%	98.4%
Transactions on the multi-channel platform per day (x th.)	1 280	1 360
Technological Help desk: resolution of problems in less than two hours	88%	88%

1) Including PC's without specific user and PC's dedicated to management, monitoring and testing tasks.

Table 9

Applications overview – Principal components

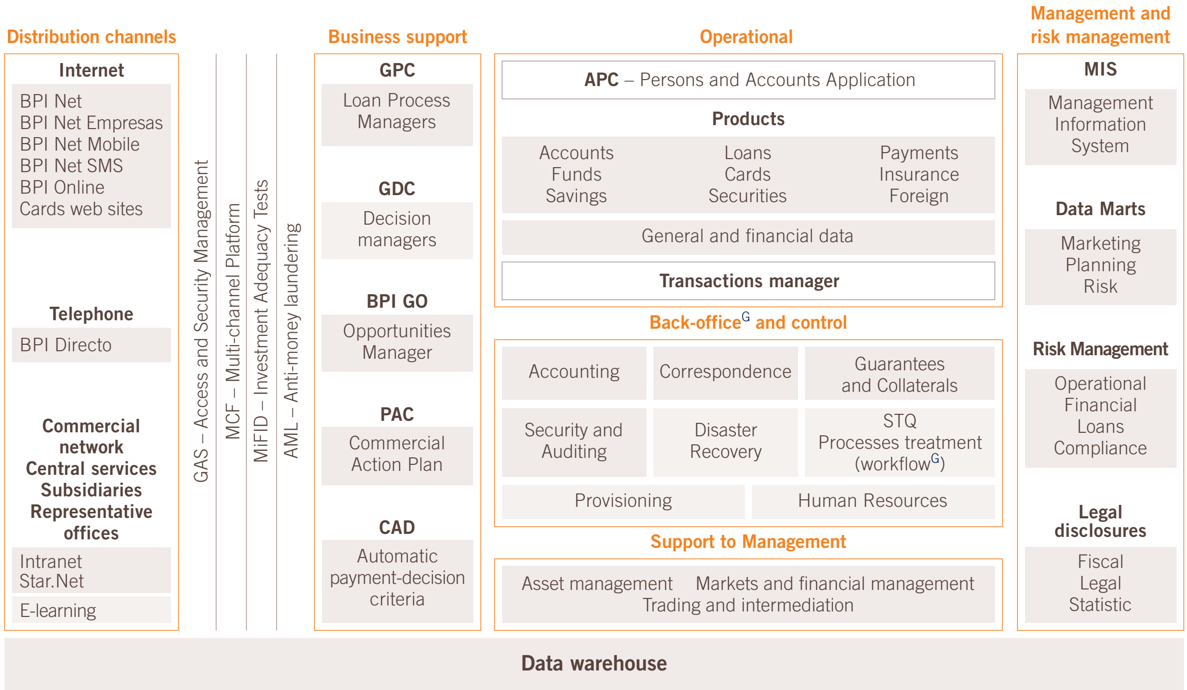


Figure 6

ACTIVITY IN 2008

In 2008 the principal focus of activity in the Information Systems area was reinforcing the Bank's technological capacity and operational efficiency.

Within the context of these facets, of particular note were a number of projects and initiatives which made significant progress during the year under review.

Decision and business support

The year saw the implementation, as part of the automation of business processes, of a new support tool for the decision-making process. This new application falls under a much broader objective aimed at the remodelling and upgrading of information systems for supporting loan-related decisions.

Besides the increase in overall efficiency and the simplification of the decision process, this tool has the advantage of permitting a complete audit of the processes and can rapidly adapt itself to the new decision rules, taking into account the high parameterisation indices incorporated in it.

Process optimisation and security

The chief security components of the Internet channels were significantly improved in the areas of intrusion detection, protection of confidentiality and prevention / resolution of incidents. In addition, it was possible to undertake the effective rationalisation of equipment and security solutions in the channels catering for interaction with Customers.

Stock exchange dealing platform

The stock exchange dealing platform was the object of technological renovation, introducing several improvements amongst which boosting capacity, the introduction of additional monitoring mechanisms which increase the ability to prevent and react to failures, and the refinement of contingency processes.

Papyrus Project (Projecto Papiro)

Banco BPI's commitment to optimising processes has in the Papyrus Project one of its most expressive exponents. In 2008, following on from work started in the previous year, the universe of branches at which the account opening process – chosen by virtue of its complexity and importance for the launch of the Papyrus project – is now digitised was enlarged, reducing to virtually zero the circulation of documents in paper form.

Efficiency

During 2008 conditions were created for the substitution of various communication supports with Customers in paper by digital equivalents. This process, initiated with the integrated statement and shortly to be extended to many other supports, permits combining efficiency gains and benefits for the Customer with a more rational utilisation of natural resources – an increasingly important aspect for the Bank in general, and for the Information Systems in particular.

Compliance and risk

As was the case in previous years, the adaptation of the Bank's systems to community and national legislation has been an overriding factor in the development of IT systems. In this arena, of particular note were the adaptations made within the scope of SEPA (Single Euro Payments Area) and of the Project for the Euro-system's new Real-Time Bulk Payments Systems, as well as the implementation of measures relating to the combat against money laundering.

In the realm of risk control, it is worth highlighting the extension of the credit-risk management tool to card and personal credit products, and which now encompasses virtually all the Bank's range of credit products. Also noteworthy are the developments made within the scope of the Bank of Portugal's new Credit Liabilities Database and the vast array of new support tools for risk evaluation that Asset Management now has it its disposal.

RESTRUCTURING AND DEVELOPMENT OF THE INFORMATION SYSTEMS INFRASTRUCTURE

Integration of corporate systems into the Datacentre

The Datacentre is the technological infrastructure installed at BPI's two processing centres with the object of simplifying the management of the application platforms, thereby raising these platforms' reliability, performance and security indices.

BPI concluded in 2008 the integration and consolidation at its Datacentre of the platforms supporting its internal (Intranet, commercial network) and external channels (institutional sites, transactional sites).

Disaster Recovery of the information systems

2008 saw work completed on the renovation and upgrading of the contingency resources for the Bank's systems. BPI thus has at its disposal better business-continuity solutions in the various existing technological infrastructures (Mainframe, Unix, iSeries and Windows) which serve as the back-up for these corporate systems. This improvement is fruit of the utilisation of new equipment and software, which in an integrated manner make possible more optimum recovery times, as well as greater consistency in the processes and tasks associated with the subject of information systems contingency and business continuity.

Technological upgrade of Banco Português de Investimento's IT platform

The renovation and upgrading of the main computer system supporting BPI-Investimento's operations were completed in 2008. This project permitted:

- the implementation of an integrated and flexible system, in line with the architectural options already in use at Banco BPI;
- the modernisation of the technology used, placing it on a par with the most recent models and versions currently available;
- the overall optimisation of processing, with significant gains in availability to internal users and Customers of the various environments supported.

INFORMATION SYSTEMS IN ANGOLA

ACTIVITY IN 2008

Information Systems' activity in 2008 was directed at four areas: business support, optimisation of processes and enhancing efficiency, risk control and security and compliance.

Business support

In order to support the Bank's organic growth and integrate the support applications for the launch of new products, priority was given to reinforcing its technological capability.

Worth referring to in this regard was the entry into production of the credit card systems in kwanzas, as well as the handling of import remittances and the management-support systems covering protocols with Customers.

Optimisation of processes and efficiency enhancement

The heightened complexity of the internal processes stemming from the sophistication of products and services led to the implementation of solutions for optimising application integration levels. Outstanding efficiency, control and performance gains were obtained in the transmission and automatic handling of data throughout the entire business process chain (as in the case of flows from and to abroad and of flows of means of payment).

The attainment of more systematic and efficacious management indicators merits special reference, as materialised in the development of an integrated architecture which permits transforming the information recorded as concerns operating systems into systems which aggregate and produce business, operational control and commercial performance indicators.

The construction of these more modern and integrated systems entailed focusing priority on the training of the technical teams, preparing them to deal with the demands of knowledge about and use of new methodologies and technologies involved.

Risk control and security

With the objective of optimising risk management, control mechanisms were integrated into the newly developed systems, at the same time as centralisation and rationalisation organisational solutions covering various operational activities were implemented.

In the field of control measures, also included are the improvements in terms of the sophistication of the Access Control to the systems' reserved areas, namely to the Data Processing Centre (DPC) and the finalisation of the installation of the Disaster Recovery physical structure and redundancy of communication routes between branches and the DPC.

Compliance

A start was made to the migration to the new Chart of Accounts for Financial Institutions, in response to the Banco Nacional de Angola's (BNA) directive, in complete synchronisation with the prescribed requirements and functionalities and the time schedule.

At the same time important adaptations were made to the applications systems in order to comply with other BNA regulatory directives, namely, those relating to the classification of loans granted by financial institutions.

Efficiency, availability and performance of BFA information systems
Selected indicators

	2007	2008
Central systems processing capacity (CPW)[1]	14 200	14 200
Storage capacity (in terabytes)	3.1	5.2
PC's per Employee	0.88	0.97
Employees with access to the e-mail	50.5%	87.3%
Employees with access to the intranet	90%	98%
Employees with access to the Internet	7.1%	8.5%
Page views on the Internet, per day (th.)	51	111
Availability of transaction sites	99%	97.5%
Transactions on the multi-channel platform per day (th.)	15.7	19.8
Active debit cards (th.)	130	170
Branches: opening before 8 a.m.[2]	98%	98%
Response time to transactions at the branches – Luanda (less than two seconds)	98%	99.6%
Response time to transactions at the branches – province (less than eight seconds)	99%	99%

1) Commercial Processing Workload (capacity of processing commercial transactions); benchmark IBM for IBM AS / 400 systems.
2) Causes external to the information systems.

Table 10

Background to operations

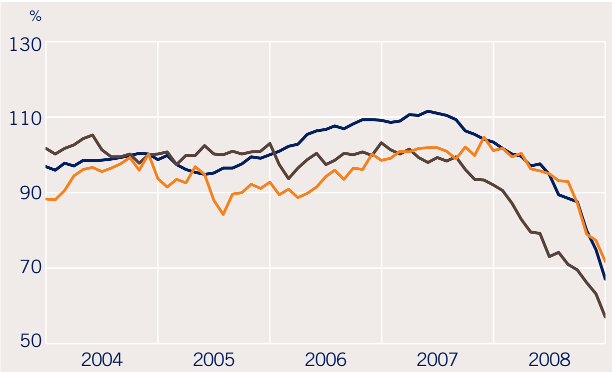
MACROECONOMIC BACKGROUND

2008 was characterised by the sharp deterioration in the global economic environment, in particular, the last quarter of the year, period in which recession in the major developed economies and the economic slowdown in the emerging countries were confirmed, triggering fears of depression and deflation. According to the International Monetary Fund (IMF), world economic growth in 2008 was probably 3.7%, which contrasts with 5.0% the previous year. The first half of the year was dominated by the intensification of the effects of the financial crisis, by the first signs of the impact on the real economy, namely in the United States of America (USA), where the real-estate market suffered quite a devastating downturn, and by inflation's acceleration engendered by the high international prices of energy and food-related products, whilst the closing months of the year revealed a synchronous and abrupt global economic crisis.

The prolongation of the credit crisis and the difficulties experienced in the implementation of support plans for the banking system in the US, as well as in other regions, affected economic agents' confidence and provoked a sudden economic slowdown. This situation was further exacerbated from September onwards with the collapse of the investment bank Lehman Brothers. In the early months of the year, the economic deceleration was felt more in the developed countries, in particular in the United States where, due to the collapse registered in the stock and housing markets and the concomitant contraction in credit to the economy, consumption and investment retreated, at the same time as exports started to show signs of reversing their ascendant trend. It will be recalled that the North American economy grew by roughly 1.4% in 2008, compared with a 2.6% expansion in 2007, while projections point to a contraction of 0.7% in 2009. The economic trends revealed in the early part of 2008 intensified over the following twelve months, progressively dragging other economies down into a recessive cycle or one of weak growth.

Europe, more specifically the euro zone, and the emerging countries – which had evidenced some resilience to the American slowdown, giving the impression that they were somewhat impervious to North America's problems – began to display significant fault lines in the latter half of the year. The rise in the oil price coupled with climbing short-term interest rates sparked off a deceleration in private consumption and investment in a period in which the labour market began to falter and the banking systems evidenced difficulties. Concomitantly, in countries such as Ireland, the United Kingdom or Spain, the property crisis intensified, dragging with it the respective economies to recession. For their part, the region's largest states, which had hitherto benefited from the favourable behaviour of international trade, above all through the strengthening of commercial ties with the developing or emerging economies, notably with China, India and Brazil, witnessed their trade flows shrink in transversal fashion throughout the global economy.

Business climate indicator



— Portugal
— Spain
— Euro zone

Chart 9

Source: Eurostat.

Although companies in the Euro area and in the US are better prepared these days to confront the crisis than in similar previous phases, above all after having undergone far-reaching restructuring at the end of the 90's, restoring their borrowing structure to a more solid basis, they will have to contend with the contraction in domestic and external demand. Globally, the Economic and Monetary Union (EMU) probably expanded 1.2% in 2008, which contrasts with the expansion of 2.6% noted in 2007 and the forecasts of -0.5% for 2009. The United Kingdom, Spain and Ireland should post even more pronounced contractions due to the necessary corrections to the excesses in the housing market. A striking case is that of Spain which, after posting growth of 3.7% in 2007, is expected to have contracted -1.2% in 2008 and could shrink even more than -1.6% in 2009.

The upward direction of inflation which dominated attentions in the first half of 2008 gave way to deflationary fears towards the end of the year. After European inflation reached a maximum of 4% and the American rate hovered at 5.6%, a downward cycle began owing to the steep decline in the international prices of oil and agricultural products, dragged lower by the fall in demand triggered by the global economic deceleration under way. Thus, at the end of the year, European and American inflation was situated at 1.6% and 0.1%, respectively, while the forecasts for 2009 point to figures of 1% in the euro zone and 0% in the USA.

Annual average inflation

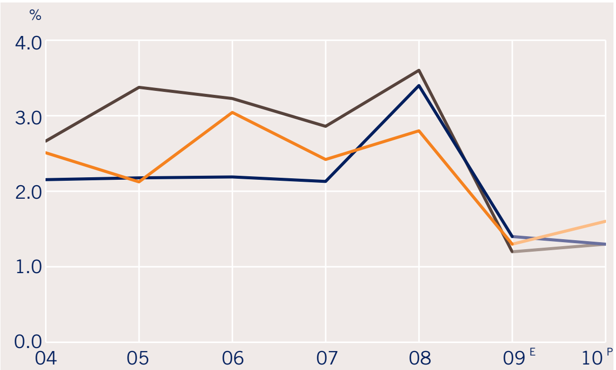


Chart 10

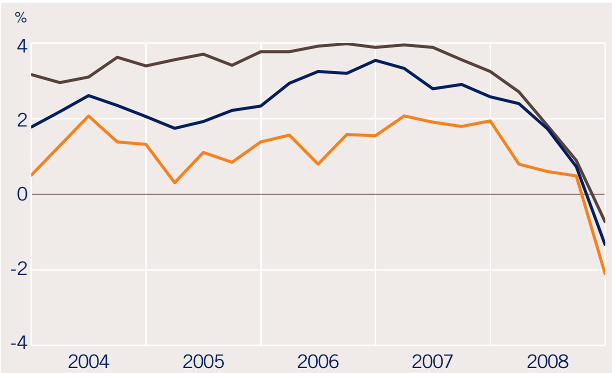
— Portugal
— Euro zone
— USA

Source: OECD, BPI.

The present economic landscape depicts marked degrees of uncertainty, while the forecasts emanating from the main international bodies were frequently revised sharply downwards due to the sudden change in the perception of the challenges faced by the economy in the short term. In this regard, it will be recalled that in the autumn half-yearly forecasts published in October, the IMF referred to the world economy growing 3% in 2009, only to lower this projection to 2.2% three weeks later following a revised outlook with respect to the ability of the emerging economies to remain immune to the global crisis. In January, the forecasts were once again modified, this time pointing towards a deep global recession (world growth of between 1-1.5%). Indeed, the likelihood of a synchronous, global, deep and prolonged economic recession has been increasing. In order to counter this probable scenario, the economic authorities from the US to China, passing through Europe and India, have been announcing major plans to stimulate demand in the quest to boost economic activity by means of resuscitating domestic demand. In this regard, vast public investment programmes, tax cuts, the extension of social protection schemes, extending the access facilities to credit by companies around the world, have all been announced. In parallel, interest rates, driven by the deceleration in inflation and by the need for money market normalisation, have been falling, underscoring the momentum in the final quarter of the year. Moreover, the current decline in the prices of oil and other commodities has tended to afford some additional cost relief to companies and households.

The Portuguese economy, which in the past five years has grown by an average 1%, once again revealed an extremely modest growth level in 2008, with special mention of the 0.9% contraction in gross domestic product (GDP) in the last quarter of the year. Hence, GDP probably expanded 0.3% in 2008 on the back of private and public consumption. Investment and exports, which have been the Portuguese economy's locomotive in the past two years, were very affected by the turmoil of the global crisis, posting rates of changes of -0.8% and 0.6%, respectively. Between the beginning and end of the year, the Bank of Portugal's economic sentiment indicator retreated expressively from 101.8 to 71.7. In this period, the related activity indicator registered a slow down from 2.1% to -0.2%. Indeed, as regards 2009, the European authorities expect the Portuguese economy to retreat 1.6% as a consequence of the contraction in investment and external demand.

GDP growth
Year-on-year rates of change at quarter-end



— Portugal
— Spain
— Euro zone

Chart 11

Source: OECD, BPI.

Despite the recent efforts to foster growth more directed at investment, the search for alternative export markets and the focus on new sectors, the Portuguese economy was and will continue to the penalised by the dependence on external demand as the catalyst for expansion. The weight of the energy bill, highly dependent on oil and the fact that households' relatively high indebtedness results above all from variable-rate financing, suggest a slight improvement in households' income and lower relative pressure on company margins in the near future. In spite of the improvement in the public accounts, the leeway for the adoption of a markedly expansionist budgetary policy remains limited. Hence, the national economy, after having posted a modest expansion of 0.3% in 2008, should contract at least 0.8% in 2009. In fact, besides the deceleration taking place in the external economies, domestic demand does not have the means to sustain activity, above all, given the confluence of adverse overriding factors, notably external indebtedness and inadequate competitiveness.

The Portuguese banking system, contrary to some European counterparts, is not exposed to the so-called toxic credit products associated with the North American housing market, as indeed the IMF acknowledges in its most recent assessment of the Portuguese economy. Moreover, contrary to Spain, Portugal is not experiencing a real-estate crisis and, although default levels are on the rise, they remain at lower levels than those registered at the similar time of previous crises and, to the extent that the overwhelming majority of loans are indexed to Euribor[G], loan repayments will decrease over the next few months whilst the ECB pursues an accommodative policy, alleviating the pressure on family budgets and corporate treasuries. However, as is the case with other European economies, the national banking system is dependent upon external savings in order to fund the expansion in domestic lending. Now, in the present environment in which the savings of the economies with surpluses are declining, domestic banks are facing mounting difficulties in raising funds to finance the expansion in lending, which in turn is manifested in the climb in funding costs. It is worth noting in this regard that the spread[G] relative to 3-month Euribor paid by national banks on ten-year loans rose from roughly 25 basis points in June 2007 to the present 100 basis points (with State guarantee). Also noteworthy is the fact that national monetary institutions have been agile and successful in their efforts to diversify their funding sources, as evidenced by the appreciable increase in bank deposit accounts, which permitted a drop in the loans / deposits ratio over the past twelve months. Meanwhile at the start of 2009, the evaluation of the quality of the Portuguese state's creditworthiness by the international credit rating agency Standard & Poor's was downgraded, falling from AA- to A+ in a concomitant movement with other European states such as Spain and Greece. This decision was based precisely on the Portuguese economy's dependence on external financing (i.e. other economies' savings) in order to satisfy its own economic growth.

In spite of the unfavourable climate, domestic lending activity in 2008 maintained significant dynamism, albeit in deceleration. Indeed, the rate of lending abated (from 11.9% in December 2007 to 10.2% in November 2008). The deceleration has been more pronounced in the individuals' segment than in the corporate sector: slowdown from 9.4% to 4.8% in the individuals' segment, while lending to non-financial companies slowed from 14.6% to 10.7%. For the first group, of special note was the strong reduction in the pace of growth in consumer loans (fell from 13.9% to 5.6%), while home loans decelerated from 8.4% to 4.6%. The ratio of non-performing loans climbed from 1.7% in December to 2.3% in November in the case of individuals, and from 1.5% to 2.4% for companies. The growth rate of deposits in the financial system accelerated in 2008, expanding 13.3% in November relative to the 8.6% noted in December 2007, above all as the result of the strong diversion of funds to time deposits.

Detailed forecasts for Portugal and the Euro zone

Growth rates in %

	2008			2009		
	Portugal		Euro Zone	Portugal		Euro Zone
	BoP[1]	EC[2]	EC[2]	BoP[1]	EC[2]	EC[2]
Private consumption	1.4	1.4	0.5	0.4	(0.2)	(0.1)
Public consumption	0.2	0.1	2.1	(0.1)	0.3	1.6
Fixed investment	(0.8)	(0.8)	0.6	(1.7)	(5.5)	(5.5)
Exports of goods and services	0.6	0.3	-	(3.6)	(3.8)	-
Imports of goods and services	2.4	2.3	-	(1.0)	(2.8)	-
GBP	**0.3**	**0.2**	**0.9**	**(0.8)**	**(1.6)**	**(1.9)**
Inflation[3]	**2.6**	**2.6**	**3.3**	**1.0**	**1.0**	**1.0**
Current balance account[4]	(9.0)	(11.8)	(0.5)	(7.9)	(9.7)	(0.7)

1) Bank of Portugal forecasts, *Economic Bulletin*, Winter 2008.
2) European Commission, Interim forecasts, January 2009.
3) Harmonised Index of Consumer Prices.
4) As percentage of GDP.

Table 11

MARKETS

Currency market

In 2008, more precisely in the last six months of the year, the trend in the euro's appreciation against the dollar which commenced in the middle of 2006 was interrupted. Indeed, after having peaked at a new high (1 euro = 1.60 US$) in April, a level which remained relatively unchanged until July, the USD / EUR exchange rate retraced to around the 1.25 mark in the fourth quarter of the year. During the first half of the year, the euro benefited from the positive outlook for the European economy and from the widening of the differential in short-term interest rates between the two economic zones. It was widely believed that Europe would be unscathed by the economic crisis afflicting the USA. While the Federal Reserve (Fed) aggressively cut its key, in Europe the European Central Bank (ECB) raised in July its key money market rate to 4.25%, justifying the decision as a measure to counteract accelerating inflation in the euro zone (which had reached a peak of 4%). Subsequently, the about-turn in the perception regarding the EMU's ability to escape recession, the consequent start of a cycle of interest rate cuts by the European monetary authority, and the timid nature of the European stimulus policies when compared with the huge programmes presented by the American administration, altered the trend in the euro's appreciation against the American dollar, forcing the USD / EUR rate to return to levels in the neighbourhood of 1.25. At the end of the year, the confirmation of the synchronous economic cycle and the approximation of short-term interest rates underpinned the strengthening of the European currency, with the USD / EUR rate again being situated at around 1.45. The interval for the USD / EUR exchange rate should remain penalised by the matching of the cycles, interest rates, economic challenges and the stabilisation policies.

The yen – which in recent years has been penalised by low domestic interest rates and which was chosen as a preferred currency for the financing of leveraged positions in assets denominated in currencies which offered high interest rates (i.e. carry trade) – experienced a reversal in this trend in 2008. As a consequence, the Japanese currency appreciated sharply against the US dollar and the euro, resulting from the unwinding of existing short positions. Despite the cut by the Bank of Japan in the benchmark rate, the risks of deflation and the contraction in Japanese GDP, the yen has maintained its strong trend *vis-à-vis* the other reserve currencies, benefiting from the country's relatively more stable banking system, little exposed to toxic credit products and underpinned by a large deposits base.

Euro exchange rates in 2008

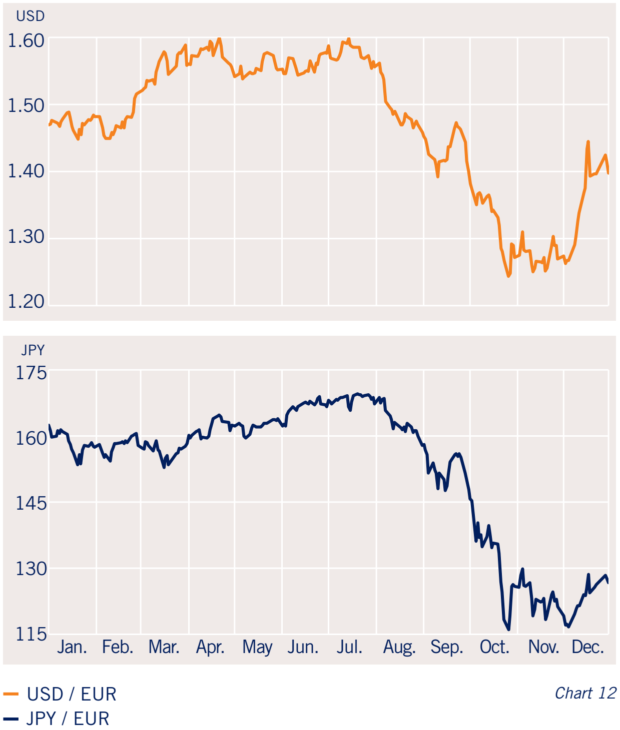


Chart 12

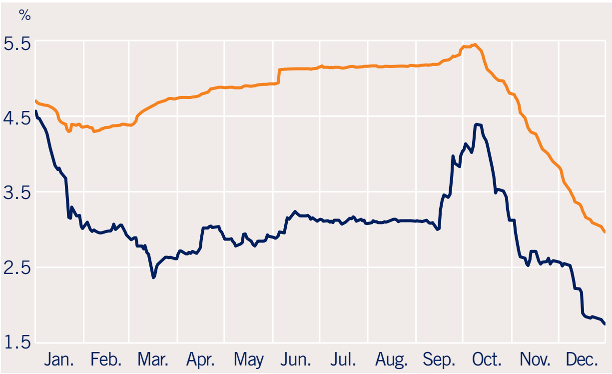
Source: ECB, Reuters.

Money market

Throughout the year, the Federal Reserve pursued an aggressive monetary policy stance, trimming the key rate from 4.25% in December 2007 to a rate interval of between 0% and 0.25%, and embarking on a period dominated by a quantitative approach to monetary policy. To the extent that interest rates approached zero and the financial institutions kept their credit channels virtually blocked, the Federal Reserve indicated its willingness to buy corporate debt, granting them credit directly in an attempt to restore the flow of credit to the economy. Interest rates on dollar money markets were slow in falling, maintaining significant differentials *vis-à-vis* the benchmark rate, which translates into a high liquidity premium, illustrating that normality has still not been re-established in this market. In reality, despite the fall in the American dollar's three-month Libor rate from 4.7% in January to 1.5% in December, the decline in the fed funds rate is lower. In addition the bankruptcy of the investment bank Lehman Brothers in September intensified the aversion to risk, justifying the steep rise in interbank market rates and the respective liquidity premium.

In the US, the economic downturn, the systemic risk in the banking system and the rupture of the credit transmission mechanism, influenced the authorities' proactive posture, whereas in Europe the ECB's primary mission – price stability – led to a postponement of interest rate cuts until October, with a 25-basis points hike being implemented inclusively in July, explained by the strong acceleration in inflation. Between October and December, the refinancing rate fell from 4.25% to 2.5%. In turn, Euribor rates witnessed a swift downward adjustment, motivated by the change in the conditions under which the ECB provides funds to banks of the Euro-system and by the movement dictated by the monetary authority's fixed-rate auctions. In fact, the three-month Euribor fell from 5.75% at the beginning of October to 2.90% at the end of December. However, even though the liquidity risk premium narrowed, the volume of operations for maturities of more than a week remained minimal and the European banks continued to deposit abnormally vast amounts with the ECB.

Six-month interest rates in 2008

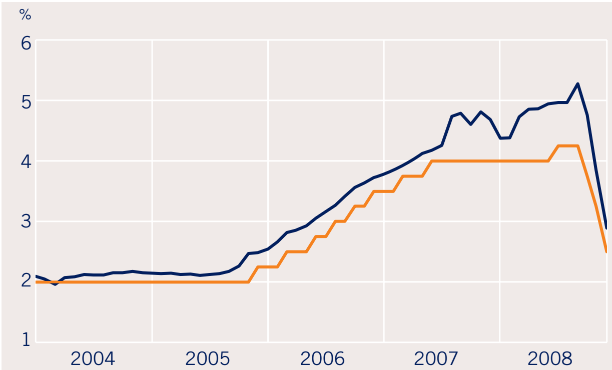


— Euribor
— Libor USD

Chart 13

Sources: BPI, Reuters.

Evolution of the refi rate and its impact on the 3 month Euribor



— Refi rate
— 3 month Euribor

Chart 14

Source: BPI, Bloomberg.

Bond market

The public debt market served as the main market of refuge for investors during the course of 2008, Expectations of strong economic contraction, the considerable aversion to risk and uncertainty about the future direction of the global economy, sparked the search for less risky assets, inducing a decline in long-term interest rates. This downward movement suffered only a brief reversal midway through the year: period in which global inflation accelerated due to the effect of the steep climb in the worldwide prices of oil and food products. At the end of the year, the confirmation of economic recession in the US and Europe and the significant cooling down noted in the emerging economies, coupled with resurging fears of deflation, pushed yields to new historical lows, leading to flatter yield curves. In the USA, interest rates on 10-year Treasuries fell from 3.95% in January to 2.10% in December. In Europe, the movement was more gradual due to the lower deflationary expectations, the ECB's greater conservatism in the conduct of monetary policy and the Federal Reserve's commitment to low yields through the possibility of resorting to the acquisition of public debt. Between January and December, the yields on 10-year German debt descended from 4.25% to 3%. In spite of the economic stimulus plans and the corresponding increased supply of public debt which will attain historical highs in 2009, long-term interest rates continued to test new lows at the beginning of the year.

One of the most evident features of 2008 entailed the widening of spreads. The interest rate differential for 10-year maturities between the US and Germany and between German public debt and the other European sovereign issuers was quite impressive, primarily as regards the second movement. Between January and December, the spread between 10-year Treasuries and Bunds moved from -31 basis points (b.p.) to -80 b.p., while the differential between Portuguese and German debt widened from 20 b.p. to 100 b.p. This premium climbed from 7 b.p. to 90 b.p. for Spain, while the differential widened from 30 b.p. to 225 b.p. for Greece and from 25 b.p. to 150 b.p. for Irish public debt, the countries most penalised by this trend.

In the miscellaneous debt market, risk aversion caused by economic uncertainty and concerns about the worsening insolvency data influenced credit spreads, which climbed to new historical highs. In the meantime, the primary (new issues) market remained virtually dormant.

Ten-year interest rates in 2008

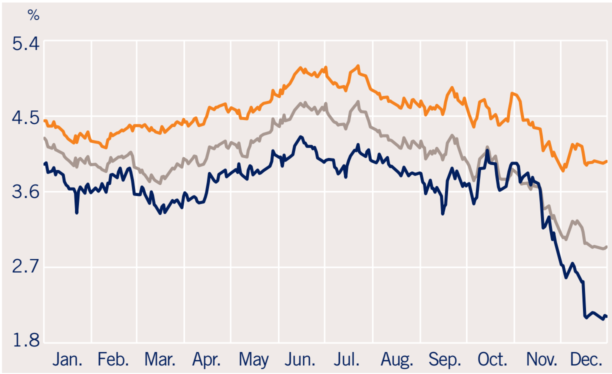


Chart 15

- Portugal (EUR)
- Germany (EUR)
- USA (USD)

Sources: BPI, Reuters.

Corporate credit risk premiums
Euro-denominated issues (2004-2008)

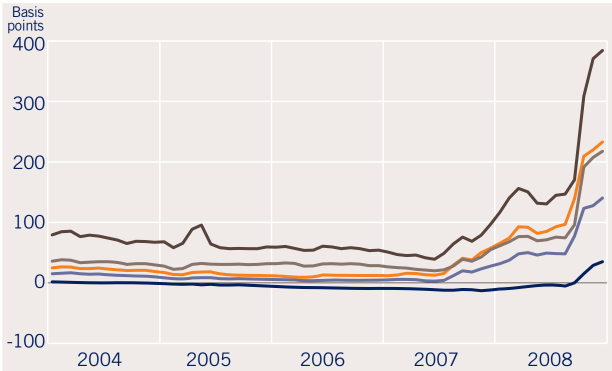


Chart 16

- AAA
- AA
- A
- BBB
- Financials

Sources: JPM, Bloomberg.

Equities market

Global overview

The year 2008 was marked by the world equity markets' extremely negative performance, with the leading stock indices posting appreciable losses. The Eurostoxx 600, the index which permits monitoring the behaviour of Europe's major companies, closed the year down 45%, much in line with the decline registered by the S&P500, the American market's principal index, whose trend was similar to the falls observed in the main European markets. In 2008, the emerging markets[G] also turned in negative performances, as borne out by the principal indices which ended the year with losses of more than 50%.

This negative behaviour was the outcome of the financial crisis initiated by the closure of the investment bank Bear Sterns' two home-mortgage funds in the summer of 2007, that triggered a profound mortgage crisis in the USA which, in line with the market's worst fears, spread to the other sectors of the economy, freezing over the financial markets and imposing strong restrictions on the availability of capital.

With the collapse of Lehman Brothers in September 2008, what was initially a crisis of consequences contained in the financial sector, ended up contaminating the entire economy, causing one of the most severe global economic slowdowns of the past few decades. In this period, the market attained extremely high volatility[G] levels, outstripping any historical series, provoking major market imbalances and, consequently, a series of forced sales of leveraged positions which in turn fuelled an even greater sense of panic amongst investors.

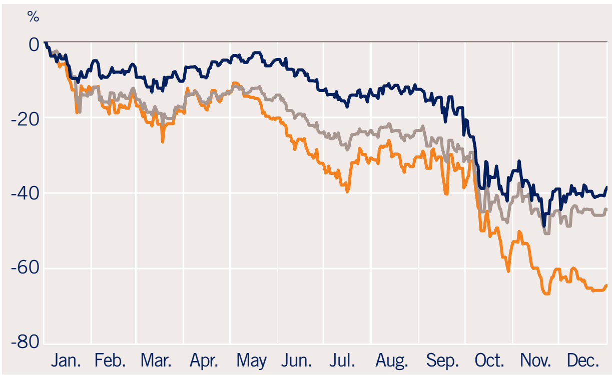
Even the so-called alternative investors (hedge funds), which can benefit from falling markets, posted on average clearly negative returns.

The response on the part of the world's leading monetary authorities was meanwhile swift, making it possible for the various governments to become involved in the creation of recovery plans for their economies. These programmes contributed to giving some encouragement to the equity markets which after sharp retreats at the beginning of the fourth quarter of 2008, managed to contain their losses from then onwards.

European sectorial trend

As regards the European market's sectorial trend, the banking sector index was the most penalised, posting a plunge of more than 60% and reflecting the pressing need for the sector's restructuring which investors foresaw and which should translate itself into a scenario of more moderate future growth. The basic resources sector, which had been the only positive performer in the first half of 2008, registered an extremely negative performance in the latter half of the year, closing the year with a retreat of more than 60%. In another performance spectrum, the health sector – normally regarded as the most defensive – turned in the best performance, even so posting a fall of 18%.

DJ Europe Stoxx Banks, DJ Euro Stoxx and S&P500 indexes' evolution in 2008



— DJ Europe Stoxx Banks
— DJ Euro Stoxx
— S&P500

Chart 17

Source: Bloomberg.

Portugal

The Portuguese stock market, suffering from its peripheral status, registered in 2008 a loss greater than that of the European market, terminating the year with a decline of more than 50%. In fact, none of the companies comprising the PSI20 presented a positive trend in 2008, with the average performance of the 10 companies with the best returns having retreated 34%. In terms of sectors, banks were the worst performers by being strongly penalised, as borne out by the average of the share prices of the 3 biggest Portuguese banks which shed 62%.

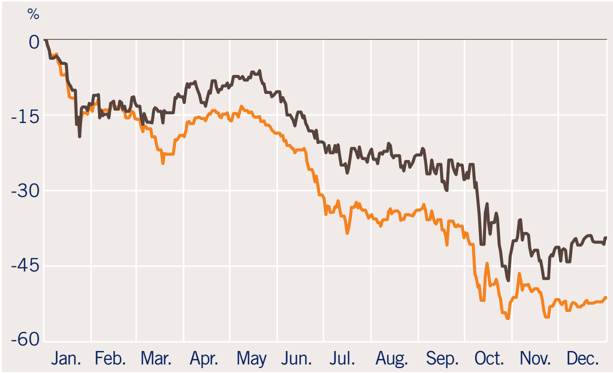
Spain

The Spanish market also turned in a negative behaviour, with the key IBEX35 index shedding 39%. In terms of sectors, as was the case in Portugal, the banking sector was heavily penalised (-42%), although it did benefit not only from the geographical dispersion of its two largest banks, Santander and BBVA, but also from the prudential requirements imposed by the Bank of Spain during the recent past period of robust growth. Also meriting reference is the construction sector which was also strongly penalised in what constitutes the end of the Spanish economic cycle's growth based on the real-estate sector.

Primary market

Turning to the Iberian Initial Public Offerings (IPO) market, this was practically paralysed during 2008, with the market only witnessing the arrival of EDP Renováveis still in the first half of the year. The unfavourable environment shrouding the world's stock markets obliged those companies interested in opening up their capital to postpone such operations to a future occasion when the economic conditions are more benign.

PSI-20 and IBEX 35 indexes' evolution in 2008



— PSI-20
— IBEX 35

Chart 18

Source: Bloomberg.

BACKGROUND TO OPERATIONS IN ANGOLA

Angolan economy

The Angolan economy probably grew by 15% in 2008, with the oil sector benefiting from the steep rise in the oil price on the international market. In real terms, the non-oil component expanded 20% which compares with the oil sector's 11% and represents a slowdown relative to 2007, period in which 25% growth was recorded. Amongst the sectors with the biggest increases were agriculture, manufacturing and construction.

As for 2009, the Government's forecasts point to an economic expansion of around 11%. However, the International Monetary Fund (IMF) and the World Bank indicate more modest estimates (4% and 10%, respectively) pointing to the stabilisation of crude-oil output as a determining factor for the projected expansion. It is worth noting that both organisations recognise that Angola is relatively protected from the financial turmoil and its real effects, to the extent that it presents solid macroeconomic indicators (surplus on the public accounts, external surplus and huge foreign exchange reserves), low loans / deposits ratio, embryonic interbank market and weak link to the international financial markets.

Economic projections for Angola

	2006^E	2007^E	2008^E	2009^P
Real GDP growth (y-o-y, %)	18.6	23.3	15.6	11.8
Oil sector	13.1	20.4	11.7	5.9
Non-oil sector	25.7	25.7	20.5	16.3
Inflation (y-o-y, %)	12.2	11.8	13.0	10.0
Oil production (millions of barrels)	514.6	619.8	693.6	739.7
Average exchange rate (AKZ / USD)	80.5	76.58	75.0	-

Source: Ministry of Finance (OGE 2009). *Table 12*

E: estimated; P: projection; y-o-y: year-on-year rate of change.

Inflation rate in Angola

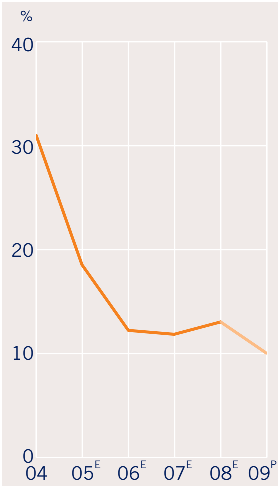


Chart 19

Real GDP growth in Angola

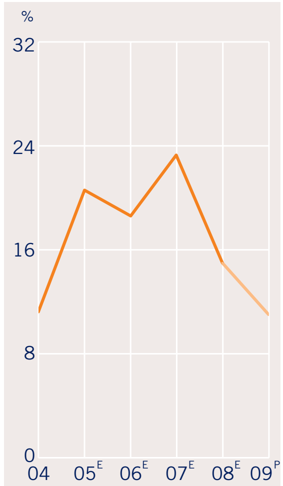
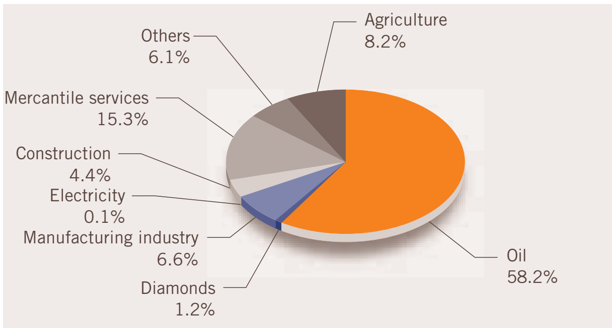


Chart 20

Sources: Banco Nacional de Angola (BNA – Central Bank of Angola), International Monetary Fund (IMF), Angolan Government and BPI.

Angolan GDP breakdown by business sector
In 2008



Source: Finance Ministry (2009 State General Budget). *Chart 21*

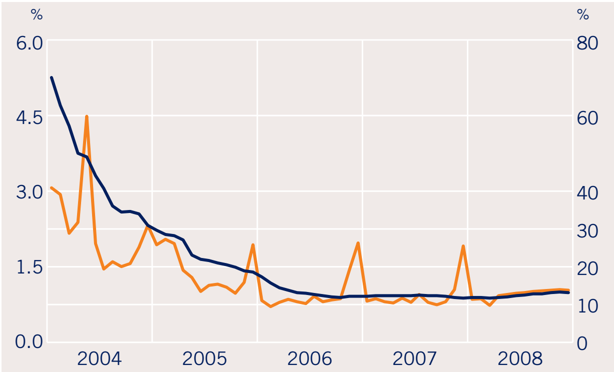
The Angolan government pursued its efforts directed at the reconstruction and rehabilitation of infrastructures with the object of facilitating the normalisation of economic activity and fostering the development of non-extractive activities. In this domain, public investment was intensified, climbing from 530 billion kwanzas in 2007 to 900 billion in 2008, and this is scheduled to rise to 1 500 billion in 2009. Despite the significant increase in public investment spending in recent years, the public accounts have recorded positive balances: 3.3% GDP in 2006, 14.2% GDP in 2007 and 11.1% in 2008.

The steep spike in the international oil prices facilitated not only the financing of a vast public investment programme, but also ensured a surplus on Angola's current account of the balance of payments. Indeed, between 2007 and 2008, the volume of foreign currency reserves grew from 11 billion dollars to 18 billion dollars. It will be recalled that while the oil price factored into the 2008 State Budget was 55 dollars / barrel, the market price was situated at 93.5 dollars / barrel, enabling the Treasury to boost the Stabilisation Fund by 11.8 billion kwanzas in 2008.

In spite of the drop in the international oil price in the latter half of 2008, Angola continues to enjoy a comfortable external position and prospects for robust growth. As for 2009, the government projects a public deficit of 7.8%, which may be financed through local savings. Furthermore, although the international oil price does not give the government much margin for manoeuvre, bearing in mind the history of the investment programme's execution, this should decline to a figure that accommodates a significant drop in the oil price beyond an average price for the year of around 50 dollars / barrel.

The Angolan authorities have been successful in the execution of the economic stabilisation programme. However, in the last two years inflation has proven to be resistant to a drop to below 12-13%. In 2007, inflation posted a rise of 11.8% while in 2008 it once again accelerated to 13.18%. The Angolan currency's stability against the dollar at a time when this currency depreciated against the euro, penalised Angolan imports, mostly from the euro zone, with repercussions on consumer prices. The forecasts for 2009 point to inflation in the order of 10%. The decline in the international prices of food products and the strengthening of the American dollar against the euro should facilitate the attainment of this projection. However, one should not overlook the fact that the Angolan economy faces structural obstacles, notably supply constraints which exacerbate the goal of consolidating inflation's abatement.

Monthly and year-on-year inflation



— Monthly inflation (left-hand scale)
— Year-on-year inflation (right-hand scale)

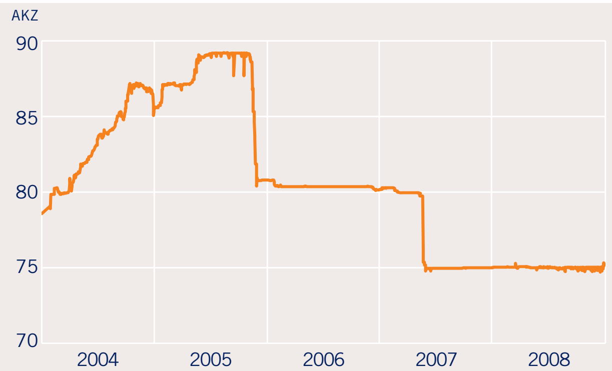
Chart 22

Source: Banco Nacional de Angola (BNA).

The comfortable external position, materialised in the almost twofold increase in foreign currency reserves, facilitated the policy of currency stability pursued by the Angolan authorities. Throughout 2008, the USD / AKZ exchange rate remained practically unchanged in the vicinity of 75 kwanzas / dollar. In spite of the Treasury's reduced financing requirements, there continued to be regular issues of Central Bank securities (TBC) earmarked to absorb existing surplus liquidity within the system, while auctions of treasury bills[G] (BT), which had been interrupted in 2006 and 2007, were resumed. Hence, during the course of 2008 the Angolan Treasury gave priority to financing in local currency, contrary to what has been customary in previous years. The placing rates for BT and TBC remained relatively stable, anchored to the 15% benchmark for 91-day maturities.

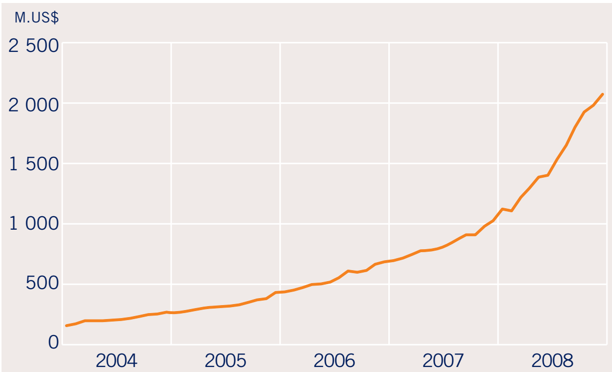
The marked economic expansion and, more concretely, the resurgence of the non-oil sectors can be gauged through the trend in the banking system's aggregates. In 2008, deposits continued to expand at a brisk pace (69% versus 37% the previous year). On the other hand, credit to the private sector grew by some 66% (year-on-year change in November), a figure which is marginally lower than that observed in the same period of the preceding twelve months (71%). In sectorial terms, it is worth referring to the buoyant growth in lending to the commerce, construction, real-estate and manufacturing sectors. These sectors are, in fact, identified as those which present the greatest future growth potential. Loans to individuals also recorded a meaningful increase, representing about 50% of total loans advanced to the private sector.

Kwanza / Dollar exchange rate (AKZ/USD)



Source: Banco Nacional de Angola (BNA). *Chart 23*

Evolution of foreign exchange reserves



Source: Banco Nacional de Angola (BNA). *Chart 25*

Interest rates in the placement of Central Bank securities issued in the last 2 years

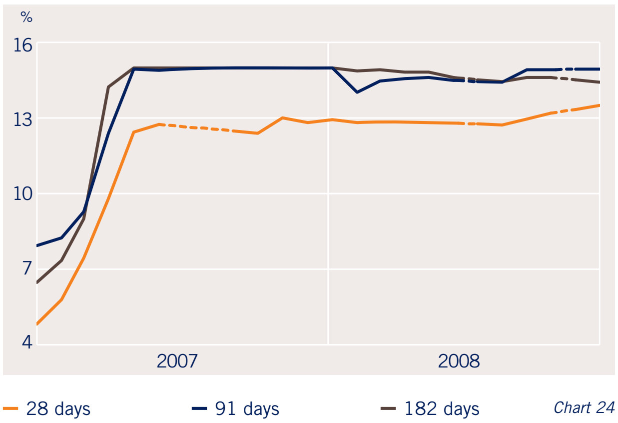


Chart 24

Source: Banco Nacional de Angola (BNA).

Evolution of Loans and Deposits

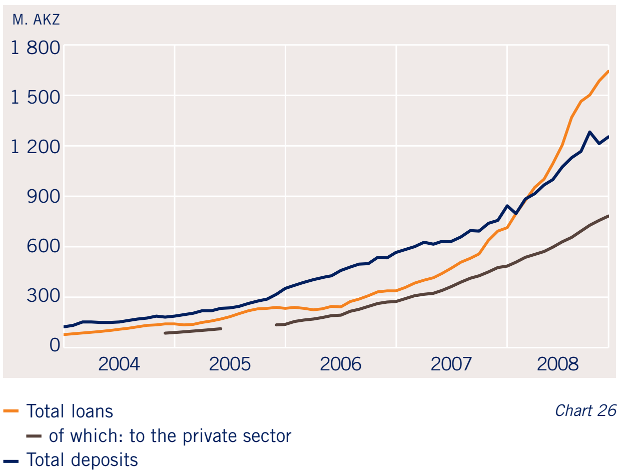


Chart 26

Source: Banco Nacional de Angola (BNA).

Domestic Commercial Banking

INDIVIDUALS AND SMALL BUSINESSES BANKING

ACTIVITY OVERVIEW

Individuals and Small Businesses Banking was responsible at the end of 2008 for a resources portfolio worth 22 514.1 M.€ and for a loan and guarantees portfolio totalling 15 580.6 M.€. These figures correspond to annual growth rates of 5.5% for resources and 6.5% in the case of loans and guarantees.

Of particular note was the behaviour of on-balance sheet resources with an annual growth rate in 2008 of 17.7%. Off-balance sheet resources were down 49.9% relative to December 2007, reflecting the lower portfolio values, transfers to on-balance sheet resources and redemptions.

In 2008, BPI completed the expansion plan for the physical distribution network with the opening of 40 new traditional branches and 11 new investment centres, having signed up 3 thousand new external promoters.

In 2008 some 165 thousand new accounts were opened, 9% higher than the number posted in 2007. The business amount per account opened was 15.9 thousand euro. The sale of Basic Range products and services at the moment the account is opened rose from 2.2 in 2007 to 2.3 in 2008, with special mention being made of the increases noted in the penetration rates of Automatic Salary Domiciliation or the Salary Account and in Automatic Payment Terminals. At the close of 2008, Individuals and Small Businesses Banking served more than 1.4 million Customers.

Individuals and Small Businesses Banking
Selected indicators

Amounts in M.€

	2007	2008	Δ%
Total Customer resources[1]	21 346.6	22 514.1	5.5%
On-balance sheet resources	17 483.3	20 579.0	17.7%
Off-balance sheet resources	3 863.3	1 935.1	(49.9%)
Loan and guarantees portfolio[2]	14 634.6	15 580.6	6.5%
Ratio of loans in arrears[3]	1.5%	1.8%	+0.3 p.p.
Accounts opened (in thousands)	151.6	164.7	8.6%
Total business per account opened (th.€)	18.9	15.9	(15.6%)

1) Securities not included.
2) Figures for 2007 and 2008 include 1 264 M.€ and 986 M.€ from securitization[G] operations derecognized from the balance-sheet.
3) Loans in arrears for more than 90 days.

Table 13

Individuals and Small Businesses Banking

Loans and guarantees

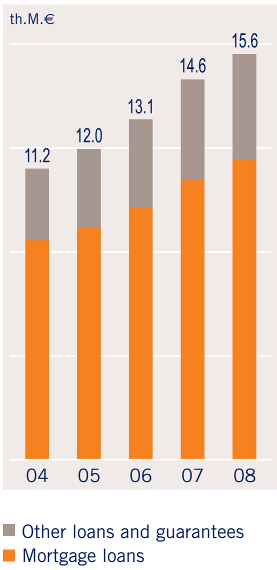


Chart 27

Customer resources

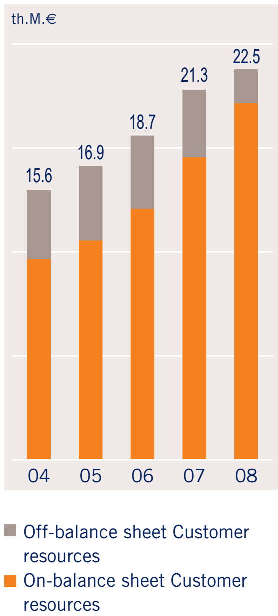


Chart 28

ECSI Portugal

BPI was rated the "Best Bank in Customer Satisfaction" according to ECSI Portugal – National Index of Customer Satisfaction. This index, based on a common European methodology, evaluates the quality of goods and services available on the national market from the standpoint of 7 attributes: image, Customer expectations, perceived quality, perceived value (price / quality relationship), satisfaction, loyalty and complaints. The Bank was always in first place amongst the five biggest Portuguese banks since the survey was first conducted five years ago, but in 2008 it achieved absolute leadership for the first time.

BASEF

According to BASEF, BPI is in one of the 3 top positions in the rankings in 53% of the image and satisfaction indicators; amongst Customers who regard it as their principal bank, it retains 1st place in the attributes Total Satisfaction, Quality of Products, Best Bank, Elected Bank and Abandonment Rate.

Exame magazine – Banking and Insurance Survey

BPI was voted for the third consecutive year as the "Best Large Bank in Portugal", based on a battery of technical performance indicators as part of the survey "Banking & Insurance", conducted by Deloitte for the magazine Exame.

ECSI

Best Bank
in Customer
Satisfaction

BPI

BASEF

No. 1

- Total Satisfaction
- Personnel Attendance
- Quality of Products
- Best Bank
- Elected Bank
- Abandonment Rate

BPI

Exame

Best Bank

Banking and Insurance
Survey

BPI

CUSTOMER RESOURCES

In 2008, the resources of Customers falling under Individuals and Small Businesses Banking increased by 1 167.5 M.€ which corresponds to a 5.5% annual growth rate.

Interest-rate products, i.e. time deposits and bonds, outpaced other components of resources by a wide margin, continuing in 2008 to play a key role fuelling the growth in resources.

Customer resources[1] Amounts in M.€

	2007	2008	Δ%
Sight deposits	3 250.9	3 189.8	(1.9%)
Time deposits	9 570.0	12 850.1	34.3%
Bonds and structured products[2] placed with Customers	1 374.6	1 884.0	37.1%
Unit trust funds[3]	2 364.9	959.8	(59.4%)
PPR[4]	2 022.5	1 661.0	(17.9%)
Insurance capitalisation[3]	2 709.5	1 920.2	(29.1%)
Preference shares	54.1	49.2	(8.9%)
Total Customer resources	**21 346.6**	**22 514.1**	**5.5%**

1) Does not include securities portfolio.
2) Guaranteed-capital and limited-risk bonds[G].
3) Excludes PPR.
4) Includes PPR in the form of insurance capitalisation recorded in the balance sheet (524.2 M.€, in 2007, and 685.7 M.€, in 2008).

Table 14

Individuals and Small Businesses Banking
Customer resources in 2008

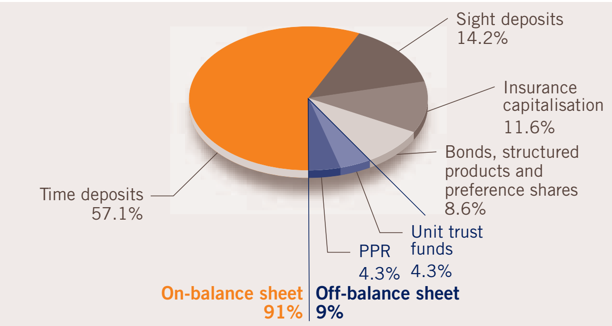


Chart 29

Time deposits

The climb in interest rates and the ongoing decline in the prices of value-added products made the return on time deposits more attractive *vis-à-vis* other investments. These factors, coupled with the competitiveness of BPI products, enabled time deposits to present in 2008 portfolio growth of 3 280.1 M.€, 516.2 M.€ more than that registered in the previous year. This trend corresponds to an annual rate of change of 34.3%.

In April, BPI launched a range of time deposits with promotional rates sold exclusively through BPI Net. These products, which generated net new business of 1 919.1 M.€, presented since launching regular issues every month, permitting a significant inflow of liquidity from the individuals segment, as well as the increase in the number of BPI Net users. Roughly 30% of the Customers who subscribed to the new time deposits had not adhered to the BPI Net service before subscription.

Bonds and structured products placed with Customers

The bonds and structured products portfolio grew 37.1% in 2008, far outstripping the growth noted in 2007.

Of note was the growth of 542.6 M.€ in the bonds portfolio, corresponding to a 105.1% annual rate, a reflection of Customers' greater appetite for interest-yielding products, as well as of the increased diversity of BPI's array of these products.

Bonds and structured products placed with Customers
Selected indicators Amounts in M.€

	2007	2008	Δ%
Bonds	516.2	1 058.8	105.1%
Structured products	858.5	825.2	(3.9%)
Total	**1 374.6**	**1 884.0**	**37.1%**

Table 15

Unit trust (mutual) funds

The unit trust (mutual) funds portfolio decreased by 59.4% during 2008 to 959.8 M.€. This drop was recorded by the vast majority of the funds, with the real-estate and fixed-income bonds funds being the least affected, with the relevant portfolios declining by 5.1% and 28.3%, respectively.

Retirement-savings plans (PPR)

The retirement-savings plans portfolio of Individuals and Small Businesses Banking Customers posted a drop of 17.9%, to total 1 661 M.€ at the close of 2008. In terms of subscriptions, the BPI Group's market share in 2008 was 12.6%, occupying 4th place in the ranking.

At the end of 2008, around 278 thousand Customers had a retirement-savings plan, which corresponds to an increase of 47 thousand Customers holding the product and much in line with the figure registered in 2007. The placing of regular-contribution plans continued to be a priority for the Bank, increasing by 55% the percentage of Customers with retirement-savings plans which had this associated service, representing an increase of more than 40 thousand regular-contribution plans.

Two initiatives were adopted aimed at encouraging the early contribution to PPR's in order to maximise the associated tax incentive, under which for each Customer who subscribed to an amount equivalent to that required for the maximum tax deduction, Banco BPI offered a trolley suitcase or the possibility of opening a time deposit at BPI Net with a promotional rate of 6%, for a maximum period of four months up till 15 December, on which date the balance was transferred to the PPR.

In October and with the object of making the range of retirement solutions more competitive, BPI unveiled a new PPR, BPI Reforma Garantida Anual PPR, with guaranteed capital and rate of return at the end of the first year. BPI Reforma Garantida Anual PPR is a limited issue with a guaranteed rate in the first 12 months.

Retirement / education savings plans (PPR/E)

Portfolio evolution

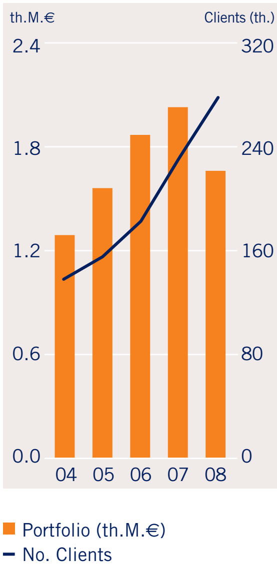


Chart 30

Periodic subscription plans

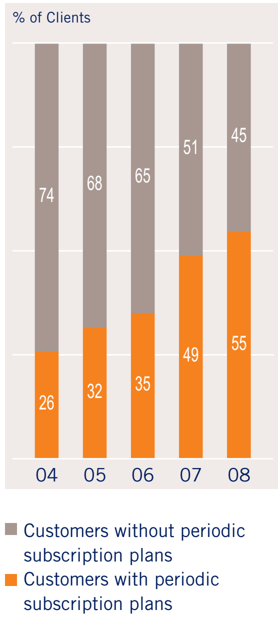


Chart 31

LOANS TO CUSTOMERS

At the end of 2008 the loan and guarantees portfolio of individuals and small businesses stood at 15 580.6 M.€, corresponding to a 6.5% annual growth rate.

Of note were the increases registered in the personal loan and motor-car finance portfolios, with growth rates of 10.5% and 11.8%, respectively.

Customer loans and guarantees Amounts in M.€

	2007	2008	Δ%
Mortgage loans[1,2]	10 757.6	11 549.9	7.4%
Personal loans[3]	637.5	704.5	10.5%
Credit cards[4]	179.9	186.6	3.7%
Car finance[5]	331.0	370.0	11.8%
Commercial loans[6]	1 825.6	1 822.5	(0.2%)
Guarantees and sureties	214.1	231.3	8.0%
Equipment and property leasing[5]	662.6	690.2	4.2%
Factoring[G] with recourse	26.3	25.6	(2.6%)
Total[2]	**14 634.6**	**15 580.6**	**6.5%**
Ratio of loans in arrears for more than 90 days	1.49%	1.82%	0.33 p.p.
Impairments[7]	1.18%	1.41%	0.23 p.p.

Table 16

1) Loans secured by fixed property. Corresponds primarily to home loans and loans for home alterations.
2) Figures for 2007 and 2008 include 1 263 M.€ and 984 M.€ from securitization operations derecognized from the balance-sheet.
3) Includes consumer loans and credit lines made available for privatisations.
4) Includes outstanding credit of non-Bank Customers.
5) Includes car financing and leasing originated by Individuals and Small Businesses Banking.
6) Includes overdrafts, current account loans, discounted bills receivable and other loans which form part of the loans products tailored mainly for sole traders and small businesses.
7) Accumulated in the balance sheet as % of gross loan portfolio

Individuals and Small Businesses Banking
Loans and guarantees to Customers in 2008

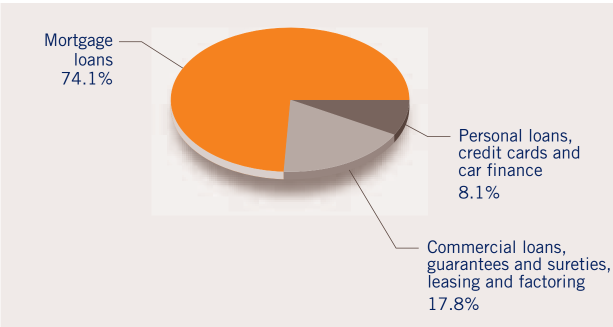


Chart 32

Mortgage loans

There was a positive trend in the mortgage-loan business throughout 2008. The portfolio amounted to 11 549.9 M.€, at 31 December 2008, or 7.4% higher. This performance led to an increase in BPI's market share in home loans, which in October 2008 was situated at 10%.

Mortgage loans
Selected indicators Amounts in M.€

	2007	2008	Δ%
Loan portfolio			
Loan portfolio balance[1]	10 757.6	11 549.9	7.4%
Market share – portfolio balance[2]	9.6%	9.9%	0.3 p.p.
Average amount per contract	51.9	53.5	3.2%
Ratio of loans in arrears for more than 90 days	1.45%	1.72%	0.28 p.p.
Impairments[3]	0.81%	0.96%	0.15 p.p.
Loan contracting			
Loans contracted in the year	2 151.4	1 819.9	(15.4%)
Market share – contracting	10.3%	12.3%	2.0 p.p.
Loan-to-value ratio[4]	65.1%	64.8%	(0.3 p.p.)
Average amount per contract	72.4	74.0	2.2%
Weighted average period of the loan (in years)	33.2	33.0	(0.5%)

Table 17

1) Figures for 2007 and 2008 include 1 263 M.€ and 984 M.€ from securitization operations derecognized from the balance-sheet.
2) Market value includes securitised loans. 2008 market share refers to November.
3) Accumulated in the balance sheet as % of gross loan portfolio.
4) Calculated using values at the time of loan contracting, weighted by the value of the guarantee.

In relation to the contracting of mortgage loans, BPI attained a figure of 1 819.9 M.€, in 2008, or 15.4% less than in the previous year. This decrease is essentially explained by lower market demand in 2008 *vis-à-vis* 2007, while BPI's market share of new loans contracted rose significantly, from 10.3% in 2007 to 12.3% in 2008. This improvement can be ascribed to the commercial performance of the branch network and the Housing Shops, especially through the dynamic partnerships making use of the real-estate channel.

During 2008, BPI adopted a more restrictive approach to its criteria for risk analysis and home-loan decisions.

The following are other noteworthy actions undertaken during 2008:

- permanent campaign aimed at promoting the transfer of loans to BPI, with the application of more restrictive selection criteria when compared to previous campaigns;
- launching of an incentive campaign targeted at partners in the real-estate channel.

The average term of the new loans granted in 2008 presents a slightly lower figure than that noted in the previous year – 33 years, or 0.5% less than in 2007. As regards the average amount contracted, this climbed in 2008 to 74 thousand euro.

Performance of the specialist sales channels

The specialist sales channels – housing shops, branches with dedicated home-loan counters and real-estate agents – concluded 52.8% of the total new mortgage loans contracted in 2008, representing an increase of 1.1 p.p., relative to the year before. Of special note is the real-estate agent's channel, which grew by 2.9 p.p. relative to 2007.

Mortgage loans contracted by distribution channel
In 2008

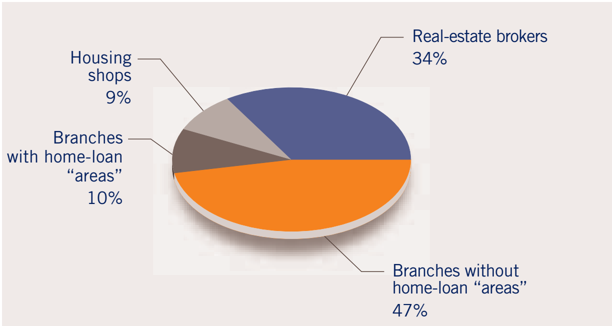


Chart 33

BPI Expresso Imobiliário

In June a partnership was forged with the Impresa Group which entailed the merging of the property-announcement sites operated by BPI and by this group. This amalgamation gave birth to a bigger and more comprehensive site entitled www.bpiexpressoimobiliario.pt, and boasts the largest on-line data base of property announcements and the number of participating estate agents.

BPI Expresso Imobiliário web site[1]
Selected indicators

	2007	2008	Δ%
Property announcements (thousands)	680	926	36%
Requests for visits made (thousands)	60.8	88.7	46%
Adhering partners (thousands)	3.5	4.2	18%

1) Data up to May 2008 refer to BPI Imobiliário.

Table 18

BPI Expresso Imobiliário web site – "All real estates in the same place".

Personal loans

The personal loans portfolio expanded 10.5% in 2008 to total 704.5 M.€ at the end of the year. New loans contracted amounted to 329.8 M.€, which corresponds to a drop of 5.2% when compared with 2007.

During 2008 and as concerns personal loans, we highlight the staging of campaigns in conjunction with partners for the sale of non-financial products, with BPI having launched offers in collaboration with top-name brands, such as Vista Alegre, Cutipol, Pioneer, Longines or Mikimoto Pearls.

Personal loans
Selected indicators

Amounts in M.€

	2007	2008	Δ%
Loan portfolio			
Consumer credit	609.3	677.4	11.2%
Loans for acquisition of securities	28.2	27.0	(4.2%)
Total loan portfolio	**637.5**	**704.5**	**10.5%**
Ratio of loans in arrears for more than 90 days	1.52%	1.62%	0.11 p.p.
Impairments[1]	2.26%	2.48%	0.22 p.p.
Loans contracted			
Consumer credit	333.5	309.6	(7.2%)
Loans for acquisition of securities	14.6	20.2	38.8%
Total loans contracted	**348.0**	**329.8**	**(5.2%)**
Average period of loan (in years)	6.8	6.9	1.5%

1) Accumulated in the balance sheet as % of gross loan portfolio.

Table 19

Motor car finance

The motor-car finance portfolio relating to Individuals and Small Businesses Banking Customers reached 370 M.€ at the end of 2008, having registered annual growth of 11.8%, that is, 4.2 p.p. more than that observed in the preceding year. This portfolio constitutes 68% of the amount of the BPI Group's total automobile financing portfolio. In 2008, new business contracted was 173.3 M.€, representing an 8.9% increase when compared with 2007.

Contributing to this good performance is the strategy defined at the beginning of the year which entailed having an autonomous commercial structure dedicated exclusively to injecting dynamism into the channel of small dealers allocated to Individuals and Small Businesses Banking. Also worth mentioning is the 19.8% increase in the sales of Seguro Allianz insurance, which represented a penetration of about 38% in new business written in 2008 at Individuals and Small Businesses Banking.

Motor car finance
Selected indicators

Amounts in M.€

	2007	2008	Δ%
Loan portfolio			
Long-term rental	90.1	92.5	2.7%
Credit	75.4	104.0	37.9%
Leasing	165.5	173.5	4.9%
Total loan portfolio	**331.0**	**370.0**	**11.8%**
Ratio of loans in arrears for more than 90 days	1.12%	0.96%	(0.15 p.p.)
Impairments[1]	1.81%	1.39%	(0.42 p.p.)
No. of maintenance contracts	537	379	(29.4%)
No. of Allianz insurance policies	3 115	3 733	19.8%
Credit contracted in the year[2]	159.1	173.3	8.9%

1) Accumulated in the balance sheet as % of gross loan portfolio.
2) Contracted value deducted of first rent / initial payment.

Table 20

During 2008, other commercial initiatives were embarked upon, amongst which we highlight the following:

- boosting business canvassed through partnerships with dealers, with the launch of an incentives campaign with attractive offers;
- launch of a strong communication campaign in partnership with Volvo, between 1 October and 31 December 2008, maintaining the tradition of staging campaigns in conjunction with partners.

Commercial loans, guarantees and sureties, leasing and with-recourse factoring

The loans, guarantees and sureties portfolio directed essentially at unincorporated and small businesses recorded 1.5% growth in 2008.

In terms of the principal products designed for this Customer segment, most noteworthy was the behaviour of loans and sureties and real-estate leasing, with the portfolios posting increases in 2008 of 8.0% and 6.3%, respectively.

Commercial loans, guarantees and sureties, leasing and with-recourse factoring
Selected indicators

Amounts in M.€

	2007	2008	Δ%
Loan portfolio			
Commercial credit[1]	1 825.6	1 822.5	(0.2%)
Guarantees and sureties	214.1	231.3	8.0%
Equipment leasing	197.7	195.8	(0.9%)
Property leasing	464.9	494.4	6.3%
Factoring with recourse	26.3	25.6	(2.6%)
Total loan portfolio	**2 728.6**	**2 769.6**	**1.5%**
Ratio of loans in arrears for more than 90 days	1.56%	2.29%	0.73%
Impairments[2]	1.94%	2.74%	0.80%

1) Includes overdrafts, current account loans, discounted bills receivable and other loans which form part of the loans products tailored mainly for sole traders and small businesses.
2) Accumulated in the balance sheet as % of gross loan portfolio.

Table 21

Special mention is made of BPI's very active involvement in a number of credit lines unveiled by the Government with the goal of assisting companies (Linha PME Investe I and II, MODCOM – 3rd phase, Linha de Apoio à Pecuária and Linha de Apoio às Pescas), as well as in the Fincresce Programme through which the Status of PME Líder is attributed to companies.

Credit and debit cards and automatic payment terminals

The credit card business recorded a positive performance in 2008 in terms of its leading indicators. The 545 thousand cards in existence at the end of the year represent a 4.2% increase over the previous year. Accumulated billing grew 12.2% to total 1 073 M.€, while outstandings were up 3.7%, at 186.6 M.€ at year's end.

As regards business trends in 2008, it is worth noting the contribution from cards in the corporate segment. In this segment, international brand cards maintained an above-average trend, with a 13.6% rise in the number of cards and a 18.7% increase in billing, fundamentally due to the success of the Business and Corporate cards recently launched. Still in this segment, we make reference to the private label cards, with the establishment of 10 new partnerships.

In the debit cards business, 2008 saw a favourable performance in all the indicators, notably in billings which totalled 4 841 M.€, representing growth of 17.4% relative to the same period last year.

The placement of debit cards with BPI Customers in December 2008 stood at 997 thousand cards, which corresponds to 6.8% growth.

Credit and debit cards
Selected indicators

	2007	2008	Δ%
Credit cards			
No. of cards at the end of the year (x th.)	523.0	544.9	4.2%
Billing (M.€)	956.0	1 073.0	12.2%
Loan portfolio (M.€)[1]	179.9	186.6	3.7%
Ratio of loans in arrears for more than 90 days	3.35%	3.36%	0.01 p.p.
Impairments[2]	5.07%	4.71%	(0.36 p.p.)
Debit cards			
No. of cards at the end of the year (x th.)	933.0	996.6	6.8%
Billing (M.€)	4 122.0	4 840.6	17.4%

1) Outstanding of Individuals and Small Businesses Banking Customers and non-clients.
2) Accumulated in the balance sheet as % of gross loan portfolio.

Table 22

In 2008 the Bank pursued the strategy initiated in 2007 involving the strong commitment to the placing of Automatic payment terminals (APT), by way of a review of the conditions of the service, as well as an aggressive campaign promoting its widespread installation.

In December 2008, Banco BPI had a total inventory of 31.9 thousand APT, an increase of 63.3%. This growth resulted in a significant rise in the corresponding market share, which climbed 4.2 p.p. to 14.1%. Billings on the terminals in which BPI is the support bank was 2 063.2 M.€, representing 38.8% growth over the preceding year.

Automatic payment terminals
Selected indicators

	2007	2008	Δ%
No. of APT at the end of the year (x th.)	19.5	31.9	63.3%
Market share[1]	9.9%	14.1%	4.2 p.p.
Billing (M.€)	1 486.7	2 063.2	38.8%

1) Source: SIBS.

Table 23

Salary accounts

2008 saw the successful follow-through of the regular launching of campaigns associated with the BPI Salary Account. There was a 23% increase relative to 2007 in the Salary Accounts with Automatic Salary Domiciliation (about 40 thousand more accounts), which indicates an increase in the number of Customers who have forged a relationship with BPI as their primary bank.

Contributing to these results were the following salary account campaigns:

- campaign “Swatch Perfect World”, centred on the exclusive advantages of the Conta Ordenado BPI and on the offer of a Swatch Amiguinho watch. This initiative fell under the “Swatch – Perfect World” project which seeks to support the “Movement at the Service of Life” to build a Temporary Welcoming Centre for children at risk and to recreate a healthy and balanced family environment, fundamental for the achievement of life projects. As BPI is a partner in this project, for each watch delivered, six euro reverted in favour of this cause.
- campaign “12.5% discount on fuel” which, in a context of high fuel prices, also proved to be an excellent opportunity to harness and consolidate growth.

Insurance

Within the scope of the strategic partnership with Allianz Portugal and during 2008, BPI reinforced its range of autonomous-sale insurance products, having commenced with the selling of four new products. Currently, Banco BPI offers a full spectrum of insurance cover, both for the segment of individual Customers and for small business Customers, unincorporated businesses and professional persons. In 2008, more than 51 thousand policies were taken out by Individuals and Small Businesses Banking Customers.

In February 2008, the bank launched the MotorAll policy, which permits the commercialisation of a motor insurance policy autonomously from motor car finance. This product, available in four different packages, enables offering the Bank’s Customers without motor-car finance the acquisition of automobile insurance that is complete and adjusted to their requirements given that the different packages offer varying levels of cover.

2008 also witnessed the launching of certain products directed at the companies and small business segments, namely, Multi-risks insurance for Services, Restaurants and Commerce, SME’s Multi-risks and Work Accident insurance.

The introduction of these new products in BPI’s range of autonomous-sale insurance policies obliged an additional investment in terms of training, materialised through the availability of e-learning courses for each one of the products launched.

HIGH NET-WORTH OR HIGH-INCOME CUSTOMER SEGMENT

At the end of 2008 the business volume of the Investment Centres amounted to 4 240 M.€, which represents 14% growth relative to the figure at the end of the previous year. Resources excluding securities represented 3 443 M.€ of this volume (+20% relative to the end of 2007), while the loan book stood at 505 M.€ (+15% relative to the end of 2007).

Investment Centres
Selected indicators

Amounts in M.€

	2007	2008	Δ%
Customer resources	3 275	3 735	14%
Resources ex-securities	2 872	3 443	20%
Securities	403	292	(28%)
Loan portfolio	438	505	15%
Business volume	**3 714**	**4 240**	**14%**

Table 24

Against an adverse market backdrop, with the consequent decline in the value of the overall portfolio of resources with exposure to those assets most affected by the current crisis, commercial activity centred on closely monitoring Customers with assets more exposed to market volatility[G]. In this segment, the chief concern entailed keeping Customers informed, offering personalised support in the taking of decisions regarding altering the composition of their portfolios from the standpoint of safeguarding their wealth.

In terms of commercial activity and notwithstanding the unfavourable climate, 2008 was marked by the satisfactory level of canvassing for new clients and asset inflows, which mirrors the confidence and satisfaction of existing Customers with the service provided, as well as the market's excellent receptiveness to the concept of BPI's Investment Centres. The new volumes of assets canvassed, not only from new Customers but also from existing ones, permitted attenuating the effect of the year-on-year drop in the value of the resources portfolio.

NON-RESIDENT CUSTOMERS' SEGMENT

The non-resident segment of Individuals and Small Businesses Banking Customers was responsible at the end of 2008 for a resources portfolio worth 4 388.4 M.€ and for a loan portfolio of 484.2 M.€. These figures correspond to significant annual growth rates: 9.9% for resources and 7.6% for loans.

The relative weight of this segment's resources and loan portfolios on the total resources and loan portfolios of Individuals and Small Businesses Banking is situated respectively at 19.5% and 3.2%.

During the course of 2008 transfers were received from emigrant and non-resident Customers totalling 804.5 M.€, which translates into a 9.4% increase relative to a year earlier. Of note is the fact that virtually all (some 96%) of the transfers received were to the credit of accounts domiciled at Banco BPI.

Between November 2007 and May 2008, 5 new representative offices were opened which, coupled with the ongoing expansion of the network of external associates, was reflected in the year's good performance.

Non-resident Customers' segment
Selected indicators

Amounts in M.€

	2007	2008	Δ%
Customers resources[1]	3 991.4	4 388.4	9.9%
Total loans and guarantees	450.1	484.2	7.6%
Emigrants / non-resident transfers	735.4	804.5	9.4%
No. of new accounts	9 090	10 641	17.1%

1) Does not include securities.

Table 25

2008 was also marked by the quantity of new accounts opened (more than 10 600 new accounts) 17.1% more than that observed in 2007. The value of resources (excluding securities) per each new account opened was 20 thousand euro.

Customers residing in France, Switzerland and Venezuela were the most representative of the total new accounts opened by non-resident Customers in 2008, contributing 55% of the total. Besides the positive contribution from the opening of the new representative offices, it is also important to refer that the external structures already in existence contributed actively to this good performance bearing in mind that through their involvement 10% more new accounts were opened than in the previous year.

At the end of the year, the non-resident segment represented more than 116 thousand Customers.

Branch in France

The business carried on by the 12 agencies of the branch in France in 2008 posted a 2.9% decrease in the business portfolio when compared with the preceding year. In 2008, the resources portfolio of the French branch amounted to 195.2 M.€ while the loan portfolio stood at 109.2 M.€, which represent respectively declines of 1.8% and 5.8%.

QUALITY OF SERVICE

Banco BPI's action during the course of 2008 was centred on the consolidation of instruments for developing the quality of service, with a positive reflection on Customer satisfaction.

This line of modus operandi, giving continuity to a plan mapped out in previous years, translated itself into the good results obtained by the leading indicators available.

ECSI Portugal

On the external front, BPI maintained its commitment to service quality as a differentiating factor *vis-à-vis* its most direct competition. In this regard, we note that BPI obtained the highest Customer Satisfaction Index in the banking sector, according to the ECSI 2007 (2007 National Index of Customer Satisfaction). This index based on a common European methodology permits evaluating the quality of goods and services in the national market judged according to 7 aspects: image, Customer expectations, perceived quality, perceived value (quality / price relationship), satisfaction, loyalty and complaints. ECSI Portugal is carried out within the scope of a partnership concluded between the Portuguese Quality Institute, the Portuguese Association for Quality and the Higher Institute for Statistics and Information Management of the Universidade Nova de Lisboa.

On the internal front, of special note is the sustained result of the Bank's Quality of Service Index (IQS Banco), which assesses the level of BPI's service as an organisation based on an annual survey carried out covering a meaningful sample of Customers.

Also noteworthy is the standard of BPI attendance, which translated itself into good results for the Mystery Customer indicator. In recent years this indicator has evidenced as BPI's strong point the general layout of its premises and, during 2008, revealed the consolidation of attendance practices, in particular, as concerns the commercial approach.

Of the series of initiatives realised during 2008, we briefly highlight due to their positive impact, the following:

- intensification of the personal training drive targeted at Quality of Service, which included all Employees forming part of the commercial network;
- systematisation and dissemination of attendance methodologies focused on 14 basic moments in Customer contact, through the publication of an in-house brochure entitled «Customer attendance» and distributed to all Employees attached to the retail network's commercial structure;
- also within the ambit of the reinforced attendance methodologies, an e-learning training course was developed during 2008 with the aim of consolidating guidelines and developing the preparation of Employees for dealing with Customer attendance matters;
- reinforced internal communication covering the quality theme with a growing emphasis on the results by branch, not only in terms of Customer satisfaction indicators, but also from the viewpoint of observable attendance practices by means of Mystery Customer surveys, taking into account the effective involvement of the commercial teams in the ongoing refinements to service quality;
- significant reinforcement of the importance of the Central Units Quality of Service Index (*Índice de Qualidade de Serviço das Unidades Centrais* – IQS UC) for the internal monitoring of support work for commercial and attendance activity, facilitating the search for solutions leading to significant improvements in internal efficacy and in the level of service to the final Customer.

IQS – Quality of Service Index

The IQS continues to be Banco BPI's core instrument for assessing Customer satisfaction and the perceived quality of the service provided at the commercial network and via the other contact channels.

The IQS includes three components for gauging the levels of Customer satisfaction in the market:

IQS Competition

Bi-annual survey designed to assess the Bank's positioning *vis-à-vis* the competition with respect to quality.

IQS Bank

Annual survey conducted involving some 1 200 Banco BPI Customers, with a view to evaluating the standard of the Bank's service from the standpoint of an organisation.

IQS Branch

Quarterly survey realised involving some 22 000 Banco BPI Customers, with the object of assessing the quality of service provided by each Branch.

Overall conclusions of the Bank's IQS

The results of the Bank's IQS following on from past years point to the continued perception of high degree of Customer satisfaction with the quality of service provided by BPI. The overall IQS Bank reached 800 points in 2008 (on a scale with a maximum of 1 000), on a par with the result obtained last year.

Overall conclusions of the IQS Branch for the 4th quarter of 2008

In the fourth quarter of 2008, the IQS Branch registered 866 points, demonstrating that the degree of Customer satisfaction with respect to the quality of service at BPI branches remains high. In the series of service-quality factors, we highlight the "personal attendance" factor, in respect of which the satisfaction levels surpassed the overall satisfaction level – IQS.

Service quality in branches

IQS Branch in the 4th quarter 2008

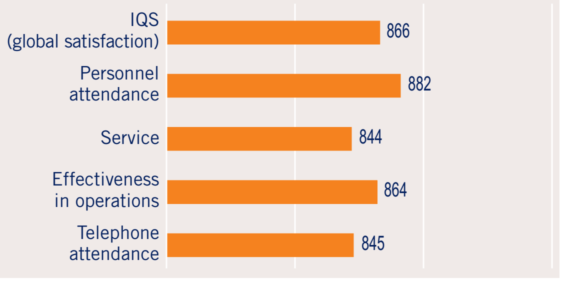


Chart 34

Service Quality Index – IQS Central Units

The Central Units IQS was developed during the course of 2007 – it is an indicator capable of translating the level of the commercial networks' satisfaction with the service provided by the Central Units involved in business processes, based on a six-monthly poll for gathering the opinion of all Employees attached to the Individuals and Small Businesses Network (Rede de Particulares e Pequenos Negócios – RPEN).

This instrument's importance in assessing the Central Units' effectiveness and capacity was consolidated in 2008, at the same time as special attention was paid to analysing and monitoring its evolution from the standpoint of continued improvement in efficiency and quality of the internal processes that are decisive for enhancing the standard of service to the final Customer.

Complaints management

In 2008 there was a reduction in the number of complaints, while the average response time remained unchanged, reflecting Customers' overall satisfaction with the service provided by the Bank. This trend is due fundamentally to the drop in the total number of complaints dealing with the main issues, notably Home Loans, Homebanking Services, Motor Car Finance and Cards, thanks largely to the consolidation and maintenance of the processes aimed at optimising the operations in question:

- 13 754 complaints received (-17% relative to 2007);
- 6.5 days average response time (+0.3 relative to 2007).

STRENGTHENING THE COMMERCIAL RELATIONSHIP

In parallel with the reinforced commercial capability through the increased number of branches and Employees involved in commercial functions, 2008 also witnessed a substantial strengthening of the commercial relationship by way of improvements to commercial-support methodologies, processes and instruments.

Commercial-related capacities were boosted through the implementation of new or improved commercial processes or practices. On the other hand, with a view to pursuing a more proactive and targeted commercial approach, the integration of information made available to the sales force was reinforced and which resulted in a common vision of the various key business factors for all tiers of the commercial hierarchy. Benefits were thus obtained in the identification and maximisation of commercial opportunities and the Customer risk-management process.

Activities undertaken during 2008 were targeted at 3 essential pillars:

- consolidation of the Commercial Dynamisation Programme;
- improved management information relating to the branches;
- additional information for commercial activity.

Consolidation of the Vitória Commercial Dynamisation Programme

The implementation of the Vitoria Commercial Dynamisation Programme (initiated in 2007) was completed in 2008, and functions transversally throughout the commercial networks. This initiative has as its main goals:

- increasing the time dedicated to commercial activity (contacts and commercial prospecting);
- boosting proximity to Customers by the entire commercial hierarchy, with the definition of minimum levels of presence with Customers (programmed visits and opening of branches);
- standardisation and optimisation of commercial processes in accordance with best practices.

During October 2008 the Programme's practices were ramped up at a universe of around 200 branches (including new branches) with an immediate impact on observed new business indicators.

As a sustainability measure for the whole system, a Commercial Support and Optimisation Unit was set up (*Unidade de Apoio e Optimização Comercial* – UAOC). This unit, in addition to monitoring on a regular basis the implemented commercial-activity stimulus measures implemented, also endeavours to optimise operational processes with a view to making more time available for greater value-added tasks.

Improved management information at the branches

In 2008, management information supplied to the branches was substantially improved with the object of allowing the commercial network to focus on the more relevant metrics for monitoring business, simultaneously reducing the need to consult information dispersed amongst various support media. In this process, the drive to ensure the alignment of available information with the needs stemming from proactive commercial management was particularly important.

One of this aspect's main pillars was the launching in 2008 of the summarised activity report, which makes available in a single computerised support, management information about the most relevant issues of commercial activity, aggregated at branch, Area Division, Regional Division and RPEN levels. It is worth pointing out that, on each issue the overriding concern was to select only the most important metrics and to disclose, for those which evidence the performance of each tier of the commercial structure, the respective ranking.

Additional information for commercial activity

Reinforced commercial activity was directed at improving the BPIgo IT application, which is the central element for backing up Banco BPI's commercial actions. This application supports the commercial management of the retail networks, permitting the management of the Customer relationship in an integrated manner at all the channels. In 2008, we witnessed the launch of this application's new functionalities with the object of improving commercially-oriented operations:

- implementation of the linkage to the transactional system, permitting the consultation of the Customers' commercial opportunities after conclusion of the transaction and enabling the channelling to Commercial Attendance;
- additional information supplied to the branches for systematic monitoring of the changes in the products and services of the Managers' portfolios;
- improved back-up information to the sales force for the placing of products which confer tax incentives.

It is also worth mentioning that utilisation of BPIgo has been extended to the majority of Banco BPI's external structures (representative offices).

CORPORATE BANKING, INSTITUTIONAL BANKING AND PROJECT FINANCE

At the end of 2008, Corporate Banking, Institutional Banking and Project Finance's[G] Customer loans and guarantees portfolio totalled 12 889 M.€, up 3.9% on the 2007 figure. The amount relating to bank guarantees was 2 755 M.€, having posted a decrease of 8.3%. The total loan and guarantees portfolio stood at 15 839 M.€, or 1.7% higher than a year earlier.

The situation shrouding the international financial markets, notably in the second half of the year, was a major overriding factor influencing activity in 2008. The slowdown in economic activity experienced by Portugal's main partners, the deterioration in economic conditions and the abatement in domestic demand were factors that were mirrored in the state of corporate business finances, resulting in a decrease in investment levels and an increase in treasury requirements.

Despite the adverse landscape verified during 2008, the Large Corporations and Corporate segments presented loan portfolio growth rates of 8.7% and 4% respectively.

In December 2008, resources amounted to 1 745 M.€, compared with 2 365 M.€ at the end of the previous year and corresponding to a 26% decline stemming from the commercial policy pursued by the Bank for this market segment.

Corporate Banking, Institutional Banking and Project Finance
Selected indicators
Amounts in M.€

	2007	2008	Δ%
Loans to Customers			
Large corporations	4 778.2	5 194.7	8.7%
Companies (SME)	3 458.4	3 595.5	4.0%
Project Finance	2 218.5	2 208.0	(0.5%)
Institutional Banking and State Business Sector	1 953.7	1 890.6	(3.2%)
Total loans to Customers	**12 408.9**	**12 888.8**	**3.9%**
Guarantees	3 006.1	2 755.2	(8.3%)
Loans and guarantees[1]	**15 567.8**	**15 839.3**	**1.7%**
Resources	**2 364.5**	**1 744.5**	**(26.2%)**

Table 26

1) Includes loans to Customers (securitised and non-securitised), guarantees, loans to credit institutions and other loan securities.
2) Includes sight deposits and time deposits.
Note: Alterations occurred in 2008 in the composition of the Customer portfolio between Large Corporations and Companies, with the result that the figures relating to 2007 were adjusted accordingly.

Corporate Banking, Institutional Banking and Project Finance

Loans and guarantees

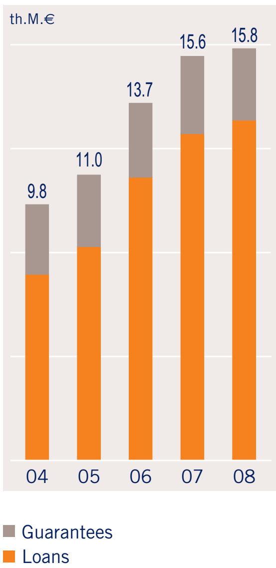


Chart 35

Customer resources

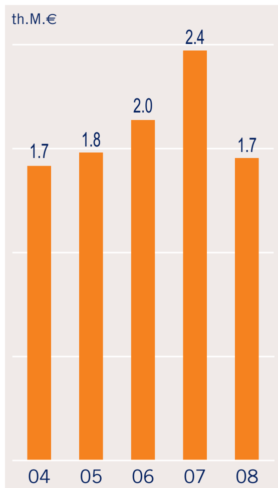


Chart 36

LARGE CORPORATIONS

The Customer loans portfolio of the large corporations segment stood at 5 195 M.€ in December 2008, which corresponds to 8.7%[1] growth.

A corporate centre was created at the Madrid branch, thereby permitting better commercial attendance and service to clients using this branch.

COMPANIES

The Customer loans portfolio totalled 3 595 M.€ in December 2008, which after eliminating the effect of the migration of Customers between segments, translates into 4% growth when compared with December 2007.

In a context marked by great difficulty in accessing refinancing, the deterioration in associated conditions, higher risk and companies' worsening economic situations, BPI made a determined effort to support the business community, namely, small and medium-sized companies, with special emphasis on the following aspects:

- enlarged corporate network, through the creation of two new corporate centres in Lisbon and one in Guarda which, added to the network of corporate centres in the rest of the country, makes it one of the biggest nationwide;

- implementation of the project involving the systemisation of commercial activity with a view to boosting the teams' proactiveness;

- more committed monitoring of loyal Customers which resulted in an increase in the number of products and services placed with each one;

- reinforced commitment to SME's, notably for taking advantage of the opportunities created by the PME Investe lines negotiated with the government;

- importance of proximity to corporate Customers which translated itself in particular into the organisation of several seminars and other initiatives at various locations around the country involving more than 1 500 Customers, as well as the monthly publication of an electronic newsletter giving details of new BPI products tailored to the corporate segment, not to mention other relevant information;

- aggressive strategy for canvassing for new corporate Customers, which in the past five years has resulted in the signing up of some 5 000 new clients;

- speed in loan decisions and corresponding approvals whilst adhering to the risk-evaluation criteria in force, guaranteeing greater capacity and quality in the service offered to Customers.

Cosec

Banco BPI's partnership with Cosec, via the Corporate Banking network, once again registered a positive commercial performance in 2008, which permitted 12% growth in new business when compared with 2007.

In 2008 Banco BPI was responsible for more than 50% of the new Customers enlisted, with an annual premium volume of close to 2.6 M.€.

It is also worth noting that the Bank is currently responsible for 25% of Cosec's total Customer portfolio (20% in 2007).

1) Considering the reallocation made in 2008 of Clients between Large Corporations and Companies.

BPI, THE SME'S BANK

In 2008, BPI was prominent force on account of its initiatives aimed at lending support to Small and Medium-sized Enterprises (SME), in particular, for its sustained promotion of the following programmes:

PME Investe / QREN Lines

2008 witnessed the launching of a new support instrument earmarked for Small and Medium-sized Enterprises, the PME Investe I, PME Investe II and PME Madeira lines.

This lines, sponsored by the Portuguese State, permit beneficiary companies to have recourse to medium-term bank finance under extremely attractive conditions, and became a fundamental instrument for companies to access credit in the present context of the international financial markets.

BPI assumed a leading position in the dynamic promotion of these credit lines. The following are some aspects of the Banks' intervention in this domain:

PME Investe / QREN Line:

- overall credit line: 750 M.€;
- first bank to contract operations;
- 37% market share in the number of operations with more than 400 operations signed up.

PME Investe / QREN II Line:

- overall credit line: 1 000 M.€;
- BPI underwrites candidacies for some 680 operations and the approval of QREN for about 560;
- amount contracted: 142 M.€.

PME Investe / QREN Madeira Line:

- overall credit line: 40 M.€;
- BPI undertakes preparatory analysis for some 40 operations;
- amount contracted: 11 M.€.

PME Líder

BPI was the principal bank to support around 3 000 SME's which attained the status of PME Líder (leading SME). This status is granted by IAPMEI to companies which pursue growth strategies and reinforce their competitive base, and whose risk profile is positioned at the highest level:

- BPI first bank in the number of applicants;
- 70% of the PME Líder are BPI Customers;
- 35% of the PME Líder adhered via BPI;
- in the PME Investe I and II Lines, about 500 loans were advanced by BPI to PME Líder, allowing the companies covered to make use of the benefits contemplated.

Mutual Guarantee

The launch of the PME Investe lines with the involvement of the Mutual Guarantee Companies gave rise to a phenomenal growth in this instrument, both in terms of the number of operations and the amounts involved.

During 2008, and stemming from the prominent role that is assumed in the PME Investe Lines, BPI continued to contribute to the vigorous promotion of the mutual guarantee facility, once again assuming the leadership in the system, not only as regards the number of operations (29.1%), but also with respect to the amount contracted (28.2%), which posted growth relative to 2007 of 73.9% and 189.8% respectively.

BPI, the bank of the SME.

OFFICE FOR ANGOLA

2008 saw the continuation of the significant and sustained fostering of economic relations between Portugal and Angola: Angola was the fourth biggest destination for Portuguese direct foreign investment, which was up 67% on the previous year, while exports to Angola grew 32% relative to 2007.

The Office for Angola is a specialist BPI structure for supporting and furthering the ties with companies which are bank Customers and which have business dealings in the Angolan market, adopting the measures capable of improving the monitoring of the respective businesses in Angola, namely:

- assisting in the identification of business opportunities;
- identifying any financing needs or the provision of services by BFA or Banco BPI;
- disclosure of economic information and details of legal requirements / formalities or of financial instruments available for the Angolan market.

This support materialised primarily in the form of the supply of information and advising and guiding Customers, and the development of products and services offered by the two banks, BPI and BFA.

In 2008 the Office for Angola held some 250 meetings with companies or businessmen and made more than 600 follow-up contacts.

COMMUNICATION WITH CUSTOMERS

The following were the main communication initiatives undertaken in 2008.

Seminars for Customers

During the year under review, several get-togethers with Customers were arranged, amongst which:

Seminars dealing with Financial Risk Management in the Context of Market Turbulence

18 regional workshops were organised for Customers for the purpose of discussing the state of the financial markets and presenting a series of BPI financial solutions especially designed for managing risk.

Seminars dealing with the QREN 2007 / 2013 Incentive Systems

4 sessions were organised for Customers at which certain of the Incentive Systems launched under the National Strategic Reference Framework (QREN – Quadro de Referência Estratégico Nacional 2007-2013) were presented, as well as the solutions offered by the Bank to support the needs of companies in this regard.

BPI Seminar on Grants for the Development of the Agro-Industrial Sector

This programme was unveiled in 2007 and remained in force in 2008. A regional workshop was held in Portalegre at which the support programmes for the agro-industrial and forestry sectors were debated, at the same time BPI's financial solutions for the sector were presented, in particular Mutual Guarantee – Agrogarante.

These seminars and other meetings with Customers were attended by more than 1 500 companies and entities.

Newsletter BPI Empresas

This electronic newsletter contains up-to-date information about products and services for the corporate segment, as well as analyses and other important information concerning the business world. Presently this monthly newsletter is distributed via email to the decision-makers of more than 10 thousand Corporate Banking Customers.

BPI Empresas web site

This is BPI's public web site with information about BPI products and services, catering especially for the needs of business Customers. During 2008, some 488 thousand accesses to the BPI Empresas site were recorded (50% more than in 2007) and around 319 thousand visitors (up 54% on 2007).

INSTITUTIONAL BANKING AND STATE BUSINESS SECTOR

In 2008, the loan portfolio of Institutional Banking and State Business Sector Clients decreased by 3.2% in line with the guidelines and priorities set for the year, taking into consideration the exceptionally adverse market conditions.

Nonetheless, this stabilisation of the level of credit granted to the public sector was accompanied by steps taken to take full advantage of the stock of credit set aside, in particular in the segment covering municipal loans, the portfolio of which was the object of international credit rating with a view to the realisation (in June last year) of the first issue in Portugal's banking sector of "covered bonds" based on public-sector assets.

During 2008, the Bank renewed its support for the review of the international rating of the Autonomous Regions of the Azores and Madeira, as well as of the municipalities of Cascais, Lisbon, Oporto and Sintra, and for defining the ways to genuinely hedge the interest-rate risk on behalf of public-sector companies.

Financial advisory work for public-sector companies carried out by BPI merits in 2008 a special reference given that the Bank was once again selected by the Instituto de Habitação e Reabilitação Urbana (IHRU) and also by the companies EGF (of the Águas de Portugal group), Parque Escolar, EPE, Caminhos de Ferro Portugueses, CP, EP and Metropolitano de Lisboa, to assist in the negotiation of long-term loans from the European Investment Bank (in the first three cases) and on the international capital market.

PROJECT FINANCE

The loan portfolio of Clients in the project finance segment stood at 2 208 M.€ at the end of 2008, evidencing a marked degree of stability when compared to the 2 219 M.€ observed in December 2007. In December 2008, total lending operations in portfolio, including the amounts not yet repaid, totalled some 2 580 M.€.

BPI continued to be an active player in the project finance market, occupying the leading slot in the structuring and mounting of a number of financing deals, notably, national projects and / or promoters and in particular covering the renewable energies and motorway infrastructures sectors.

Besides the new operations, it is also worth highlighting in 2008 the success of the syndicated financing operation for the return of the Hidroeléctrica de Cahora Bassa power station to the Mozambique State, in which Banco BPI acted as the Mandated Lead Arranger[G].

Of the various operations executed during 2008, the following warrant special mention.

STRUCTURING, MOUNTING AND FINANCING PROJECT FINANCE OPERATIONS

Renewable energies

- Generg – Mandated lead arranger in the organisation, mounting and underwriting[G] of the refinancing of the portfolio of wind farms and mini-hydro plants belonging to the Generg Group (renewable energies group held by Electrabel and by the main Portuguese foundations – Fundação Oriente, FLAD and Fundação Gulbenkian). The whole portfolio involves a financed amount of 593 M.€, for an installed capacity of 436.4 mW.
- Novenergia II – Sole lead arranger[G] in the organisation, mounting and underwriting of the financing of a number of photovoltaic parks in Spain, with a global installed capacity of 7.62 mW, involving a total of 58.8 M.€;
- Parques Eólicos de Arganil – Mandated lead arranger in the organisation, mounting and underwriting of the financing of the construction and operation of the Toutiço wind farm, with an installed capacity of 102 mW, involving a total of 141.5 M.€.

Highways

- Auto-Estrada do Douro Litoral – participation in the financing of the construction, extension, operation and maintenance of a highway network 127 Km long, of which 76.5 Km is subject to the toll regime. Total finance and guarantees: 1 201 M.€.
- Intevias – Sole lead arranger in financing the acquisition of 33.33% of the capital of Scutvias – Autoestradas da Beira Interior, S.A., in the amount of 67.9 M.€.
- Auto Estradas XXI – Transmontana sub concessionaire – Mandated lead arranger in the organisation, mounting and underwriting of the financing, extension, operation and maintenance of the motorway sub concession, corresponding to 194 Km between Vila Real and Bragança. Total financing and bank guarantees: 408.35 M.€.

PUBLIC-PRIVATE PARTNERSHIPS AND PUBLIC ADMINISTRATION AREA

Health

- Ministry of Health – Advisor to Health Partnerships Mission Structure in the role of leader of the consulting consortium within the ambit of the 1st wave projects (Loures, Cascais, Braga and Vila Franca de Xira Hospitals); economic-financial advisor to the Health Partnerships Mission Structure within the ambit of the tender procedures for the 2nd wave (Todos os Santos and Central do Algarve Hospitals);
- Centro Hospitalar do Alto Minho – Consultancy covering the externalisation of the imageology services.

Ports

- Aveiro Port Administration – Financial consultancy for the preparation and implementation of the commercial operating model of the Aveiro Port's new terminals.
- Lisbon Port Administration – Financial consultancy within the ambit of the enlargement of the Alcântara Terminal.

Other

- EGF – Empresa Geral de Fomento – Financial consultant in the preparation of candidacies for procuring financing from the European Investment Bank.
- Parpública – Financial advice in revising the economic-financial valuation of SIMAB and affiliate.
- Municipality of Oeiras – Financial consultant in the conception of a system for monitoring and controlling the entities in which the Oeiras Municipal Council has participating interests.

ORGANISATION AND MOUNTING OF FINANCIAL RESTRUCTURING AND FINANCING SOLUTIONS IN THE STATE BUSINESS SECTOR

- National Schools – Financial and legal advice within the scope of the realisation of the Programme for the Modernisation of Secondary Education Schools.

OTHER CONSULTANCY ASSIGNMENTS

- Auto-Estradas do Atlântico – Permanent financial consultant to the East motorway concession.
- Vialitoral – Permanent financial consultant to the Madeira SCUT motorway concession.
- Norscut – Financial consultancy as part of the process to restore financial equilibrium to the Northern Interior SCUT concession contract.
- Galp Gás Natural (ex-Transgás) – Permanent financial consultant for revising the financial model of Galp Energia's natural gas business area.
- Consórcio AutoEstradas XXI – Financial consulting in the international public tenders for the highway concessions in Portugal.

Bancassurance

In the insurance area, BPI has a strategic partnership with the sector's world leader – the German Allianz group. This association has been cemented through BPI's 35% stake in the capital of Allianz Portugal, and in a distribution agreement in terms of which insurance policies are marketed via the Bank's commercial network.

BPI Customers thus have at their disposal an extensive range of insurance products which cover both life assurance – death and disability insurance – and the other branches – motor insurance and all-risks insurance: household, fire, alterations and installations, public liability, theft, personal accident, unemployment and sickness.

The positive performance that has been observed is reflected in the indicators relating to activity and revenue, as well as in the number of insurance policies sold in 2008. The key figures are as follows:

- commissions rose by 2.9% to 32.5 M.€;
- life and non-life insurance premiums totalled respectively 60 M.€ and 54.9 M.€., which correspond to growth of 15.2% in life risk and 18.3% in non-life risk (the market posted growth of 9.7% and -2.1% in life and non-life insurance premiums respectively);
- the number of insurance policies at the end of 2008 exceeded 410 thousand active life-risk policies and 325 thousand active non-life insurance policies;
- life business – 96.5% of Customers were either satisfied or very satisfied[1] (92.7% in 2007);
- non-life – 89.2% of Customers were satisfied or very satisfied[1] (88.25% in 2007).

Commissions
Intermediation of insurance products

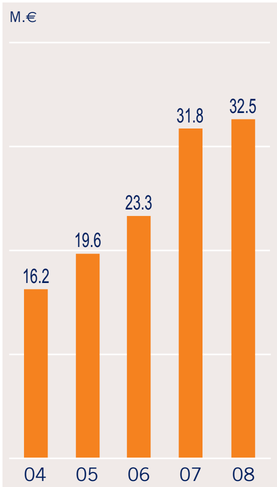


Chart 37

1) Survey conducted by Qmetrics.

Asset Management

OVERVIEW

At the end of 2008, the BPI Group's Asset Management area managed financial assets totalling 12.7 thousand M.€, which is down 20% on the previous year's figure.

Assets under management Amounts in M.€

	2007	2008	∆%
Unit trust (mutual) funds	4 389	2 222	(49%)
Real estate unit trust funds	143	142	(1%)
Pension funds	3 514	2 874	(18%)
Capitalisation insurance	4 510	3 183	(29%)
Private Banking	2 538	2 312	(9%)
Institutional Customers	498	396	(20%)
Hedge funds	580	328	(43%)
Structured products	1 455	2 102	44%
Total[1]	**15 884**	**12 665**	**(20%)**

1) Adjusted by double recording.

Table 27

Breakdown of assets under management
At 31 December 2008

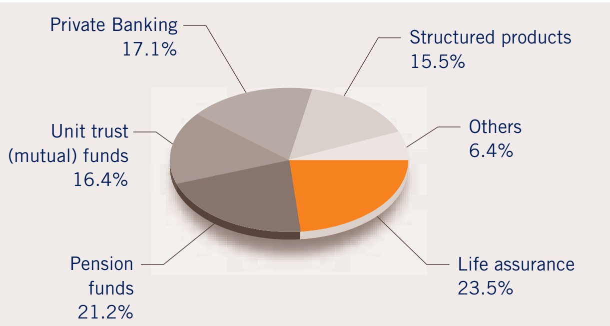


Chart 38

The unit trust (mutual) funds declined by 49%, which is explained by the large volume of redemptions recorded during the year, reflecting investors' greater preference for less riskier investments.

BPI Pensões increased the number of pension plans from 100 to 110 and the number of managed pension funds from 35 to 36. Nevertheless, the pension funds' net assets fell by 18%, which resulted to a large degree from the decline in the value of the equities portfolios.

The capitalisation insurance (unit-linked) portfolio amounted to 3.2 thousand M.€ at the end of 2008, which corresponds to a 29% decrease relative to the previous year.

Structured Products grew by 44%, with the portfolio attaining a value of more than 2 thousand M.€ at the close of the year.

BPI has through its key subsidiaries important positions in asset management activity in Portugal. At the end of 2008, BPI Gestão de Activos was the fourth biggest fund manager in Portugal with a market share of 14.5%, BPI Pensões was the second largest pension fund manager with a market share of 16.9%, while BPI Vida had an 8.3% market share in the segments relating to capitalisation products and PPR's in the form of insurance products.

Also noteworthy is the public recognition that the unit-trust fund and pension-fund management areas have merited throughout the year and which is recorded in this chapter.

Assets under management

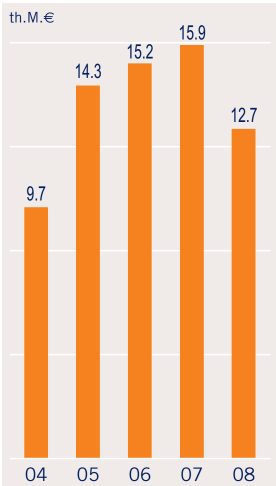


Chart 39

UNIT TRUST (MUTUAL) FUNDS

The BPI Group closed 2008 with resources under management of 2 222 M.€ in unit trust funds. The funds domiciled in Portugal totalled 2 079 M.€, while the remainder (143 M.€) refers to the amount of the BPI funds domiciled in Luxembourg.

Unit trust funds under management — Amounts in M.€

	2007	2008	Δ%
Bonds and money market	1 112	551	(50.4)
Capital growth (equities)	808	320	(60.3)
Tax efficiency (PPR/E and PPA)	1 616	1 037	(35.9)
Diversification	853	313	(63.3)
Total	**4 389**	**2 222**	**(49.4)**

Table 28

The market and the BPI Group

2008 proved to be one of the worst years for the investment fund industry, affecting virtually all the fund classes.

The national market thus registered a decline in managed assets of 44.3% in 2008 (14 343 M.€), further accentuating quite expressively the contraction already seen in 2007 (11.6%).

The BPI Group registered in 2008 negative net contracting of 1 508 million, an outflow in line with the great majority of the other large fund managers. The aggregate amount of BPI's domestic funds decreased by 2 060 M.€, that is by roughly 50%.

Unit trust funds under management

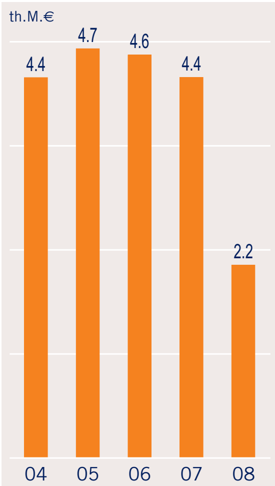


Chart 40

Breakdown of unit trust funds under management
At 31 December 2008

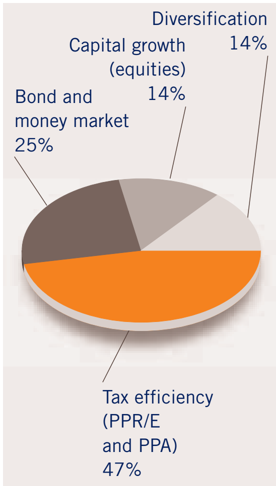


Chart 41

Diário Económico / Morningstar Awards

BPI Gestão de Activos was voted for the second consecutive year the "Best Global National Manager" in the 2008 edition of the Morningstar / Diário Económico awards for the best unit trust funds. It was also rated the "Best Fixed Rate National Manager".

As part of the same survey, the unit trust funds BPI Reestruturações, BPI Taxa Fixa and BPI Liquidez were the winners of the top slots in the categories "Variable Income, National Global-National Funds", "Fixed Income, Euro Bonds – National Funds" and "Dynamic Euro Money Market – National Funds", respectively.

Morningstar / Diário Económico Awards
BPI Gestão de Activos
Best Global National Manager
BPI

Morningstar / Diário Económico Awards
BPI Gestão de Activos
Best Fixed Rate National Manager
BPI

Morningstar / Diário Económico Awards
No. 1
BPI Reestruturações
BPI Taxa Fixa
BPI Liquidez
BPI

Money market and bond funds

Traditionally associated with the more conservative classes of funds, the money market and bond funds ended up posting negative variations in the order of two digits, as a consequence of the spill over from the equity markets into the credit and bond market. In Portugal, in 2008 and according to data from the APFIPP – Associação Portuguesa de Fundos de Investimento, Pensões e Patrimónios (sector industry association), net outflows from the euro money market and indexed-rate bonds totalled approximately 6 thousand M.€. At BPI the funds of these 2 classes lost roughly 551 M.€, a negative rate of change of 50%, via the exit of investors with less appetite for risk who sought to channel their funds to investments such as time deposits.

Equities funds and special investment funds

According to the APFIPP's data, the equities funds recorded a negative net balance in the year of 858 M.€.

At the BPI Group, this movement translated itself into a negative balance of 320 M.€.

The special investment funds were the class that presented the best positive balance, according to the data from APFIPP: net subscriptions of 393.7 M.€ in 2008.

These funds invest in a diversified portfolio of BPI structured products and, through their active management, seek to benefit from any market situation or movement. BPI Alpha has a well-defined yield objective: to obtain a return in excess of its Benchmark[G], that is, 80% of the return on the EONIA Capitalization index – an index which reflects the return on interbank money market deposits for one day to the next (overnight).

BPI Alpha and BPI África

In the 2nd half of 2008, two new unit trust funds were launched, BPI Alpha, a special investment fund and BPI África, an equities fund, which aim to complement BPI's spectrum of funds. BPI Alpha is BPI's first Special Investment Fund, which invests in a diversified portfolio of BPI structured products and, through its active management, seeks to benefit from any market situation or movement. BPI África is an equities fund which invests in companies based in the African continent or companies which have significant business dealings there. There are few equities funds at global level which have the African continent as an investment universe, with the result that this fund constitutes a good opportunity for Customers with a high tolerance for risk, who are seeking medium and long-term investments and wish to diversify their portfolio.

Retirement savings plans (PPR)

The traditional tax savings package campaign realised towards the end of the year this year had a solidarity component – for each Customer subscribing to a BPI PPR (retirement-savings plan) in the campaign period, the Bank donated 2 euro to 5 social solidarity institutions: Ajuda de Berço, Casa das Cores, Nariz Vermelho, Raríssimas and Instituto de Surdos da Imaculada Conceição. In total, BPI always guaranteed a minimum donation of 125 000 euro.

BPI Reforma Acções PPR

BPI Reforma Acções PPR was the 2nd best PPR of the year according to APFIPP, having achieved a return of 2.3%. This Fund registered net subscriptions of 22.9 M.€.

REAL ESTATE UNIT TRUST FUNDS

The year 2008 terminated with two real-estate unit trust funds under management, the open-end fund Imofomento (117 M.€) and the closed-end fund Josiba Florestal (24.6 M.€), at the same time as the BFE Group fund (0.5 M.€) was liquidated during the year.

Imofomento was the 2nd best open-end real estate fund in three out of the past five years.

PENSION FUNDS

2008 was once again a year of intensive commercial activity for BPI Pensões, having been selected to manage or co-manage pension funds in all the tenders in which it participated.

In global terms and in relation to the preceding year, the company increased from 100 to 110 the number of pension plans and from 35 to 36 the number of pension funds under management, closing the year with total net assets of 2 873 M.€. Compared with last year this indicator represented a decrease of 640 M.€ (-18.2%), to a large degree explained by the fall in the value of assets as a consequence of the economic and financial crisis in the period.

In 2008 contributions and transfers to the pension funds amounted to 170 M.€. As regards outflows, pensions and benefits paid totalled 181 M.€.

Pension funds under management

Chart 42

At the end of 2008, BPI Pensões occupied second place in the ranking of pension fund managers in terms of the volume of managed assets. Its market share stood at 16.9%, not taking into consideration the amounts allocated to PPR's and PPA's and the amounts under the management of the Sociedade Gestora do Fundo de Pensões do Banco de Portugal e da Previsão, whose sole objective entails the management of the respective shareholders' pension funds.

Intake of new Clients

As was the case last year, 2008 was a busy year in terms of the signing up of new Clients, with the confirmation of the entry of seventeen new pension-plan management mandates, of which eleven have already been initiated in 2008, amongst which:

- APFIPP – Associação Portuguesa de Fundos de Investimento, Pensões e Patrimónios
- Florêncio Augusto Chagas, S.A.
- Gasfomento – Sistemas e Instalações de Gás, S.A.
- Genzyme, S.A.
- ING Belgium SA / NV – Portuguese branch
- Lafarge Betões, S.A.
- Leaseplan, S.A.
- MATUDIS – Comércio de Produtos Alimentares, Lda.
- Mercedes-Benz (Group)
- Roche Farmacêutica Química, Lda.
- SIBS – Sociedade Interbancária de Serviços, S.A.
- Unicre – Instituição Financeira de Crédito, S.A.

Besides the procurement of these new mandates, which include two closed-end funds, the year saw the extinction of one closed-end pension fund and the transfer of part of its net assets to the open-end pension funds, as well as the extinction of a collective membership transfer to the open-end funds by virtue of the relevant company's extinction.

Pension funds' returns

The returns posted by the pension funds were penalised in 2008 by the crisis undermining the financial system, which led to the sharp setbacks recorded by the equity markets and to the widening of credit spreads[G], with a consequent impact on the decline in the price of bonds issued by companies.

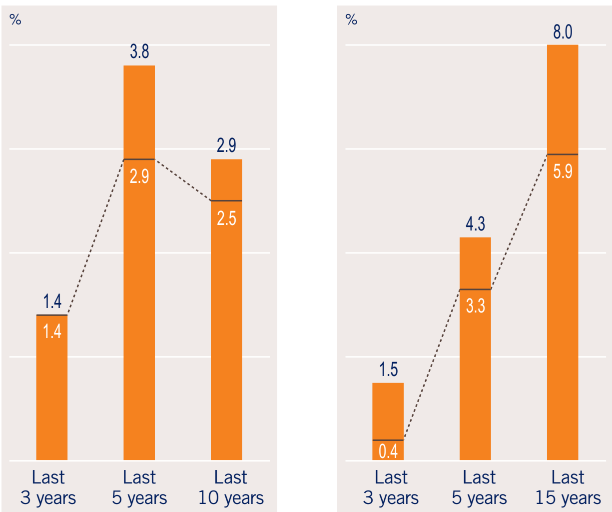
According to calculations made by BPI Pensões, the median return of the pension funds was -5.7% while the average return weighted by the respective pension funds was 17.0%.

In terms of long-term analysis, the results of market surveys for 2008 which were conducted by two reputable consultants, Mercer Investment Consulting and Watson Wyatt International Ltd (Portuguese branch) demonstrate once again that the company has consistently maintained over the years very positive results:

IPE Awards 2008

The open-end pension fund BPI Segurança was distinguished as the "Best Pension Fund in Portugal" in the category premiums by country, by the journal Investment & Pensions Europe, one of the most prestigious European publications covering the sector; the open-end BPI Valorização pension fund received the same award in 2005 and 2007.

Pension funds long term returns



Source: Mercer Investment Consulting.

■ BPI Pensões median
— Market median

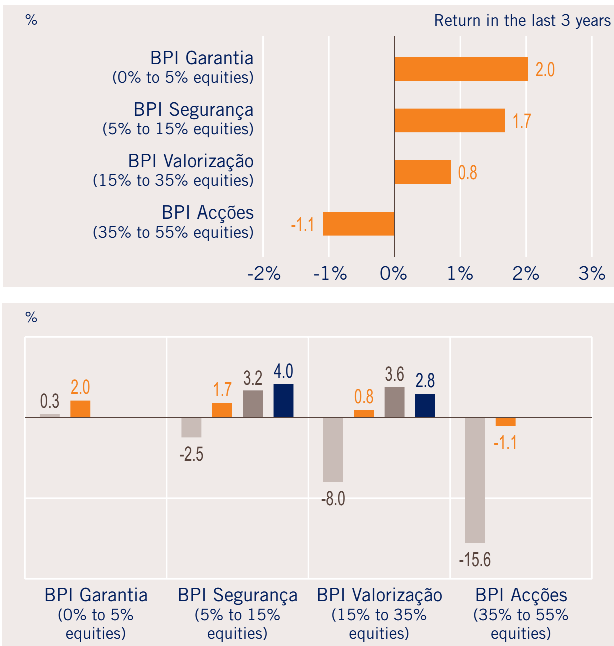
Source: Watson Wyatt International Ltd. – Subsidiary in Portugal.

■ BPI Pensões weight average
— Market median

Chart 43

Open-end pension funds returns

Return until 31 December 2008



■ Last year
■ Last 3 years
■ Last 5 years
■ Last 10 years

Chart 44

CAPITALISATION INSURANCE

2008 witnessed a strong alteration in the profile of products under management at BPI Vida. The retirement savings plans grew 32% to 688.2 M.€. This type of product accounted for 23% of the amounts owed to Customers at the end of 2008 (12% in 2007).

In the units of account products in which the risk is borne by the insured party, the opposite occurred, with a decline of 58.6% to 521.4 M.€.

The volume of assets under management at the end of 2008 was 3 183 M.€, which corresponds to a 29% decrease when compared with the end of 2007.

2008 was also marked:

- by the launching of a new Retirement Savings Plan (PPR) on 23 October, the BPI Reforma Garantida Anual PPR, which seeks to couple the advantages of a retirement savings plan with a guaranteed attractive annual return;
- by the strong growth in retirement savings plans (Planos de Poupança Reforma), with guaranteed capital or return.

Life capitalisation assurance business written Amounts in M.€

	2007	2008	Δ%
BPI Reforma Aforro PPR	115.3	174.7	51.5%
BPI Reforma Garantida PPR	20.3	54.5	168.4%
BPI Reforma Garantida Anual PPR	0.0	54.2	-

Table 29

Life capitalisation assurance

New business per year

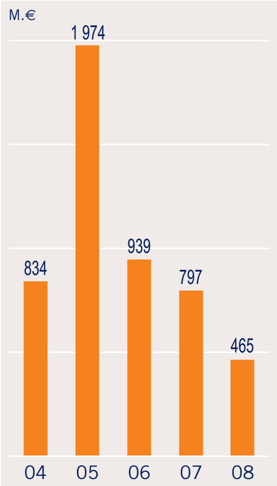


Chart 45

Assets under management

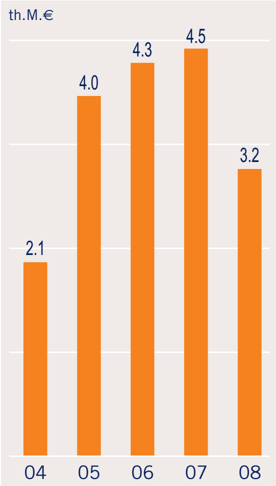


Chart 46

Investment Banking

OVERVIEW

The contribution from investment banking activity – corporate finance, brokerage, equities trading and private banking – to the Group's consolidated net profit was 10.4 M.€, in 2008, which corresponds to a 58% decrease relative to 2007.

Investment Banking
Selected indicators

Amounts in M.€

	2007	2008	Δ%
Contribution to the consolidated net profit	25.0	10.4	(58.3%)
Average allocated capital	20.4	21.7	6.3%
As % of the Group's average Shareholders' Equity	1.4%	1.3%	-
ROE	108.6%	31.0%	-
Assets under discretionary management or effective advisory (Private Banking)	2 538	2 311	(8.9%)

Table 30

The average return on the shareholders' equity employed was situated at 31%, compared with the previous year's 109%. The BPI Group's investment banking operations are characterised by a minimal consumption of capital. In 2008, the capital allocated to investment banking business corresponded to 1.3% of the Group's average capital.

In the brokerage business, BPI registered a 47% decrease in the volume of shares, which reflects the strong retreat registered in the Iberian stock markets. Net brokerage commissions were 12.4 M.€, down 29% on those earned in 2007. BPI has reinforced its expertise as an Iberian research house, with special emphasis placed on quoted small and medium cap companies. BPI organised for the fifth consecutive year, the Iberian Small & Mid Caps conference, which was attended by 34 companies and more than 70 specialist investors, at the same time organising 34 road shows and 14 reverse road shows. BPI enlarged the coverage universe of the equities research product to 98 Iberian companies, and now ranks as one of the Iberian houses with the most extensive coverage both in Portugal and Spain.

Trading activity in 2008 generated gains of 8.9 M.€, which corresponded to a contribution to consolidated net operating revenue, net of finance costs incurred, of 4.9 M.€.

In the mergers and acquisitions segment, BPI concluded transactions with an overall amount of around 1 518 M.€ in 2008, which corresponded to a 26.5% market share according to information made available by Bloomberg. BPI also provided advice to a vast number of entities, amongst which the advice given to the Sonae Group on the spin-off[G] operation for the granting of a market listing to Sonae Capital; to Galp Energia, in the process involving the acquisition of the Iberian assets of ExxonMobil; to the Altri Group, in the spin-off process of admission to trading of F. Ramada and to NAER in the preparations for the privatisation of ANA – Aeroportos de Portugal.

The volume of private banking business was 2 818 M.€ at the end of 2008, which corresponded to a 14% year-on-year decrease. Assets under discretionary management and advisory mandates totalled 2 311 M.€, 9% lower than in 2007.

***Know-how** is the ability to carry out practical things; art and ingenuity give body to an idea, a piece of work from dispersed elements.*

Banco Português de Investimento's know-how in the Corporate Finance, the equities primary and secondary markets, Project Finance, Private Equity and Private Banking areas, whether in the geographic area of the Iberian Peninsula or in Angola or Mozambique, is expressly illustrated by the operations and facts which we highlight.

The attributes and capacity of realisation evidenced there are the fruit of the professional treasure chest of knowledge and experience accumulated over more than 25 years of Banco Português de Investimento's existence.

"Know how."

CORPORATE FINANCE

BPI concluded during 2008, M&A deals with a global value of 1 518.2 M.€, which amount according to Bloomberg corresponded to a market share of approximately 26.5%, up on that achieved in 2007 (20.9%).

BPI also advised a large number of entities in the taking of investment and financing decisions, undertaking valuations and raising the funds necessary for the aforesaid investment projects.

Amongst the processes in which it was involved, we highlight the following:

- to the Sonae Group in the spin-off operation and market listing of Sonae Capital shares;
- to Galp Energia in the process involving the acquisition of ExxonMobil's Iberian assets;
- to the Altri Group in the spin-off operation and market listing of F. Ramada shares;
- to NAER in the preparations leading up to the privatisation of ANA – Aeroportos de Portugal;
- to Banco BPI in the disposal of 49.9% of the capital of Banco de Fomento Angola.

Below is a list of some of the advisory assignments of a public nature carried out by BPI during the course of 2008.

CORPORATE FINANCE MANDATES

- Allianz Portugal – Advising in the organisation of the public offer for sale of shares reserved for Allianz Group personnel.
- Altri – Advising in the spin off and admission to trading of F. Ramada.
- Amorim Desenvolvimento – Advising in the analysis of the disinvestment decision.
- Banco BPI– Advising in the disposal of 49.9% of Banco de Fomento Angola's capital to Unitel.
- Casa do Cinema Manoel de Oliveira – Advising in the compilation of the business plan.
- Galp Energia – Advising in the acquisition of the assets and businesses which ExxonMobil owned in the Iberian Peninsula. Advising in the valuation of a subsidiary of the company.
- Amorim Group– Advising in the valuation of the Group's affiliates.
- RAR Group – Advising in the taking of investment decisions.
- Indaqua – Advising in the analysis of an investment decision.
- NAER – Advising in the preparation for the privatisation of ANA and the contracting of the conception, construction, financing and operation of the New Lisbon Airport.
- Partex – Advising in determining the fair value[G] of its crude-oil interests.
- Porto Editora – Advising in the taking of investment decisions.
- Sogrape – Advising in the taking of investment decisions.
- Sonae, SGPS – Advising in the spin-off operation and admission to listing of Sonae Capital.
- Sonae Distribuição – Advising in the disposal of assets.
- Sonae Capital – Advising in the valuation of the Group's affiliates.
- Total Portugal – Advising in the organisation of the public offer for shares reserved for workers of the Total Group.

EQUITIES

Secondary market

In 2008, BPI brokered deals involving equities worth 11 408 M.€ and generated net brokerage commissions of 12.4 M.€. This figure of net commissions compares with the 2007 figure of 17.4 M.€.

Primary market

The Iberian primary market was lacklustre, with some of the projected operations having been cancelled. The exception was the EDP Renováveis' Initial Public Offering, an operation in which BPI was present in the reserved retail tranche.

In 2008 commissions relating to block placement operations and stake building positions were nil whereas in 2007 they reached 4.6 M.€.

Research and sales

BPI continued to assert itself as a key Equity Research house for Iberian companies, not only in terms of the breadth of its coverage, but also due to its quality and consistency.

At the end of 2008, the universe of BPI Equity Research's coverage included 98 Iberian companies (66 companies in Spain and 32 in Portugal). In 2008, BPI extended the number of companies covered with special emphasis on small and medium capitalisation firms. BPI is nowadays one of the Iberian Research houses with the most extensive coverage in both Spain and Portugal.

In 2008, 488 research reports were published on Iberian companies (excluding daily newsletters). The *Iberian Small & Mid Caps Guide*, published every four months, is today a benchmark within the community of institutional investors specialising in this type of company. Also worth highlighting is the preparation of specific reports dedicated to large capitalisation companies, namely, the first edition of the Iberian Large Caps in October 2008, which we intend to publish on a half-yearly basis.

IBERIAN BROKER

BPI's equities brokerage business model is founded on the provision of a high value-added service to its institutional and individual Customers.

With regard to Institutional Customers, BPI's positioning is based on:

- a research product specialising in the Iberian market, where it is presently one of the houses with the most extensive coverage. At the end of 2008, BPI Equity Research actively followed 98 Iberian companies (66 in Spain and 32 in Portugal).
- keeping close contact with the principal institutional investors (Iberian and international), both in the generation of investment ideas and in the approximation of these investors to the companies. In 2008 BPI maintained active contact with some 240 institutional investors, 80% of whom were international Customers.

At the end of 2007, the team dedicated to these Customers was composed of 30 Employees, of whom 12 were based at the Madrid office: 13 formed part of the analysis team and 17 assumed commercial functions.

This team achieved prominent recognition in the main ranking of Iberian brokers, for both the quality and integrity of its Research and for the sales service it offered.

As regards individual investors, the BPI Group mainly uses two channels:

- BPI NetBolsa, which forms part of the homebanking services for Banco BPI Customers;
- BPI Online, the Investment Bank's exclusive channel. All the research produced by BPI is equally made available through these channels.

Both the channels are founded on the same technological trading platform. This platform is managed by BPI's Equities Department, both as regards maintenance and development and from the aspect of content production and specialised Customer support.

The Institutionals Sales team continued to strengthen its franchising amongst the principal institutional investors operating in the Iberian markets. In the ranking compiled by Thomsom Extel BPI's Institutionals Sales team was rated the Iberian Peninsula's 3rd best in the category of Small & Mid caps, while two of its members were classified in the top two places on an individual basis. This ranking is compiled on the basis of the responses given by the main fund managers operating in the Iberian market.

BPI continued to organise various events with the object of approximating companies and the institutional investor community. Amongst these, we highlight the V Conference of Iberian Small & Mid Caps. This conference, held this year in Sintra, is already a reference event for institutional investors specialising in investment in this category of company. The event was attended by 34 companies and more than 70 institutional investors. Still in 2008, BPI staged 34 road shows with companies and analysts and 14 reverse road shows (visits of international investors to Portugal and Spain).

Turning to the commercial activities realised in 2008, BPI organised some 1 100 meetings between companies and 236 separate institutional investors.

It is quite remarkable the high reputation that BPI enjoys amongst the institutional investors community, not only as a research house, but also in the personalised service on the part of the Institutionals Sales team. This recognition enables BPI to pursue its strategy of focusing its business as an iberian broker.

Trading

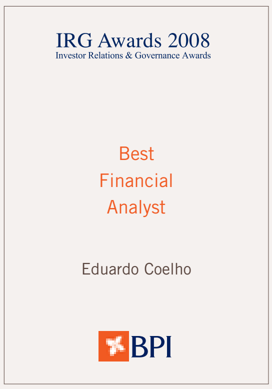
Trading activity, which encompasses the portfolios managed by Banco Português de Investimento, as well as the managed portfolios in Banco BPI's balance sheet, contributed positively – with 8.9 M.€ – to profits from financial operations in 2008. Considering the finance costs incurred in this activity, the net contribution in 2008 to the BPI Group's net operating revenue was 4.9 M.€.

In this activity, we underline the performance of the Iberian equities portfolios. In these portfolios the Sharpe ratio (risk-return relationship) obtained was more than 2 times. The abovementioned portfolios achieved positive returns in eleven months of 2008, with October being the only exception.

Investor Relations & Governance Awards

In the event "Investor Relations & Governance Awards" organised by Deloitte, Semanário Económico and Diário Económico, BPI was elected the best Equities Research house operating in Portugal. Since 2003, when the award was first instituted, BPI's Research team was voted four times (2003, 2004, 2006 and 2008) as the best Research house operating in Portugal. This succession of awards mirrors the consistency of the BPI Research Team founded, amongst other values, on rigour and independence.

The analyst Eduardo Coelho, responsible for coverage of Iberian Small Caps, was given the prize for the Best Financial Analyst. In 6 years, this is the third time that a BPI analyst is distinguished with this award.



PRIVATE BANKING

BPI Private Banking's priorities were centred on the intensification of communication with Clients, keeping them informed about market developments, and on acting in a personalised manner with respect to portfolio risk exposure with the goal of ensuring the preservation and protection of their financial assets against a backdrop of the deepening international financial crisis which began in the second half of 2007. Preference was given to finding investment solutions which combine capital protection with fixed income or income linked to themes, sectors or various geographical zones which permit benefiting from any change in the direction of the financial markets.

Private Banking managed in 2008 to maintain a high influx of new Clients and new assets, which allowed partially attenuating the effects of the financial market's dismal performances in this period.

BPI Private Banking's business volume at the end of 2008 totalled 2 818 M.€, 14% lower than the figure at the end of 2007. This trend is essentially explained by the widespread collapse in risk-related asset prices, with special focus on stable investments under custody, which today represent 33% less when compared with the same period last year.

At the close of 2008, the loan portfolio stood at 133 M.€, representing a 28% decrease relative to the end of 2007.

Private Banking
Selected indicators

Amounts in M.€

	2007	2008	Δ%
Assets under management	2 538	2 311	(9%)
Discretionary management	1 057	498	(53%)
Advisory services	1 481	1 813	22%
Stable investments under custody	561	375	(33%)
Loans portfolio	184	133	(28%)
Business volume	**3 283**	**2 818**	**(14%)**

Table 31

Euromoney Private Banking Survey
BPI's Private Banking was distinguished for the second consecutive year as the "Best Private Banking" in Portugal by "Euromoney Private Banking Survey". This award is the result of a survey realised by the magazine Euromoney covering various companies providing banking services, with the winners being selected on the basis of an evaluation made by their own peers. BPI was rated in first place in 17 of the 29 categories contemplated.

EUROMONEY Private Banking Survey 2009

Best
Private Banking
in Portugal

2008

BPI

Private Equity

In December 2008, Inter-Risco managed a group of assets amounting to some 52.6 M.€ at market values, including its own portfolio of investments and managed funds.

An investment was made in July in ColdLand – a company specialising the provision of cold-storage logistics – of 4 M.€ corresponding to an 80% interest in the company's capital. During August and September two additional investments were made by the Caravela Fund (venture capital fund) promoted by the BPI Group and which has as co-sponsor the European Investment Fund – in the investee companies NewCoffee Co. and Moneris (ex-Accountec) in the amount of 2.5 M.€.

In January 2008 the investment in TvTel was disposed of. This investment represented an annual return of 28% and a transaction multiple of 7.4 times the capital invested.

During May the investment in Fernando & Irmãos (holding company which controls winemaker Quinta da Aveleda) was disposed of, having registered an annual return of about 10%.

The gains realised on the abovementioned two investments were offset by the following disinvestments:

- the disinvestment in Tecmic, a company providing integrated engineering solutions and information systems, disposed of in October, with a return of -4% and an investment multiple of 0.7x;
- the disinvestment in Douro Azul, realised at the end of the year, with a return of -9.4% and an investment multiple of 0.6x.

The current investment portfolio comprises the following holdings.

Private Equity[G] holdings
At 31 December 2008

Company	% held	Activity
Managed fund		
Serlima	23.0%	Facility management services (cleaning, maintenance and industrial laundries)
NewCoffee Co.	33.3%	Cofee processing and sales
Mastertest	30.0%	Motor vehicle inspection centres
Moneris	45.6%	Business process outsourcing services (accounting, consultancy)
ASFC	33.3%	Packing in solid urban-waste containers
Own portfolio		
Arco Bodegas Unidas	2.1%	Wine production and sales
Caravela Gest	20.0%	Food retailer (Haagen Dazs)
Conduril	9.2%	Construction
ColdLand	80.0%	Services specialising in cold-storage logistics

Table 32

International Commercial Banking

COMMERCIAL BANKING IN ANGOLA

BANCO DE FOMENTO ANGOLA

BFA's contribution to the BPI Group's consolidated net profit in 2008 was 136.4 M.€. Banco de Fomento Angola's (BFA) Shareholders' equity (including minority interests) at the end of 2008 amounted to 389 M.€, while assets on the same date totalled 4 386 M.€, that is, respectively 20% and 10% of the Group's corresponding indicators. It is worth underling the bank's very liquid balance sheet at the end of 2008, with a Customer loans / on-balance-sheet resources ratio of 32%.

In the period under review, the commercial network expanded by 18 branches, while at the same time there was a significant increase in the number of BFA Customers (additional 148 thousand in the last 12 months, up +37%). Moreover, there was a marked increase in the utilisation of electronic banking (more than 50 thousand users).

Resources

Customer resources registered 97% growth in 2008 to total 3 856 M.€. In December, BFA had a 20% market share in deposits, which placed it second in the local rankings. The more attractive conditions offered to Customers through securities repurchases originated the diversion of funds previously placed in deposit accounts to these investments. The aggregate time deposits and repurchases grew 143% year-on-year, while sight deposits (current accounts) grew by roughly 67%.

Loans

The loan portfolio, measured in euro, registered a 28% increase to stand at 1 235 M.€, with loans in American dollars being this item's most expressive component. According to the Central Bank's statistics, BFA's market share in December 2008 was 21% (for this purpose, credit includes loans, treasury bills and treasury bonds, as well as financial investments), percentage which corresponds to the market's leading position.

At 31 December 2008, 69% of the loan and guarantees portfolio corresponded to the corporate segment, and the remaining 31% to the individuals' segment.

Banco de Fomento Angola
Selected indicators

Amounts in M.€

	2007	2008	Δ%
Total assets	2 348.2	4 386.2	86.8%
Loans to Customers (net)	961.1	1 234.7	28.5%
Loans on arrears for more than 90 days	1.0%	0.7%	-
Customers resources	1 958.3	3 856.0	96.9%
Shareholders' equity	257.9	388.8	50.8%
Net operating revenue	196.2	263.2	34.1%
Net interest income	131.2	172.5	31.6%
Commissions and other operating income	43.6	49.8	14.3%
Profits from financial operations	21.5	40.8	90.2%
Operating costs	60.0	74.2	23.6%
Operating costs / net operating revenue	30.6%	28.2%	-
Personnel costs / net operating revenue	13.0%	12.3%	-
BFA's contribution to the BPI Group's net profit	73.8	136.4	84.9%
No. of Employees	1 528	1 598	4.6%
Traditional branches	85	99	16.5%
Investment centres	4	5	25.0%
Corporate centres	7	9	28.6%
No. of Customers	404 773	553 133	36.7%
Customers using BFA Net	32 433	50 106	54.5%
Of which, individuals	29 827	46 774	56.8%
companies	2 606	3 332	27.9%
ATM machines (no.)	137	160	16.8%
Debit cards issued (valid)	359 734	556 933	54.8%
No. of points-of-sale (POS)	322	760	136.0%

Table 33

Customer loans

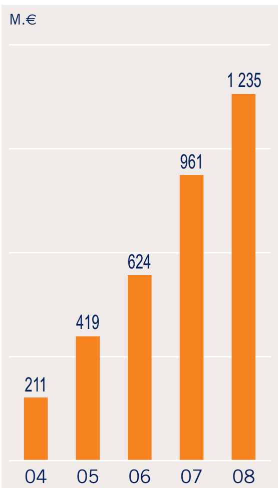


Chart 47

Customer resources

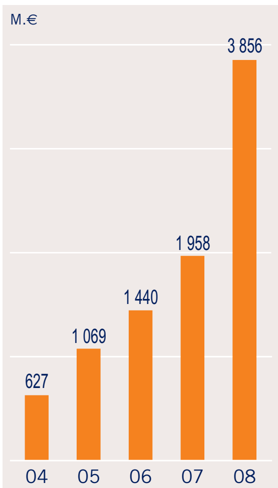


Chart 48

It is also worth mentioning the creation of three new regional commercial divisions in Corporate Banking and the reorganisation of the credit-risk evaluation centres, previously segmented according to sectors, and which are now segmented by regions, thereby permitting a direct allocation of a specific Risk Centre to a Regional Division.

Securities portfolio

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

Cards

BFA continued during 2008 to consolidate the position of principal operator of ATM cards, attaining a 36% market share. Of the total of 621 active ATM's in the Angolan banking system, 160 are made available by BFA.

At the close of 2008 BFA had already 7 051 credit cards in circulation, a position that was reinforced at the end of the year with the launching of two new cards denominated in kwanzas, the VISA BFA Mwangolé Gold card and the Mwangolé Classic card.

After the launch in 2007 of the VISA acquiring operation, BFA significantly strengthened its position in the POS equipment segment, closing the year with 760 active terminals which corresponds to a 38% market share.

Visa BFA Mwangolé cards

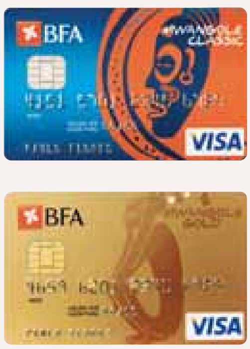
In November BFA launched two new credit cards in kwanzas associated with the VISA network: BFA Mwangole Gold and BFA Mwangole Classic.

These cards which have as their distinguishing feature the fact that they are in kwanzas (the local currency) were launched backed by an extensive media campaign featuring the singer Paulo Flores who associated his image with BFA for the first time. Paulo Flores is one of the personalities who best represents the Angolan culture and was the person who composed the music and lyrics for the campaign's jingle.

The image of each card was inspired on the traditional symbols of Angolan culture – the thinker and the masks.

Super poupança

The inflow of resources in American dollars during 2008 was strongly underpinned by the launching of a new product, Super Poupança BFA (super savings account). This product was the theme of two of the principal campaigns held in this period and had as the main message line the 6.25% per annum rate of return.



Credit card Mwangolé – "A real Angolan card".

Super savings BFA – "Multiply your money".

Super savings BFA – "Star the year wining".

Protocol with the Angolan Armed Forces

Pursuing its strategy of actively participating in the fostering of a banking culture amongst the Angolan population, BFA signed a Protocol with the Angolan Armed Forces, with the aim of facilitating the access to bank credit to around 60 000 Officers and Sergeants of the Permanent Force.

Under this Protocol, the Bank guaranteed the availability of a wide range of products, under preferential price conditions, namely: Salary Account, Consumer Credit, Home Loans and Credit Cards.

Signed in October 2008 and valid for 5 years, this Protocol was implemented in a phased manner and served as a starting point for a cooperation relationship which is hoped will be long-lived.

25th edition of Expo Huíla

BFA was honoured in 2008 by being awarded the prize for the Best Financial, Banking and Insurance Sector Stand at the 25th Expo Huíla. Forming part of the commemorations of the City of Lubango Festival, the Expo Huíla event is regarded as being one of the biggest trade fairs in Southern Angola by bringing together exhibitors from the provinces of Huíla, Cunene, Kuando Kubango, Benguela and Huambo. This prize is recognition for the innovative design of the stand and for the strong presence of BFA's commercial team.

Deutsche Bank – Straight Through Processing

BFA also received in 2008, and for the sixth consecutive year the award attributed by Deutsche Bank Trust Company relating to the best automatic processing of foreign operations (Straight Through Processing – Excellence Award), rewarding the fact that more than 96% of the payment orders issued by BFA were processed automatically without the need for any subsequent correction.

25th edition of Expo Huíla

Best sectorial stand

Banking and Insurance

2008

BFA

Deutsche Bank

Excelence Award

Straight Through Processing

2008

BFA

COMMERCIAL BANKING IN MOZAMBIQUE

BCI – BANCO COMERCIAL E DE INVESTIMENTOS

BCI's contribution to Banco BPI's consolidated net profit, corresponding to the 30% shareholding, climbed from 3.3 M.€ in 2007 to 4.2 M.€ in 2008.

The participating interest in BCI is equity accounted. At the end of 2008, the value of the investment recorded in Banco BPI's consolidated balance sheet was 15.9 M.€. At that date, BCI's shareholders' equity stood at 53.9 M.€.

Total assets were 668.7 M.€, which measured in euro represents an increase of 22.2% relative to 2007. In October 2008, the bank had a 22% market share in terms of the financial system's total assets.

Deposits

Deposits taken from Customers in 2008 when expressed in euro posted growth of 10.1% to 500.2 M.€. Deposits in national currency constitute the most important component of that growth. At the end of October, BCI's market share of deposits was situated at 23%, much in line with the figure noted at the end of 2007.

Loans

The net loans portfolio, valued in euros, recorded a 49.23% growth to stand at 370.5 M.€. This positive variation was fuelled chiefly by operations in foreign currency to exporting Customers, and reversed the recent trend in the local currency's dominance.

At the end of 2008, the non-performing loan ratio was situated at 1.3%, while provisioning cover for overdue loans exceeded 200%.

BCI's market share in the loan segment was situated at 30% in 2008.

Banco Comercial e de Investimentos
Selected indicators

Amounts in M.€

	2007	2008	Δ%
Total assets	547.2	668.7	22.2%
Loans to Customers (net)	248.0	370.5	49.3%
Customer deposits	454.0	500.2	10.1%
Shareholders' equity	43.7	53.9	23.3%
BCI's contribution to the BPI Group's net profit	3.3	4.2	25.9%
No. of Employees	715	843	17.9%
Traditional branches	41	50	21.9%
No. of ATM machines	85	108	27.1%
No. of POS	782	1 101	40.8%
No. of Customers	90 242	85 758	(5.0%)

Table 34

Distribution network

During 2008, BCI continued to reinforce its physical branch network, opening 9 new branches and 1 business centre. It also increased the number of ATM's, adding a further 23 units to the Ponto 24 network, as well as enlarging its POS system by another 319 units. At the end of the year, the bank therefore had a total of 50 branches, 1 business centre, 108 ATM's and 1 101 POS, which served some 86 thousand Customers.

At the end of 2008, BCI's headcount numbered 843 Employees.

Customer loans

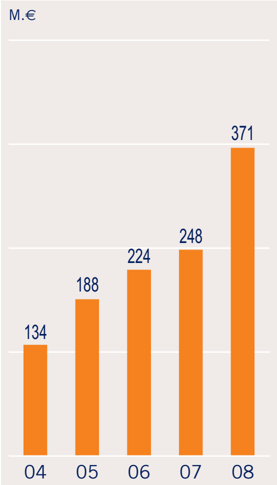


Chart 49

Customer deposits

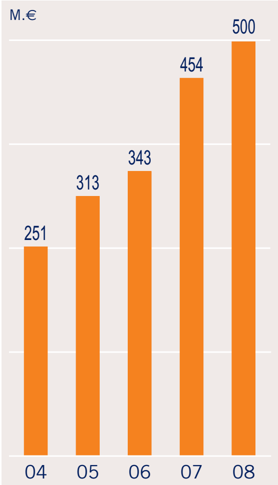


Chart 50

KEEPING TRACK OF PROJECTS AND PROSPECTS

During the course of 2008, Banco BPI pursued and extended further its tracking of the Mozambican market's evolution already implemented in 2007.

Mozambique is amongst the group of world economies that has grown the most in the last five years, presenting an annual average expansion in this period of close to 8%. The Mozambique economy is regarded by international observers as being a success case in countries which have recent experiences of war. The proper implementation of stabilisation policies and the success of the territory's peace initiatives have been the main factors responsible for the economy's good performance. In addition, the influx of foreign investment directed at major investment projects and the aid forthcoming from international donors continue to play a crucial role for the favourable economic landscape that has characterised the country.

Banco BPI is actively involved in the study of a number of structurally-related projects linked to various sectors. Of these we highlight the following owing to their size and relevance within both the national and regional context:

Power generation and transmission, in which stand out, besides the projected transmission line linking the north and south of Mozambique, the hydroelectric power schemes of Mphanda Nkuwa (Zambezi valley), the coal-fired thermoelectric power station of Moatize (Tete) and the natural-gas combined-cycle power plant in the south of the country.

Transport infrastructures, namely the rehabilitation and upgrading of the major railway-harbour links – in the Nacala Corridor in the north, and in Beira, in the central part of the country.

The materialisation of these projects will contribute decisively to accelerating the pace of the Mozambican economy's expansion already in evidence in recent years – with special emphasis on its export-side potential –, as well as to the integration and sustained development of the Southern African Development Community (SADC) countries, of which Mozambique forms part together with South Africa, Botswana, Democratic Republic of Congo, Lesotho, Madagascar, Malawi, Mauritius, Namibia, the Seychelles, Swaziland, Tanzania, Zambia and Zimbabwe.

In 2008, an international syndication was set up with the object of financing the scheme for the return of the majority capital of the Cahora Bassa Hydroelectric (closed on 27 November 2007) in the amount of 800 M.$US and with a maximum term of 10 years, in which Banco BPI acted as the Mandated Lead Arranger[G]. In the wake of this process, the financing syndicate comprised at the end of 2008 a total of 12 financial institutions, including Mozambican, South African and international banks (amongst which Portuguese, French, German and Japanese).The success of this operation's placement – the first structured in Mozambique on a purely commercial basis in a highly adverse market scenario – demonstrated the financial markets' potential receptiveness to other projects in Mozambique.

Financial review

OVERVIEW

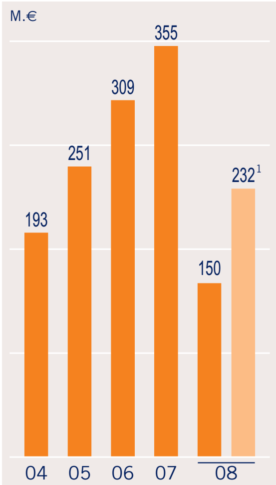
Since the start of the international financial crisis which erupted in the second half of 2007, BPI has adopted a prudent attitude in the light of the uncertainty regarding its developments and ramifications. 2008 witnessed the situation continually deteriorating and attaining a global scale, with expressive impacts on the financial markets and, subsequently, on the real economy. These in turn had a major effect on BPI's domestic operations, although they did not affect the Bank's international activity in Angola and Mozambique. In those countries, whose financial markets were virtually immune to the global market turmoil, the Bank has a very liquid balance sheet, carrying on retail operations founded on an ample deposit base and reduced transformation of deposits into loans.

On the domestic front, the disciplined execution of a programme responding to the immediate challenges of the crisis, structured on four priorities – (i) defence and reinforcement of **capital**, (ii) guarantee of comfortable liquidity levels, (iii) reduction and control of **risks** and (iv) strengthening the relationship with **Customers** – sacrificing immediate profitability, enabled the Bank (as stated in the presentation of this report) to close the 2008 financial year with a very sound financial situation and a reinforced reputation, backed up by its own resources and without the need to resort to guarantee instruments created by the State at the time.

Capital. As regards **Capital**, BPI closed the year with a total ratio of 11.3%, which corresponds ratios for Tier I capital of 8.8% and for core Tier I of 8%.

Contributing to this result was the cash inflow of 350 M.€ generated by the share capital increase realised in June, and the sale of 49.9% of BFA's capital, finalised in December. These two operations had an impact on the capital ratio of 1.4 and 1.2 percentage points, respectively.

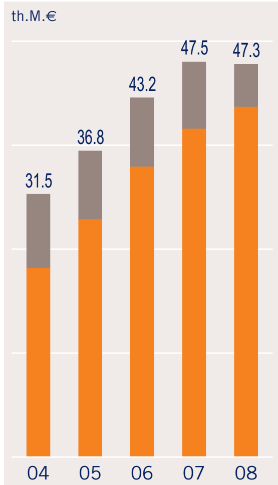
Consolidated net profit



1) Excluding the negative impacts of realised losses on the sale of BCP shares as well as impairment charges on this holding and early-retirement costs and the positive impact of gains realised on the sale of 49.9% of BFA.

Chart 51

Consolidated net assets and disintermediation

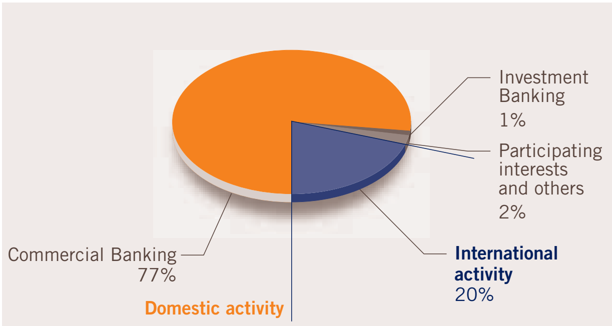


Disintermediation[1]
Net total assets[2]

1) Off-balance sheet Customer resources.
2) Corrected for duplication of balances.

Chart 52

Average capital[1] allocated by business area in 2008



1) Average capital allocated, excluding revaluation reserves.

Chart 53

Liquidity. In the Liquidity arena, the Bank presents a particularly comfortable position:

- The net intake of on-balance sheet Customer resources was greater in 2007 and 2008 than the expansion in loans advanced, in both domestic and international operations;
- The net creditor position on the interbank money markets attained, at the end of 2008, 1.5 thousand M.€ (th.M.€) in domestic operations, and 3.4 th.M.€ in consolidated terms;
- Banco de Fomento Angola's balance sheet is very liquid, presenting a loans-to-resources relationship of 32%;
- The ability to access the European Central Bank remains intact. The Bank did not resort to this facility, nor did it avail itself of the State's guarantee;
- In this manner, total financial resources potentially available amounted at the end of 2008 to 7.1 th.M.€, corresponding to the sum of the surplus interbank market position (1.5 th.M.€); the amount eligible for refinancing at the European Central Bank (3.9 th.M.€); potential issue guaranteed by the Portuguese State (1.7 th.M.€). This sum exceeds the volume of repayments due on long and medium-term debt to be made until the end of 2013.

Risks. BPI reduced the exposure to equities risk, not only in its own portfolio of available-for-sale assets, which fell from 1 083 M.€, at the end of 2007 to 58 M.€ at the close of 2008, representing 3.8% of shareholders' equity at that date, but also in the pension funds' assets portfolio, which decreased from 61% in June 2007 (before the onset of the financial crisis) to 18% at 31 December 2008. On that date, the pension funds' net assets guaranteed the funding of 99%[1] of pension liabilities.

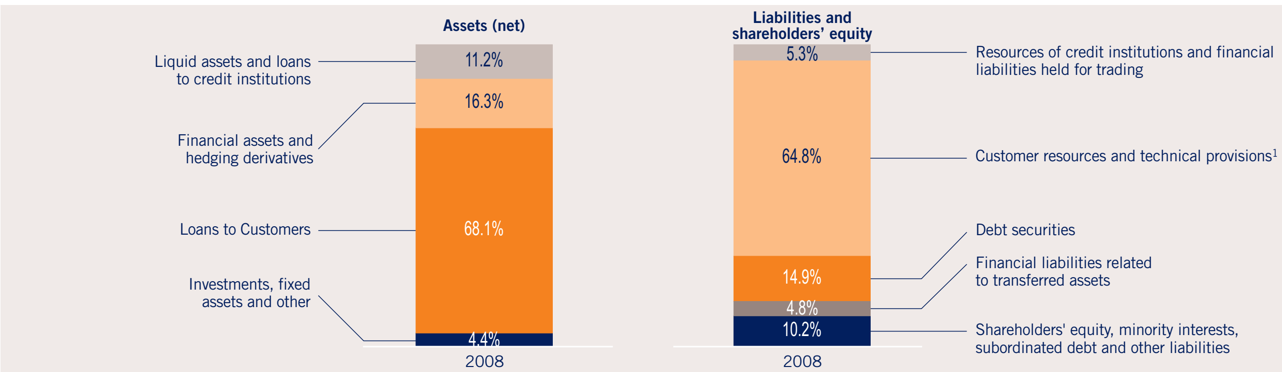
The Bank's ratios for overdue loans remained low, despite the higher risk levels in the economy, at the same time as cover for loans in arrears is adequate.

The consolidated ratio of loans in arrears for more than 90 days was situated at the end of 2008 at 1.2% (1.0% at the end of 2007) and the consolidated ratio for non-performing loans[2] was also situated at 1.2% (1.0% at the end of 2007). Accumulated impairment allowances in the balance sheet represented 130% of loans in arrears for more than 90 days.

At the end of 2008, loan impairment allowances in the balance sheet relating to loans with non-performing instalments fully covered the Bank's exposure in these operations (loans in arrears and associated loans not yet due), net of existing real guarantees.

Impairment charges recognised in the balance sheet net of recoveries represented 0.32% of the average performing-loan book in 2008.

Consolidated balance sheet structure in 2008



1) Related to capitalisation insurance with discretionary share in profits.

Chart 54

1) Taking into account the contribution of 119.3 M.€ to be transferred to the pension fund at the beginning of 2009.
2) Corresponds to loans in arrears for more than 90 days and doubtful loans, in accordance with Bank of Portugal Instruction 16 / 2004.

Customers. The results achieved in 2008 as regards the strengthening of the relationship with Customers are reflected in the intake of 165 thousand new Customers in Portugal and 148 thousand in Angola, and in important commercial activity indicators:

- The consolidated Customer loans portfolio grew 6.2%, on-balance sheet Customer resources expanded 21% and total Customer resources were up 6.7%.

- In domestic operations, Customer loans grew 5.4% and on-balance sheet Customer resources rose 14%. In international operations, BFA registered loan and resources growth of 28% and 97%, respectively.

Profitability. The worsening of the financial crisis throughout 2008, mirrored in the deterioration in risks, in the declining value of assets and in the freezing over of the money and credit markets, amongst other manifestations, exerted strong pressure on the Bank's earnings, in spite of the very positive commercial performance.

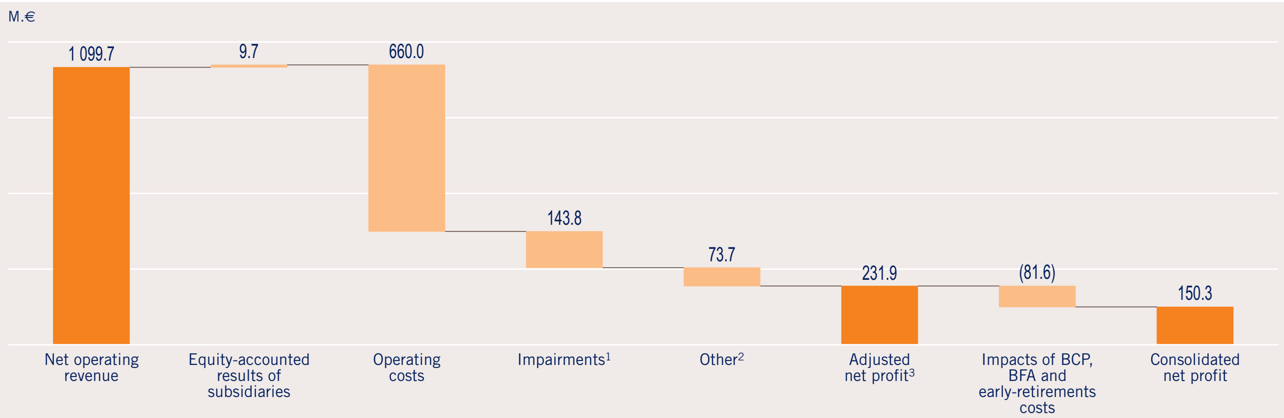
In summary, the international financial crisis significantly influenced the results from the Bank's domestic operations in five areas:

- **profits from financial operations**, with a steep decline in trading profits and the drop in the Pension Fund's net financial income to a figure of close to zero as from June 2008;

- **commissions**, with the pronounced decline in asset management as a consequence of the strong erosion in volumes, fruit of the collapse in asset prices and redemptions; and with the lower growth in commercial banking caused by the deceleration in the sale of credit and insurance products;

- loan **impairments**, with a substantial increase in the respective amount, due to the slowdown in economic activity, notwithstanding the indicator for loan losses as a percentage of the loan portfolio presenting a good relative level of 0.32%;

Consolidated net profit in 2008



1) Loan impairments and other impairments and provisions, net of recoveries of loans and interests in arrears previously written-off.
2) Corporate income tax, preference shares dividends and other minority interests.
3) Excluding the negative impacts of realised losses on the sale of BCP shares as well as impairment charges on this holding and early-retirement costs and the positive impact of gains realised on the sale of 49.9% of BFA.

Chart 55

- **net interest income**, pressured by the higher average costs of resources and by the deceleration in lending, whilst the adjustment of the spreads[G] (to reflect the rise in funding costs) occurred in a gradual and incomplete fashion;

- the indispensable **tighter control over costs**, with some immediate negative impacts, as in the case of early retirements.

Meanwhile the most direct impact of the international financial crisis resulted in the recognition of 51.3 M.€ of impairments (of which 25 M.€ in 2007 and 26.3 M.€ in 2008), corresponding to the acquisition value of the portfolio of Structured Investment Vehicles (SIV), with the result that the said portfolio is currently recorded at nil value.

Consolidated net profit fell 57.7% to 150.3 M.€, reflecting the impact of three extraordinary events: one positive, the 130.6 M.€ gain realised on the sale of 49.9% of BFA's capital, and two negative: the net loss of 184.4 M.€ resulting from the sale of the entire shareholding in BCP and costs of 27.7 M.€ associated with 200 early retirements decided upon and announced in December 2008. Excluding these three non-recurring effects, net profit would have suffered a drop of 34.7% to 231.9 M.€ and the ROE would have been 13.6% instead of the reported 8.8%.

Net profit from **domestic activity**, excluding the abovementioned impacts, was 91.3 M.€ (down 67% on 2007). The return on average shareholders' equity allocated (80% of the group's capital) was 6.7%.

For its part net profit from **international activity**, reflecting the robust business expansion, posted 82% growth to 140.6 M.€. The ROE on this activity, to which the remaining 20% of the Group's average capital is allocated, was 41.2%.

ROE by business areas

Amounts in M.€

	Domestic activity[2]		International activity of Commercial Banking[3]		BPI Group (consolidated)	
	2007	2008	2007	2008	2007	2008
Average risk weighted assets	22 163.5	23 802.3	1 171.5	1 710.2	23 334.9	25 512.5
Average shareholders' equity (excluding revaluation reserves)	1 187.3	1 367.8	249.0	341.2	1 436.3	1 709.0
Net profit	278.0	9.7	77.1	140.6	355.1	150.3
ROE	**23.4%**	**0.7%**	**31.0%**	**41.2%**	**24.7%**	**8.8%**
Net profit, excluding impacts with BCP stake, sale of 49.9% of BFA and early retirements[1]	278.0	91.3	77.1	140.6	355.1	231.9
ROE excluding impacts with BCP stake, sale of 49.9% of BFA and early retirements[1]	**23.4%**	**6.7%**	**31.0%**	**41.2%**	**24.7%**	**13.6%**

Table 35

1) Excluding from the contribution from the domestic activity in 2008, the negative impact of the loss of 184.4 M.€, realised on the sale of the Banco Comercial Português shares and the impairment charges recognised on the BCP investment, the positive impact of the 130.6 M.€ gain realised on the sale of 49.9% of BFA, and 27.7 M.€ in early-retirement costs, all after tax.

Geographical segmentation of the BPI Group's activity

2) The domestic activity comprises the commercial banking activity conducted in Portugal, including the provision of banking services to non-residents abroad (namely, amongst Portuguese emigrant communities) and those of the Madrid branch, as well as the activities relating to investment banking, private equity and other investments.

3) The international activity comprises the activity conducted by Banco Fomento Angola, as well as the appropriation of the 30% equity interest held in BCI in Mozambique and the activity of BPI Dealer in Mozambique (92.7% held). International operations' contribution to net profit in 2008 from Banco Fomento Angola amounted to 136.4 M.€, from BCI was 4.2 M.€ and from BPI Dealer Mozambique was 0.004 M.€.

Calculation of ROE by business areas

4) The return generated by each area results from the quotient between the contribution to the consolidated net profit and the capital allocated to the area. In determining the capital allocated the accounting capital (shareholders' equity), excluding revaluation reserves, was taken into consideration.

Selected indicators

(Amounts in M.€, except when indicated otherwise)

	2007	2008 adjusted[1]				2008 as reported
	Consolidated	Domestic activity	International activity	Consolidated	Δ% 07/08 Consolidated	Consolidated
Net total assets[2]	40 545.9	39 144.8	4 402.2	43 003.4	6.1%	
Assets under management[3, F]	15 884.0	12 665.3		12 665.3	(20.3%)	
Business volume[4, F]	64 520.4	62 866.7	5 378.2	68 244.9	5.8%	
Loans to Customers (gross) and guarantees[5]	32 483.4	32 546.5	1 522.2	34 068.7	4.9%	
Total Customer resources[F]	32 037.0	30 320.2	3 856.0	34 176.2	6.7%	
Business volume[4] per Employee[6] (thousands of euro)	6 904	7 958	3 366	7 185	4.1%	
Net operating revenue[1, F]	1 215.5	836.5	263.2	1 099.7	(9.5%)	1 181.8
Net operating revenue per Employee[1, 6] (thousands of euro)	138	106	169	116	(15.7%)	125
Operating costs[F] / net operating revenue[1, 7]	53.7%	70.0%	28.2%	60.0%	6.4 p.p.	55.8%
Personnel costs and outside supplies and services[F] / net operating revenue[1]	49.9%	65.2%	23.6%	55.2%	5.3 p.p.	51.4%
Personnel costs / net operating revenue and equity accounted results[1, 8]	30.5%	41.5%	12.1%	34.4%	3.9 p.p.	32.0%
Operating costs / net operating revenue and equity accounted results[1, 8]	52.5%	69.6%	27.7%	59.5%	7.0 p.p.	55.4%
Net profit[1, F]	355.1	91.3	140.6	231.9	(34.7%)	150.3
Adjusted data per share (euros)[9, F]						
Net profit[1, 9]	0.454	0.108	0.167	0.275	(39.4%)	0.178
Dividend[9, 10]	0.180			0.071	(60.7%)	
Book value[9]	2.087	1.447	0.230	1.677	(19.6%)	
Weighted average no. of shares[F] (in millions)[9]	782.1	842.3	842.3	842.3	7.7%	
Net operating revenue and equity accounted results / ATA[1, 8]	3.2%	2.2%	8.4%	2.7%	(0.5 p.p.)	2.9%
Profit before taxation and minority interests / ATA[1, 8]	1.2%	0.3%	5.5%	0.8%	(0.5 p.p.)	0.6%
Return on average total assets (ROA)[1, F]	0.9%	0.2%	4.7%	0.6%	(0.3 p.p.)	0.4%
Profit before taxation and minority interests / average Shareholders equity and minority interests[1, 8]	25.8%	8.1%	80.1%	16.5%	(9.3 p.p.)	12.9%
Return on Shareholders' equity (ROE)[1, 11, F]	24.7%	6.7%	41.2%	13.6%	(11.2 p.p.)	8.8%
Loans in arrears for more than 90 days / Customer loans[F]	1.0%	1.2%	0.7%	1.2%	0.2 p.p.	
Loan impairments (in the balance sheet) / Customer loans[F]	1.4%	1.4%	4.5%	1.6%	0.2 p.p.	
Loan impairments in the year, deducted of recoveries of loans in arrears written-off (in the income statement) / Customer loans[12, F]	0.23%	0.30%	0.85%	0.32%	0.1 p.p.	
BPI Group Employees' pension funds assets	2 798.5	2 269.4[13]		2 269.4[13]	(18.9%	
Pension obligation cover[F]	114.4%	98.7%[13]		98.7%[13]	(15.7 p.p.)	
Shareholders' equity[14]	1 635.1	1 292.3	205.8	1 498.1	(8.4%)	
Own funds[15]	2 569.9			2 963.6	15.3%	
Risk weighted assets[15]	25 924.7			26 191.7	1.0%	
Ratio of own funds requirements[8, 15, G]	9.9%			11.3%	1.4 p.p.	
Tier I[8, 15]	6.2%			8.8%	2.6 p.p.	
Core Tier I[15, 16]	5.4%			8.0%	2.6 p.p.	

Table 36

1) Banco BPI's 2008 consolidated net profit of 150.3 M.€ was negatively affected by the loss incurred on the sale of the shares in Banco Comercial Português (BCP) and by the impairment charges set aside on the BCP investment, both of which had a negative impact on after-tax net profit of 184.4 M.€, and by early-retirement costs of 27.7 M.€ (after tax), and positively affected by the gain realised on the sale of 49.9% of BFA's capital to Unitel, with a positive impact on after-tax net profit of 130.6 M.€.
The above table presents the indicators relating to efficiency, profitability, earnings and earnings per share after eliminating the abovementioned impacts.
In another column of the above table, the respective consolidated figures as reported are presented for the indicators which were the object of this adjustment, that is, calculated without excluding these impacts.
2) The amount of net total assets presented for each geographical segment has not been corrected for the balances resulting from operations between these segments. For consolidation purposes, these balances have been eliminated.
3) Unit trust (mutual) funds, Retirement Savings Plans (PPR) and Equities Savings Plans (PPA), capitalisation insurance, guaranteed-capital and limited-risk bonds, assets under discretionary management and advisory mandates of Private Banking Clients and institutional Clients and assets of pension funds under management (including the Group's staff pension funds).
4) Loans, guarantees and total Customer resources.
5) To ensure comparability, securitised mortgage loans written off from the balance sheet were added back (gross balance of 1 266 M.€ at the end of 2007 and 989 M.€ at the end of 2008).
6) Number of Employees of the companies which are consolidated in full.
7) Personnel costs (excluding costs with early-retirements), outside supplies and services, depreciation and amortisation as percentage of net operating revenue.
8) Calculated in accordance with the Bank of Portugal's Instruction 16 / 2004. ATA – Average total assets.
9) Corresponds to net profit, dividends distributed and shareholders' equity (excluding minority interests) divided by the weighted average number of shares (end-of-year number in the case of the indicator "book value per share"), with the number of shares adjusted by the capital increase which took place in June 2008.
10) The amount of dividends to be distributed in respect of 2008 corresponds to a dividend per share of 0.0668 euro which will be paid on each one of the 900 million shares representing the capital at 31 December 2008.
11) In the ROE calculation, the annual average Shareholders' equity (excluding minority interests) was taken into account and the revaluation reserves were excluded.
12) For analysis purposes, the 2007 figure excludes 6.2 M.€ of impairment charges set aside in 2007 and relating to the revaluation of properties pledged as security as at 31 December 2006.
13) Taking into account the contribution of 119.3 M.€ to be transferred to the pension fund at the beginning of 2009.
14) Excludes minority interests.
15) Calculated in accordance with Bank of Portugal rules governing minimum own funds requirements.
16) Core capital corresponds to basis own funds, before deductions relating to equity interests in credit institutions and insurance undertakings, and excludes preference shares.

Consolidated income statement

Amounts in M.€

		2007	2008	Δ%	2008 adjusted[1]	Δ% 07/08
Net interest income (narrow sense)	*1*	608.0	642.9	5.7%	642.9	5.7%
Unit linked gross margin	*2*	10.7	6.5	(38.9%)	6.5	(38.9%)
Income from securities (variable yield)	*3*	22.3	5.6	(75.0%)	5.6	(75.0%)
Commissions related to deferred cost (net)	*4*	20.9	21.2	1.1%	21.2	1.1%
Net interest income	***5*** *= Σ 1 to 4*	**661.9**	**676.2**	**2.2%**	**676.2**	**2.2%**
Technical result from insurance contracts	*6*	13.1	(12.2)	-	(12.2)	-
Commissions and other similar income (net)	*7*	342.6	305.5	(10.8%)	305.7	(10.8%)
Profits from financial operations	*8*	197.5	20.7	(89.5%)	114.9	(41.8%)
Operating income and charges	*9*	0.4	191.6	-	15.0	-
Net operating revenue	***10*** *= Σ 5 to 9*	**1 215.5**	**1 181.8**	**(2.8%)**	**1 099.7**	**(9.5%)**
Personnel costs	*11*	(379.2)	(419.4)	10.6%	(381.7)	0.6%
Of which: early retirements costs	*12*	(1.0)	(37.7)	-	-	-
Other administrative expenses	*13*	(228.6)	(225.9)	(1.2%)	(225.9)	(1.2%)
Depreciation of fixed assets	*14*	(45.4)	(52.4)	15.5%	(52.4)	15.5%
Operating costs	***15*** *= 11+13+14*	**(653.2)**	**(697.7)**	**6.8%**	**(660.0)**	**1.0%**
Operating profit	***16*** *= 10+15*	**562.3**	**484.1**	**(13.9%)**	**439.7**	**(21.8%)**
Recovery of loans written-off	*17*	20.9	25.9	24.1%	25.9	24.1%
Loan provisions and impairments	*18*	(112.3)	(143.7)	28.0%	(143.7)	28.0%
Other impairments and provisions	*19*	(18.3)	(146.6)	-	(26.0)	41.8%
Profits before taxes	***20*** *= Σ 16 to 19*	**452.5**	**219.7**	**(51.5%)**	**295.9**	**(34.6%)**
Corporate income tax	*21*	(108.6)	(51.4)	(52.7%)	(46.0)	(57.6%)
Equity-accounted results of subsidiaries	*22*	28.0	9.7	(65.3%)	9.7	(65.3%)
Income attributable to minority interest	*23*	(16.8)	(27.7)	65.1%	(27.7)	65.1%
Net profit	***24*** *= Σ 20 to 23*	**355.1**	**150.3**	**(57.7%)**	**231.9**	**(34.7%)**
Cash flow after taxation	***25*** *= 24-14-18-19*	**531.1**	**493.0**	**(7.2%)**	**454.0**	**(14.5%)**

1) Excluding the negative impacts of realised losses on the sale of BCP shares as well as impairment charges on this holding and early-retirement costs and the positive impact of gains realised on the sale of 49.9% of BFA.

Table 37

Consolidated balance sheet

Amounts in M.€

	2007	2008	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[1]	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%)
Investments 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	250.4	77.1%
Other assets	812.9	1 165.1	43.3%
Total assets	**40 545.9**	**43 003.4**	**6.1%**
Liabilities and shareholders' equity			
Financial liabilities held for dealing	534.7	258.5	(51.7%)
Credit institutions' resources	3 731.9	2 007.4	(46.2%)
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	62.8	(49.9%)
Instruments representing capital	27.3	28.7	5.2%
Other subordinated loans	930.8	767.6	(17.5%)
Other liabilities	926.5	874.1	(5.7%)
Share capital, share premium account, reserves and other equity instruments	1 310.2	1 370.5	4.6%
Treasury stock	(30.2)	(22.7)	24.9%
Net profit	355.1	150.3	(57.7%)
Minority interests	270.3	463.4	71.4%
Total Shareholders' equity and minority interests	**1 905.5**	**1 961.5**	**2.9%**
Total liabilities and shareholders' equity	**40 545.9**	**43 003.4**	**6.1%**
Note:			
Bank guarantees	3 613.7	3 355.5	(7.1%)
Off-balance sheet Customer resources[2]	7 961.8	5 104.0	(35.9%)

1) In December 2007, BPI sold 35% of the bonds relating to the capital tranche of the mortgage-loan securitisation operations which resulted in the derecognition of loan assets totalling 1 264 M.€. At 31 December 2008 the amount of Customer loans (net) derecognised from the balance sheet was 986 M.€.

2) The amount of unit trust funds included in these resources has been corrected for fund units held in the portfolios of the Group's banks and pension funds under BPI management.

Table 38

GROUP CAPITAL

Capital ratios

At 31 December 2008, core capital[1] stood at 8.0% of the risk-weighted assets. The Tier I capital ratio was 8.8% while the own funds requirements ratio[G] was 11.3%.

Own funds requirements

Risk-weighted assets at the end of 2008 totalled 26 191.7 M.€, which corresponded to own funds requirements of 2 095.3 M.€, 1% higher (+21.4 M.€) than at the end of the preceding year.

The Customer loans portfolio is responsible for the greater part of own funds requirements; roughly 67% of these at the end of 2008. The financial assets and investments portfolio represented for its part 8% of total own funds requirements.

BPI adopted in 2008 the standard method for calculating the requirements for covering credit risk as part of the adoption of the Basle II rules, which originated a decrease in the credit risk weight coefficients.

On the other hand, with the adoption of Basle II, own funds requirements began to be considered for cover of operational risk. BPI adopted the basic indicator method for purposes of determining the relevant amount.

At the end of 2008, the own funds requirements relating to operational risk amounted to 157.5 M.€, which represented 8% of the total of those requirements.

The loan portfolio and the portfolio of financial assets and investments grew in 2008 by 11% and 5%, respectively. However, the decrease in the respective weightings explains why the requirements relating to the loan portfolio and the portfolio of financial assets and investments decreased respectively by 115.1 M.€ (-8%) and 52.1 M.€ (-23%), relative to 2007.

Consolidated own funds requirements ratio
According to Bank of Portugal rules

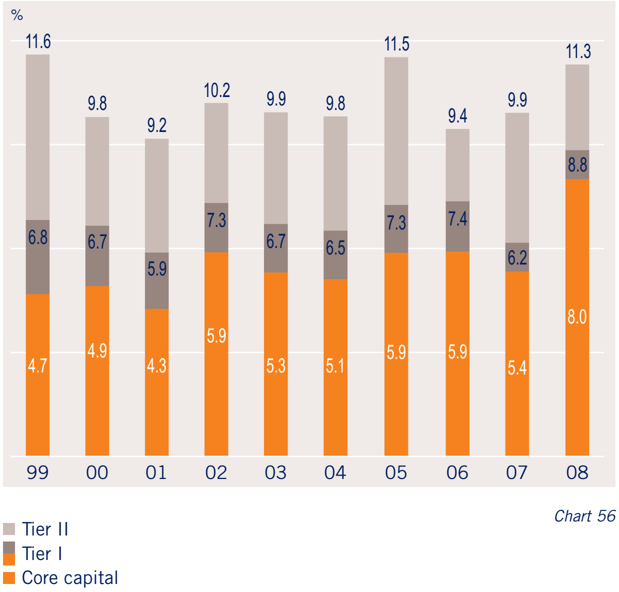


Chart 56

Own funds requirements in 2008
Breakdown by asset class

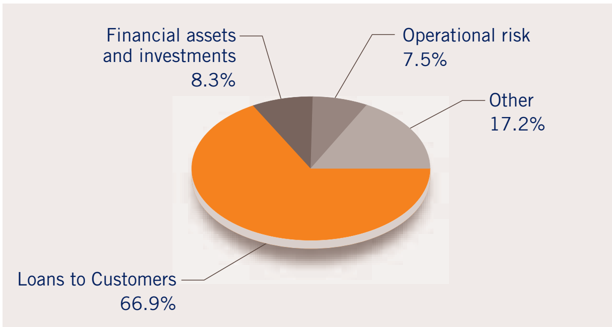


Chart 57

1) Core capital corresponds to basis own funds, before deductions relating to equity interests in credit institutions and insurance undertakings, and excludes preference shares.

Own funds requirements
Calculated according to Bank of Portugal rules

Amounts in M.€

	2007			2008		
	Assets (balance sheet net value)	Weighted average coefficient	Risk-weighted assets	Assets (balance sheet net value)	Weighted average coefficient	Risk-weighted assets
Liquid assets	1 404.8	4.0%	55.6	1 315.3	3.5%	45.7
Loans to credit institutions	601.8	30.7%	184.7	3 250.8	22.0%	714.4
Loans to Customers	24 223.6	78.3%	18 967.6	26 890.0	65.2%	17 529.4
Bonds, equities portfolio and investments	3 543.7	79.9%	2 831.9	3 710.1	58.8%	2 180.2
Tangible fixed assets	316.8	100.0%	316.8	331.2	100.0%	331.2
Sundry assets	338.3	71.2%	240.8	388.5	86.8%	337.4
Assets	**30 428.9**	**74.3%**	**22 597.5**	**35 885.9**	**58.9%**	**21 138.2**
Off-balance sheet items			2 513.0			2 422.3
Risk weighted assets			**25 110.5**			**23 560.5**
Credit risks (weighted assets x 8%)			2 008.8			1 884.8
Securitisation operations			28.7			36.0
Other credit risks			5.8			-
Market risks			30.7			17.0
Operational risk			-			157.5
Total own funds requirements			**2 074.0**			**2 095.3**
Total requirements x 12.5			**25 924.7**			**26 191.7**

Table 39

Own funds

At the end of 2008, basis own funds totalled 2 297.5 M.€, which corresponds to an increase of 697.2 M.€ (+44%) relative to December 2007. Total own funds were 2 963.6 M.€, 393.7 M.€ (+15.3%) more than in 2007.

Shareholders' equity and minority interests

Shareholders' equity as per the accounts, including minority interests, rose by 56.1 M.€ to 1 961.5 M.€ at 31 December 2008.

In the year, the principal positive impacts on shareholders' equity and minority interests were:

- the consolidated net profit generated from recurring activity of 231.9 M.€, that is, excluding the negative impacts relating to the realised capital losses and impairment charges on the BCP shareholding and to the early-retirement costs, and the positive impact of the gains realised on the sale of a 49.9% stake in BFA;

- the capital increase from 760 M.€ to 900 M.€ in June 2008, which produced a cash inflow of 350 M.€, and whose positive impact on the capital ratios was 1.4 percentage points;

- the sale of a minority equity holding in BFA for 365.7 M.€. This sale resulted in an increase in shareholders' equity and minority interests of 320 M.€. The positive impact on shareholders' equity and minority interests corresponds to the gain of 130.6 M.€ realised by BPI (after tax) and to the minority interests relating to the shareholding sold (189.6 M.€), given that BPI continues to consolidate BFA by the full consolidation method. In percentage terms, the positive impact on the capital ratios was 1.2 p.p.

The decline in the value of the financial assets portfolio constituted the most important negative impact on the behaviour of accounting shareholders' equity:

- BPI registered a negative impact on net profit of 184.4 M.€ (after tax) corresponding to the realised loss and the impairment charges recognised relating to the investment in BCP which it fully disposed of in 2008.

- On the other hand, the negative variation of 506.4 M.€ in the fair value reserve, net of deferred taxes, reflects above all the unrealised losses on the bond portfolio. The said portfolio did not however present signs of impairment, with the result that as regards the securities in which such situation remains, should they be held to maturity, this does not lead to a negative impact on results.

Own funds requirements ratios
Calculated according to the Bank of Portugal rules

Amounts in M.€

	2007	2008
Shareholders' equity and minority interests at year-beginning	**1 727.3**	**1 905.5**
2007 dividend payment	(120.4)	(140.6)
2008 net profit attributable to BPI shareholders	355.1	150.3
Minority interests: sale of 49.9% of BFA's capital	-	189.6
Proceeds from the share capital increase in June 2008	-	350.0
Revaluation of financial assets available for sale (net of deferred taxes)	(62.6)	(506.4)
Other	6.0	13.1
Shareholders' equity and minority interests at year-end	**1 905.5**	**1 961.5**
Dividend distribution in respect of 2008 financial year	(142.1)	(60.1)
Exclusion of:		
Fair value reserve in bonds available-for-sale portfolio (net of deferred taxes) not considered in own funds[1]	-	448.7
Positive fair value reserve in equities available-for-sale portfolio (45% of this amount in included in the Tier II)	(163.9)	(21.9)
Revaluation reserves of fixed assets included in Tier II	(8.5)	(8.5)
Adjustments to preference shares	31.5	32.1
Other adjustments	28.9	1.8
Subtotal	1 651.3	2 353.5
Inclusion of:		
Contributions to the pension funds still not disclosed as a cost	(1.9)	(0.6)
Intangible fixed assets	(15.5)	(15.4)
Loan provisions calculated in accordance with Bank of Portugal rules[2]	(104.2)	(79.3)
Deduction of participating interests in credit institutions and insurance companies	(89.4)	(80.7)
Deferred adjustments resulting from the transition to IAS / IFRS	160.0	119.9
Basis own funds[4]	**1 600.3**	**2 297.5**
of which, core capital	1 388.8	2 082.7
of which, preference shares	300.9	295.5
of which, deduction of participating interests in credit institutions and insurance companies	(89.4)	(80.7)
Complementary own funds	983.6	670.6
Other deductions	(14.0)	(4.5)
Total own funds	**2 569.9**	**2 963.6**
Total own funds requirements	2 074.0	2 095.3
Risk-weighted assets[3]	25 924.7	26 191.7
Own funds requirements ratio	**9.9%**	**11.3%**
Tier I[4]	6.2%	8.8%
Core Tier I (excluding preference shares)	5.4%[5]	8.0%
Preference shares as percentage of Tier I, before deductions of interests in credit institutions and insurance companies	17.8%	12.4%

In the note to the financial statements "4.49 Capital management" information is presented giving details of own funds.

Table 40

1) In accordance with Bank of Portugal Notice 6 / 2008, unrealised gains and losses on the portfolio of available-for-sale bonds, without signs of impairment, which are recorded directly in shareholders' equity, in the fair value reserve, ceased to be included in Tier II and Tier I capital respectively.
2) The amount of the loan provisions (specific and general), calculated according to the Bank of Portugal's rules, which exceeds the value of the impairment allowances recognised in the consolidated accounts, is deducted from basis own funds. That part of this figure which corresponds to general provisions, is then added to complementary own funds.
3) Own funds requirements x 12.5.
4) Calculated in accordance with the Bank of Portugal's Instruction 16 / 2004. In June 2007, 50% of own funds deductions related to participating interests in credit institutions and insurance companies began to impact Tier I, whereas previously they were fully allocated to Tier II.
5) Figure corrected from that disclosed in the 2007 Annual Report (5.0% in December 07) in accordance with the Bank of Portugal's indication that the core Tier I capital should not reflect 50% of the deductions relating to investments in credit institutions and insurance companies.

PRINCIPAL REGULATORY ALTERATIONS TO THE OWN FUNDS CALCULATION IN 2008

Bank of Portugal Notice 6 / 2008[1]

Effective from October 2008, through Notice 6 / 2008, the Bank of Portugal adopted identical rules to those that had already been broadly adopted by the European countries' central banks, with the result that unrealised gains and losses on the portfolio of available-for-sale bonds, without signs of impairment, which are recorded directly in shareholders' equity, in the fair value reserve, ceased to be included in Tier II and Tier I capital respectively.

Previously, the unrealised losses on bonds, net of deferred taxes, recorded in the fair value reserve were 100% included in basis own funds (Tier I), while unrealised gains on bonds, recorded in the fair value reserve were included to the extent of 45% of their value in complementary own funds (Tier II) and the remaining 55% of those unrealised gains were not considered in own funds. This procedure remained for the gains and losses on available-for-sale shares.

Bank of Portugal Notice 7 / 2008[1]

Via Notice 7 / 2008, the period for the deferral of the impacts of the transition to IAS relating to pension liabilities which at 30 June 2008 had not yet been recognised in earnings was extended by 3 years (SAMS, mortality table and others). In this manner, the period for the recognition of this impacts was extended to 2014, inclusive.

At 31 December 2008, the negative impacts of transition to the IAS / IFRS still not recognised (119.9 M.€) corresponded to 0.5% of risk-weighted assets.

Bank of Portugal Notice 11 / 2008[1]

Bank of Portugal Notice 11 / 2008 laid down a transitional regime for recognising in a phased manner over 4 years, part of the actuarial and financial variances of the pension funds which occurred in 2008. The transitional regime envisaged in Notice 11 / 2008 already applies with respect to the reporting of financial information at 31 December 2008.

According to the Bank of Portugal's rules, the negative actuarial variances of the pension funds, as regards that part which cannot be accommodated within the accounting "corridor"[2], are deducted from basis own funds.

At the end of 2008, BPI had accumulated negative variances of 502.2 M.€. Taking into account the fact that the accounting corridor amounted to 232.4 M.€, there were negative actuarial variances of 269.8 M.€ which prior to Notice 11 / 2008, would not be accommodated in the accounting corridor.

Notice 11 / 2008 widened the corridor considered for purposes of determining the amount of the actuarial gains and losses to be deducted from own funds, by allowing adding to the accounting corridor the amount of the negative actuarial variances recorded in 2008, after deducting the pension funds' expected income in that year. This addition will be gradually reduced over the next 4 years[3].

Taking into account that in 2008, BPI registered in a negative actuarial variance of 544.3 M.€[4], this figure, after deducting 161.2 M.€, which corresponds to the expected income of the pension funds in 2008, is 383.1 M.€, which amount, pursuant to Notice 11 / 2008, will be added to the accounting corridor at 31 December 2008 (232.4 M.€). Accordingly, at the end of 2008, the relevant corridor for calculating the impact of the negative actuarial variances in own funds amounts to 615.5 M.€, which permits fully accommodating the negative actuarial variances on that date.

Impact of actuarial deviations in own funds Amounts in M.€

	2008
Accounting corridor[1]	**232.4**
Actuarial deviations registered in 2008	544.3
Expected income of the pension fund in 2008	– 161.2
Addition to the accounting corridor	**383.1**
Corridor in terms of Notice 11 / 2008[2]	**615.5**
Accumulated negative actuarial deviations at the end of 2008	502.2
Negative impact in Tier I	**0**

1) Taking into consideration the pension liabilities with Employees and Directors.
2) Accounting corridor + addition to the corridor in terms of Notice 11 / 2008, Bank of Portugal.

Table 41

1) Notice 6 / 2008: publication on 17 Oct. 2008; entered into force on 18 Oct. 2008; Notice 7 / 2008: publication on 17 Oct. 2008; entered into force on 18 Oct. 2008; Notice 11 / 2008: publication on 14 Jan. 2009; entered into force on 19 Jan. 2009.
2) The accounting corridor corresponds to 10% of the amount of pension liabilities or of the pension funds' net assets, whichever is greater.
3) The addition to the accounting corridor will take in to consideration the following percentages: up till 30 December 2009, 100%; from 31 December 2009 to 30 December 2010, 75%; from 31 December 2010 to 30 December 2011, 50%; from 31 December 2011 to 30 December 2012, 25% and from 31 December to 2012, 0%.
4) Of the amount of the negative actuarial variances occurring in 2008, 42.1 M.€ was offset by existing positive variances at the end of 2007, so that at the end of 2008 there were negative actuarial variances of 502.2 M.€.

BANCO BPI'S CAPITAL INCREASE

The first of the four priorities of BPI's response programme to the challenges posed in 2008 by the international financial crisis entailed the defence and reinforcement of capital.

On 6 March 2008, BPI's Board of Directors deliberated and communicated to the market that it would present to the General Meeting, a proposal leading to the approval of a capital increase which would raise cash proceeds of 350 M.€. The General Meeting of 23 April unanimously approved the proposed capital increase and granted powers to the Board of Directors to deliberate on the conditions of such increase. On 19 May 2008, with the prior favourable opinion of the Supervisory Board in terms of the mandate conferred on it by the General Meeting, the Board of Directors deliberated and announced to the market the following conditions:

- Increase from 760 M.€ to 900 M.€, by way of Public Offer for Subscription, through the issue of 140 million ordinary, dematerialised and nominative shares, with a nominal value of one Euro each and a unit subscription price of 2.5 euro each, offered for subscription by Banco BPI, S.A. shareholders, projecting a cash inflow of 350 M.€;
- The financial settlement occurred on 16 June for the shares subscribed for in the offer and on 18 June for the shares subscribed for in the allotment.

BANCO BPI CAPITAL INCREASE – REFERENCE DATES

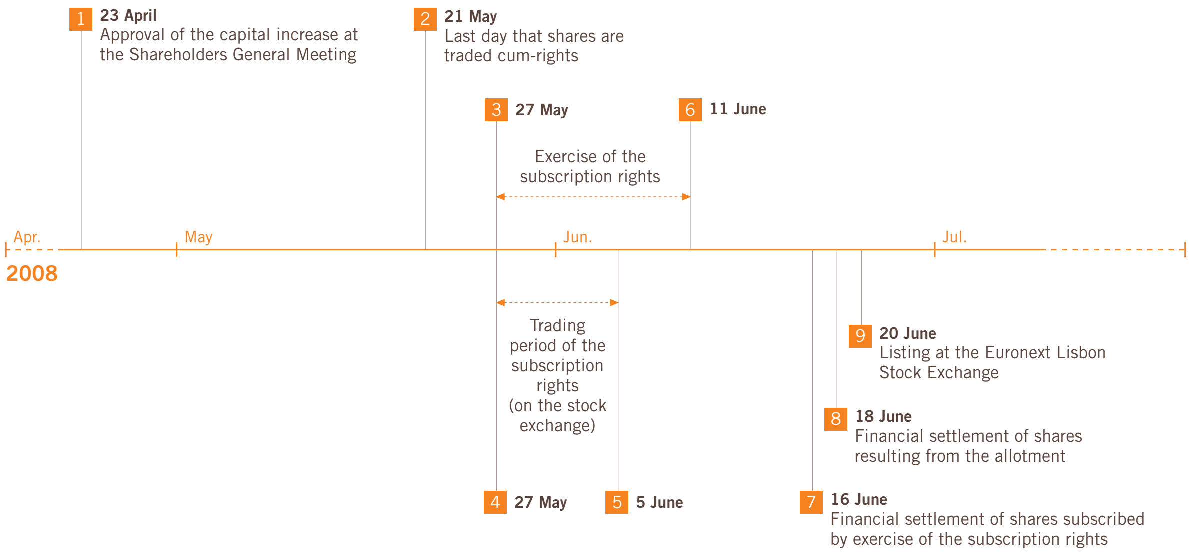


Figure 7

Results of the offer and allotment

The capital increase was fully subscribed and all the principal shareholders took part in the operation, having either maintained or reinforced their positions.

The number of shares subscribed for in the offer and allotment (close to 406 million) was 2.9 times greater than the number of shares available for subscription (140 million). Thus all the shares on offer were subscribed for by the Shareholders.

In the exercise of the subscription rights, 139.2 million shares were applied for, representing 99.41% of the total shares to be issued under the Public Offer for Subscription, leaving 825 thousand shares to be allotted.

The supplementary applications for shares in the allotment totalled 266.8 million shares, with the result that to these applications were allotted one share for every 324 applied for.

The subscription rights market remained very liquid and with equilibrium between the supply and demand during the entire stock exchange trading period, with close to 110 million of these securities being traded (corresponding to 14% of the pre-increase capital) at an average price of 11.6 euro cents, which price is equal to the respective theoretical value.

Banco BPI's capital increase
Principal indicators

No. of existing shares before the capital increase		760 million
No. of existing shares after the capital increase		900 million
No. of new shares issued		140 million
Subscription coefficient	[140 M. / (760 M. – 8.8 M.[1])] =	0.1863763517
Subscription price		2.50 €
Closing price on the last day of stock exchange dealing with subscription rights (cum-rights price)		3.335 €
Discount on the subscription price (subscription price as % of cum rights price[1])	[2.50 € / 3.335 € -1] =	(25%)
Cash proceeds	[2.50 € x 140 M.] =	350 M.€
Stock market capitalisation on cum-rights date		2 535 M.€
Cash proceeds as % of the stock exchange capitalisation on the cum-rights date	[350 M.€ / 2 535 M.€] =	13.8%

1) No. of own shares held on the date of the detachment of the subscription rights. These shares were earmarked for covering the options granted to Employees under the stock incentive scheme – RVA – in force at the Group since 2001.

Table 42

DOMESTIC ACTIVITY

OVERVIEW

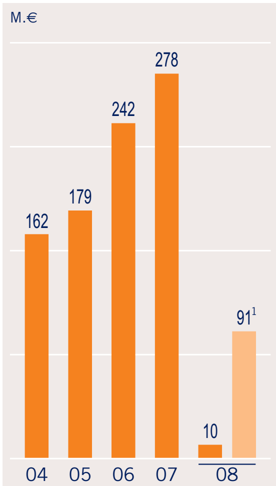
The domestic activity generated a net profit in 2008 of 9.7 M.€, which was affected by three events, the impacts of which (after tax) were as follows:

Two negative:
- losses realised and impairment charges of 184.4 M.€ on the BCP investment, which was sold in full during the year;
- early-retirement costs of 27.7 M.€.

One positive:
- gains realised on the sale of 49.9% of BFA's capital in the amount of 130.6 M.€.

Net profit from domestic operations, excluding the abovementioned impacts, was 91.3 M.€, which corresponds to a 67% decrease when compared with the 2007 figure. The average return on the shareholders' equity allocated to domestic operations (ROE) was situated at 6.7% in 2008.

Net profit from domestic activity



1) Excluding the negative impacts of realised losses on the sale of BCP shares as well as impairment charges on this holding and early-retirement costs and the positive impact of gains realised on the sale of 49.9% of BFA.

Chart 58

Domestic activity ROE by business area

Amounts in M.€

	Commercial Banking		Investment Banking		Participating interests and other		Total	
	2007	2008	2007	2008	2007	2008	2007	2008
Average risk weighted assets	**21 058.9**	**22 857.5**	**381.1**	**377.8**	**723.4**	**567.0**	**22 163.5**	**23 802.3**
Shareholders' equity (average)	980.5	1 236.8	114.6	127.2	92.2	3.8	1 187.3	1 367.8
Adjustment for capital reallocation	147.6	76.7	(94.2)	(105.5)	(53.4)	28.8	-	-
Capital allocated (adjusted)	**1 128.1**	**1 313.5**	**20.4**	**21.7**	**38.8**	**32.6**	**1 187.3**	**1 367.8**
Net profit	200.5	44.3	25.0	10.4	52.6	(44.9)	278.0	9.7
Adjustment to profit due to capital reallocation	4.4	2.7	(2.8)	(3.7)	(1.6)	1.0	-	-
Net profit (adjusted)	**204.8**	**46.9**	**22.2**	**6.7**	**51.0**	**(43.9)**	**278.0**	**9.7**
ROE	**18.2%**	**3.6%**	**108.6%**	**31.0%**	**131.6%**	**(134.8%)**	**23.4%**	**0.7%**
Net profit (adjusted), excluding impacts with BCP stake, sale of 49.9% of BFA and early retirements[1]	**204.8**	**74.7**	**22.2**	**6.7**	**51.0**	**9.9**	**278.0**	**91.3**
ROE excluding impacts with BCP stake, sale of 49.9% of BFA and early retirements[1]	**18.2%**	**5.7%**	**108.6%**	**31.0%**	**131.6%**	**30.5%**	**23.4%**	**6.7%**

1) Excluding from the contribution from the domestic activity in 2008, the negative impact of the loss of 184.4 M.€, realised on the sale of the Banco Comercial Português shares and the impairment charges recognised on the BCP investment, the positive impact of the 130.6 M.€ gain realised on the sale of 49.9% of BFA, and 27.7 M.€ in early-retirement costs, all after tax.

Table 43

Segmentation of the BPI Group's domestic activity

The domestic activity comprises the commercial banking activity conducted in Portugal, including the provision of banking services to non-residents abroad (namely, amongst Portuguese emigrant communities) and those of the Madrid branch, as well as the activities relating to investment banking, private equity and other investments.

Calculation of ROE by business areas

In determining the capital allocated to each business area integrating the domestic operations, it is assumed that the capital employed is identical to the average capital employed for this activity as a whole, except as regards the revaluation reserves which were excluded from the calculation of the capital allocated. The amount of capital allocated to each area is calculated by multiplying the assets weighted by the quotient between shareholders' equity (excluding revaluation reserves) and the assets weighted for the whole of the aforesaid areas. 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. The return generated by each area results from the quotient between the adjusted contribution and the capital allocated to the area.

On-balance sheet Customer resources and Customer loans grew 14% and 5.4%, respectively. Contributing to these results was the signing up of 165 thousand new Customers in the year, 8.6% more than in 2007. Off-balance sheet Customer resources fell by 36%, by virtue of the decline in prices and investment redemptions.

The narrowing of intermediation margins through the rise in funding costs, which was not offset by an adjustment to credit spreads of the same magnitude, and the strong correction to the capital markets which penalised the income derived from asset management and investment banking business, and that associated with the financial assets portfolio, exerted downward pressure on income.

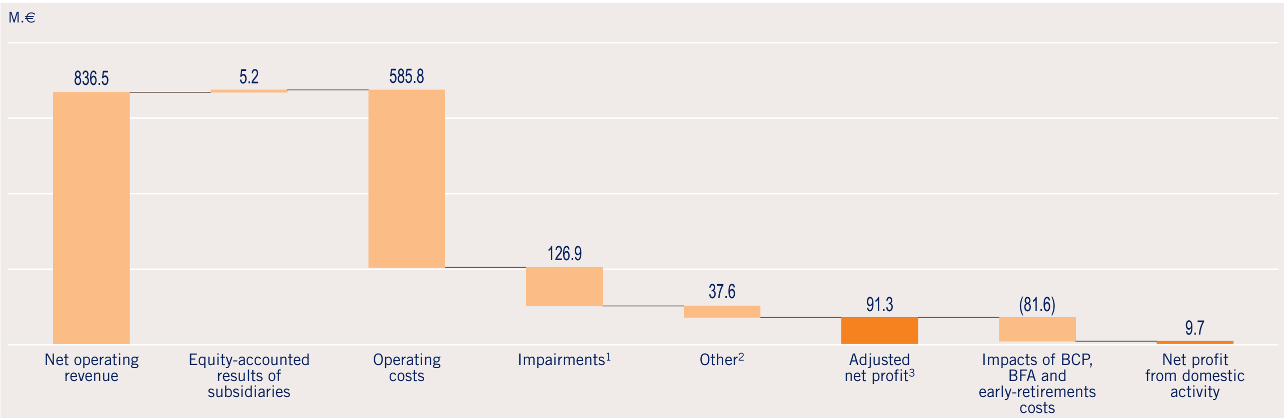
Net operating revenue from banking, excluding the impacts relating to the sale of the BCP shareholding and the sale of 49.9% of BFA (both referred to above) registered a decrease of 18% (-182.8 M.€). As regards the behaviour of the principal components of net operating revenue: net interest income decreased 5.1% (-27.1 M.€), commissions were 14.2% lower (-42.5 M.€) while profits from financial operations fell by 58% (-102 M.€).

On the other hand, operating costs, excluding early-retirement costs, declined 1.1% (-6.4 M.€), in spite of the impact of the execution of the branch-network expansion programme in Portugal which was concluded at the end of 2008. Stringent cost control and expense containment contributed to this trend. At the end of 2008, BPI approved a programme of 200 early retirements to be executed in the first quarter of 2009. The cost of this programme was booked in full in 2008, under personnel costs, although the attendant cost savings under this caption will only be reflected in 2009.

Loan impairments, net of recoveries, registered an increase of 71.1% (+45.0 M.€), which mirrors the higher risk in Customer loans. Credit risk indicators remain nonetheless at a low level. The ratio of arrear loans was situated at 1.2% at the end of 2008 (1.0% in 2007) while the ratio for non-performing loans[1] was also situated at 1.2% (1.0% at the end of 2007). The net credit loss[2] corresponded to 0.30% of the average performing-loan portfolio in 2008 (0.12% in 2007).

Impairment losses on other items amounted to 139.4 M.€ and corresponded to a large extent to the impairment relating to the equity holding in BCP (120.6 M.€).

Net profit from domestic activity in 2008



1) Loan impairments and other impairments and provisions, net of recoveries of loans and interests in arrears previously written-off.
2) Corporate income tax, preference shares dividends and other minority interests.
3) Excluding the negative impacts of realised losses on the sale of BCP shares as well as impairment charges on this holding and early-retirement costs and the positive impact of gains realised on the sale of 49.9% of BFA.

Chart 59

1) Corresponds to loans in arrears for more than 90 days and to doubtful debts, in accordance with Bank of Portugal Instruction 16 / 2004.
2) The net credit loss corresponds to the value of impairments recognised in the year, after deducting recoveries of overdue loans and interest previously written off.

The contribution from commercial banking business to net profit was 44.3 M.€, while investment banking activity contributed 10.4 M.€ and the investments and other areas made a negative contribution of 44.9 M.€.

Return on average shareholders' equity (ROE) from domestic activity

		2007	2008[1]
Net operating revenue as % ATA	*1*	2.8%	2.2%
Operating costs as % ATA	*2*	1.6%	1.5%
Operating profit (before impairments) as % ATA	***3** = 1-2*	**1.2%**	**0.7%**
Profit before taxes as % operating profit	*4*	82%	49%
Net profit as % of profit before taxes	*5*	80%	74%
ROA[2]	***6** = 3x4x5*	**0.8%**	**0.2%**
ATA / average shareholders' equity[3]	*7*	30.9	27.7
ROE	***8** = 6x7*	**23.4%**	**6.7%**

ATA = Average total assets

Table 44

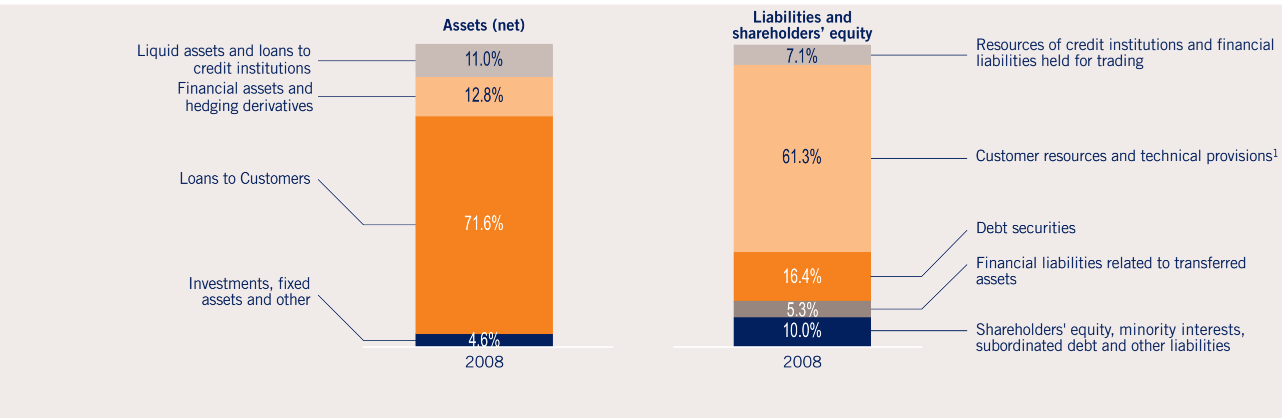
1) Excluding the negative impacts of realised losses on the sale of BCP shares as well as impairment charges on this holding and early-retirement costs and the positive impact of gains realised on the sale of 49.9% of BFA.
2) Taking into consideration the net profit attributable to BPI shareholders.
3) Excluding revaluation reserves.

Net total assets associated with the domestic activity grew 2.3% to 39 145 M.€ at the end of 2008.

Customer loans represented 72% of total assets at the end of the year. Customer resources constitute the primary source of asset funding. Amounts owed to Customers and the technical insurance provisions relating to BPI Vida's insurance capitalisation, represented around 61% of domestic operations' total assets at the end of 2008.

With effect from the start of the second half of the year, BPI began to have a net creditor position on the interbank short-term financing market. The amounts owed by and to credit institutions represented 11.0% of total assets at the end of 2008 (6.9% in 2007) and exceeded the value of amounts owed to credit institutions and dealing financial liabilities, which corresponded to 7.1% of total assets at the end of 2008 (11.3% in 2007).

Domestic operation balance sheet structure in 2008



1) Related to capitalisation insurance with discretionary share in profits.

Chart 60

Domestic activity income statement

Amounts in M.€

		2007	2008	Δ%	2008 adjusted[1]	Δ% 07/08
Net interest income (narrow sense)	*1*	476.8	470.4	(1.4%)	470.4	(1.4%)
Unit linked gross margin	*2*	10.7	6.5	(38.9%)	6.5	(38.9%)
Income from securities (variable yield)	*3*	22.3	5.6	(75.0%)	5.6	(75.0%)
Commissions related to deferred cost (net)	*4*	20.9	21.2	1.1%	21.2	1.1%
Net interest income	***5*** *= Σ 1 to 4*	**530.7**	**503.7**	**(5.1%)**	**503.7**	**(5.1%)**
Technical result from insurance contracts	*6*	13.1	(12.2)	-	(12.2)	-
Commissions and other similar income (net)	*7*	298.5	255.8	(14.3%)	256.0	(14.2%)
Profits from financial operations	*8*	176.1	(20.2)	(111.4%)	74.1	(57.9%)
Operating income and charges	*9*	0.9	191.5	-	14.9	-
Net operating revenue	***10*** *= Σ 5 to 9*	**1 019.3**	**918.6**	**(9.9%)**	**836.5**	**(17.9%)**
Personnel costs	*11*	(353.8)	(387.0)	9.4%	(349.3)	(1.3%)
Of which: early retirements costs	*12*	(1.0)	(37.7)	-	-	-
Other administrative expenses	*13*	(203.0)	(196.0)	(3.5%)	(196.0)	(3.5%)
Depreciation of fixed assets	*14*	(36.4)	(40.5)	11.2%	(40.5)	11.2%
Operating costs	***15*** *= 11+13+14*	**(593.2)**	**(623.5)**	**5.1%**	**(585.8)**	**(1.3%)**
Operating profit	***16*** *= 10+15*	**426.1**	**295.1**	**(30.7%)**	**250.7**	**(41.2%)**
Recovery of loans written-off	*17*	20.8	25.7	24.0%	25.7	24.0%
Loan provisions and impairments	*18*	(84.0)	(133.9)	59.5%	(133.9)	59.5%
Other impairments and provisions	*19*	(14.8)	(139.4)	-	(18.8)	26.5%
Profits before taxes	***20*** *= Σ 16 to 19*	**348.1**	**47.5**	**(86.3%)**	**123.8**	**(64.4%)**
Corporate income tax	*21*	(77.6)	(24.6)	(68.3%)	(19.2)	(75.2%)
Equity-accounted results of subsidiaries	*22*	24.4	5.2	(78.8%)	5.2	(78.8%)
Income attributable to minority interest	*23*	(16.8)	(18.4)	9.5%	(18.4)	9.5%
Net profit	***24*** *= Σ 20 to 23*	**278.0**	**9.7**	**(96.5%)**	**91.3**	**(67.1%)**
Cash flow after taxation	***25*** *= 24-14-18-19*	**413.2**	**323.5**	**(21.7%)**	**284.5**	**(31.2%)**

1) Excluding the negative impacts of realised losses on the sale of BCP shares as well as impairment charges on this holding and early-retirement costs and the positive impact of gains realised on the sale of 49.9% of BFA.

Table 45

Impacts in 2008 net profit from the stake in BCP capital, early retirements and sale of 49.9% of BFA's capital

Amounts in M.€

	Caption	Before taxes	After taxes
Impact from the stake in BCP capital		(215.1)	(184.4)
Of which: realised capital losses[1]	Profits from financial operations	(94.5)	(84.7)
Of which: impairment charges	Other impairments and provisions	(120.6)	(99.7)
Costs with early retirements	Personnel costs	(37.7)	(27.7)
Capital gains realised in the sale of 49.9% of BFA	Operating income and charges	+176.6	+130.6
Total impact		**(76.3)**	**(81.6)**

1) Includes 0.2 M.€ of transaction costs (before taxes) which were recorded in the caption COMMISSIONS.

Table 46

Domestic activity balance sheet

Amounts in M.€

	2007	2008	∆%
Assets			
Cash and deposits at central banks	845.4	649.0	(23.2%)
Amounts owed by credit institutions	276.5	217.8	(21.2%)
Loans and advances to credit institutions	1 525.2	3 447.7	126.1%
Loans and advances to Customers[1]	26 269.4	28 040.5	6.7%
Financial assets held for dealing	4 114.6	1 379.1	(66.5%)
Financial assets available for sale	3 500.0	2 735.2	(21.9%)
Investments held to maturity	-	407.7	-
Hedging derivatives	412.2	484.4	17.5%
Investments in associated companies and jointly controlled entities	137.9	121.9	(11.5%)
Other tangible assets	238.1	237.1	(0.4%)
Intangible assets	14.6	14.1	(3.7%)
Tax assets	141.4	250.4	77.1%
Other assets	800.2	1 160.0	45.0%
Total assets	**38 275.3**	**39 144.8**	**2.3%**
Liabilities and shareholders' equity			
Financial liabilities held for dealing	534.7	258.5	(51.7%)
Credit institutions' resources	3 772.6	2 514.9	(33.3%)
Clients' resources and other loans	18 644.7	21 738.6	16.6%
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	57.5	58.8	2.4%
Tax liabilities	95.3	37.4	(60.8%)
Instruments representing capital	27.3	28.7	5.2%
Other subordinated loans	930.8	767.6	(17.5%)
Other liabilities	908.9	852.1	(6.3%)
Share capital, share premium account, reserves and other equity instruments	1 116.3	1 305.2	16.9%
Treasury stock	(30.2)	(22.7)	24.9%
Net profit	278.0	9.7	(96.5%)
Minority interests	270.3	264.5	(2.2%)
Total shareholders' equity and minority interests	**1 634.4**	**1 556.7**	**(4.8%)**
Total liabilities and shareholders' equity	**38 275.3**	**39 144.8**	**2.3%**
Note:			
Bank guarantees	3 348.0	3 118.4	(6.9%)
Off-balance sheet Customer resources[2]	7 961.8	5 104.0	(35.9%)

Note: The balance sheet relating to domestic operations presented above has not been corrected for the balances resulting from operations with the "International Operations" geographical segment. For consolidation purposes, these balances have been eliminated.

Table 47

1) In December 2007, BPI sold 35% of the bonds relating to the capital tranche of the mortgage-loan securitisation operations which resulted in the derecognition of loan assets totalling 1 264 M.€. At 31 December 2008 the amount of Customer loans (net) derecognised from the balance sheet was 986 M.€.

2) The amount of unit trust funds included in these resources has been corrected for fund units held in the portfolios of the Group's banks and pension funds under BPI management.

FUNDING AND LIQUIDITY

Structure of funding

BPI's funding policy during the last few years was characterised by a deliberate intention to reduce the weight of short-term funding, namely money market funds, in the total borrowing structure. This was achieved in a first phase – between 2003 and 2007 –, by means of a greater recourse to the capital markets including, between 2005 and 2007, the realisation of four asset securitisation[G] operations and, in a second phase, by the greater emphasis on capturing Customer resources.

Funding structure
Domestic activity

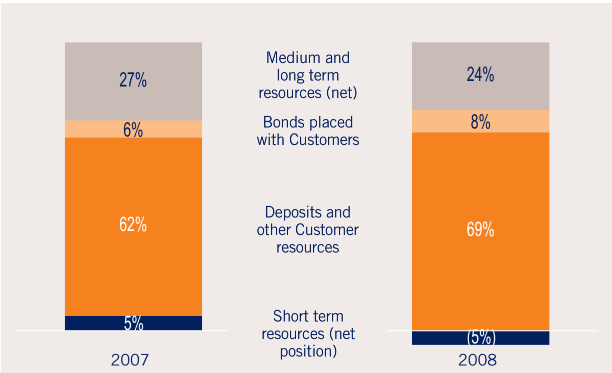


Chart 61

Funding and liquidity management in 2008

The Bank's funding and liquidity management during 2008 was focused on four principal aspects:

- ensuring a comfortable liquidity position;
- commercial focus on attracting more Customer deposits;
- taking advantage of the favourable opportunities for medium and long-term funding on the capital market;
- reinforcing eligible assets for short-term refinancing at the ECB.

Net creditor position on the interbank market

In June 2007, prior to the emergence of the credit crisis, the amount of short-term funding raised by BPI on the interbank money market stood at 3.4 th.M.€.

Still in the second half of 2007, the increase of 2 550 M.€ in Customer resources while loans expanded by some 1 420 M.€, and the issue of some 1 820 M.€ in medium and long-term debt when the amount of repayments did not exceed 160 M.€, broadly explains why the recourse to the interbank money market had fallen to 1 270 M.€. at 31 December 2007.

In 2008 and effective from July, the Bank moved from a debtor on the interbank money market to a net placer of funds with a net creditor position which at 31 December stood at 1.5 th.M.€, resulting from the balance between placements of 2.6 th.M.€ and funds raised of 1.1 th.M.€. Of the funds raised, 234 M.€ resulted from the placing of commercial paper. The Euro Commercial Paper programme launched in 2008 provides in this way an additional diversification of funding sources as an alternative to the money market and to the repo market.

The following contributed significantly to the above trend in 2008:

- the 22% increase in Customer resources (excluding BPI Vida) translated into an absolute increase of 4 087 M.€, as a result not only of a competitive product range, but also due to the higher risk aversion by Customers as evidenced by the switch from investment products to fixed deposits;
- the smaller expansion of the loan portfolio, which presented a net change of some 1 500 M.€;
- medium and long-term issues totalling 1 300 M.€ when repayments in the year were slightly higher (1 360 M.€).

It should be noted that in consolidated terms – considering the domestic position and that of Banco de Fomento Angola –, the net creditor position on the short-term interbank market was situated at 31 December 2008, at 3 450 M.€, benefiting from the abundant liquidity of BFA's balance sheet.

Annual change in on-balance sheet Customer resources and loan portfolio

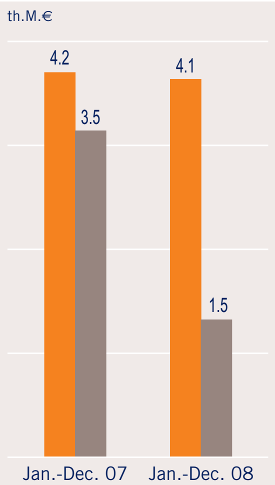


Chart 62

- Change in on-balance sheet Customer resources[1]
- Change in net loan portfolio

1) On-balance sheet Customer resources, excluding capitalisation insurance.

Net position in the short-term interbank market

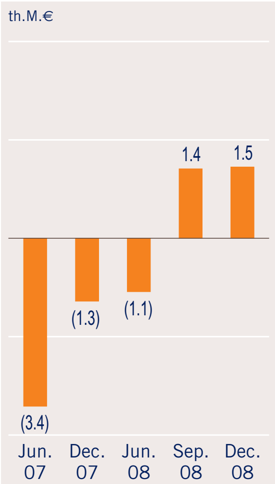


Chart 63

Medium and long-term funding

The scarcity of funds on the medium and long-term capital markets which occurred at the end of 2007, deteriorated in 2008, in particular from September onwards and was accompanied by a steep rise in credit spreads. BPI sought to take advantage of the few opportunities in which the market presented some liquidity.

In 2008, besides the Euro Medium Term Notes programme in force, two new medium and long-term issue programmes were implemented: a mortgage-bond issue programme[G] for 7 000 M.€ and an issue programme for public-sector bonds[G] worth 2 000 M.€.

These programmes enabled BPI to issue 150 M.€ of public-sector bonds in July and 1 000 M.€[1] of mortgage bonds in August. Additionally, two other senior-debt issues were floated amounting to 150 M.€.

The securitised debt market remained closed throughout 2008, as had been the case since August 2007.

In 2008, the Bank opted to exercise the option for the early redemption of the BPI Subordinada 2003-2013 subordinated issue in the amount of 250 M.€, in order to meet investors' expectations despite this option entailing a high opportunity cost.

Medium and long term debt — Amounts in M.€

	2006	2007	2008
Issues			
Senior debt	1 275	222	150
Subordinated debt	127	400	
MLT loans	186	200	
Assets securitisation	1 500	1 500	
Mortgage bonds[1]			1 000
Public-sector bonds[2]			150
Total debt issues	**3 088**	**2 322**	**1 300**
Redemptions			
Senior debt	799	586	1 032
Subordinated debt	175	105	280
MLT loans	370	60	48
Total debt redemptions	**1 344**	**751**	**1 360**
Amount issued, net of redemptions	**1 744**	**1 571**	**(60)**

1) Amount net of repurchases of own issues.
2) Public-sector bonds = bonds issued which are collateralised by a portfolio of assets held by the Bank, composed of loans to public-sector entities and other assets which together constitute an autonomous group of assets. Loans to central administrations or regional and local authorities of one of the member States of the European Union and loans with the express guarantee of those same entities, may be allocated to this autonomous group of assets.

Table 48

For 2009, the balance of medium and long-term debt to be repaid (without including Customer resources), net of the amounts of that debt held by the Bank's own portfolio, is 1 288 M.€. The short-term net creditor position which the Bank had at the end of 2008 was greater than this figure.

1) Figure net of repurchases.

BPI's funding plan for 2009 foresees a limited recourse to the capital markets. In this regard, the Bank may, if it so wishes, resort to the debt issue guaranteed by the Portuguese State up to an amount of 1 700 M.€.

The timetable for repayments to be made in the years following 2009 depicts a peak in 2010, year in which the mortgage bonds issued in 2008 mature. Effective from 2011 the amounts to be repaid decrease progressively, reflecting the reduction in the stock of outstanding debt issued.

Medium and long term debt redemption Amounts in M.€

	2009	2010	2011	2012	2013	> 2013
Senior						
EMTN[1] bonds	1 114	1 232	418			142
MLT loans	144	79	304	282	27	223
Bonds						
Mortgage bonds		1 000				
Public-sector bonds						150
Subordinated bonds	30	80	89	399	247	155
Total	**1 288**	**2 391**	**811**	**681**	**274**	**671**

Note: amount net of repurchases of own issues. *Table 49*
1) Euro Medium Term Notes.

Assets eligible for financing at the ECB

The Bank broadened in 2008 the portfolio of assets eligible for short-term financing at the European Central Bank (ECB), through the structuring of operations collateralised by own assets (bonds issued for its own portfolio), through the acquisition of securities, or still, by means of the creation of conditions for the utilisation of bank loans.

At the beginning of January 2009, the portfolio of eligible assets with the ECB stood at 3 918 M.€[1], an increase of almost 2 800 M.€ when compared with the end of 2007.

Despite BPI not having utilised up until now this facility, the possibility of being able to access at any moment to the short-term funding from the European Central Bank has an important strategic value.

Assets eligible for financing at the ECB[1] Amounts in M.€

	31 Dec. 08
Bonds	941
Bonds collateralised by own assets[2]	2 796
Interbank loans	181
Total	**3 918**

1) Amount net of haircuts. *Table 50*
2) Includes the home-loan securitisation operation realised at the beginning of January 2009 (eligible nominal value of 1 275 M.€).

It is worth pointing out that the surplus liquidity position in domestic operations of 1.5 th.M.€, together with the amount of the eligible assets for refinancing at the ECB of 3.9 th.M.€ and the potential issue guaranteed by the Portuguese State of 1.7 th.M.€, make up a total of resources that the Bank has access to of 7.1 th.M.€, which exceeds the amount of medium and long-term debt repayments that will take place up to the end of 2013.

1) Figure net of "haircuts".

LOANS AND RESOURCES

Customer loans

The domestic activity's loan portfolio expanded 5.4% in 2008. This growth occurred however at a significantly slower tempo than that registered in the previous year (14.7%), which reflects above all the decreases in the volume of credit extended by the corporate, institutional and project finance[G] areas and to small businesses. These segments' loan books grew in 2008 by 3.9% and 0.2%, respectively, when in the previous year they had posted growth rates of 19.3% and 16.4%.

For their part, loans to individuals recorded relatively higher growth, although in deceleration during the course of the year. The home-loan portfolio grew 7.4% in 2008 (10.5% in 2007), which outpaces the market's average growth of 4.3%[1], while the consumer credit portfolio expanded 9.3% (11.6% in 2007).

In the second half of the year, the worsening international financial crisis originated in the capital markets a steep rise in the debt-risk premiums of both banks and non-financial companies.

Customer loans portfolio

Amounts in M.€

	2007	2008	Δ%
Corporate banking, institutional banking and project finance			
Corporate Banking	8 236.6	8 790.2	6.7%
Project finance	2 218.5	2 208.0	(0.5%)
Institutional and State Business Sector Banking	1 953.7	1 890.6	(3.2%)
Corporates, institutionals and project finance	**12 408.9**	**12 888.8**	**3.9%**
Loans to Individuals and Small Businesses			
Mortgage loans[1]	10 753.9	11 545.0	7.4%
Loans to individuals – other purposes	1 153.7	1 261.5	9.3%
Loans to small businesses	2 552.3	2 556.6	0.2%
Loans to Individuals and Small Businesses	**14 459.9**	**15 363.0**	**6.2%**
Other	591.0	556.4	(5.8%)
Total loans in arrears	284.2	450.7	58.6%
Loan impairments	(326.2)	(401.3)	23.0%
Interests	115.8	169.0	45.9%
Net loan portfolio	**27 533.6**	**29 026.8**	**5.4%**
Bank guarantees	3 348.0	3 118.4	(6.9%)

1) To ensure comparability, securitised mortgage loans written off from the balance sheet following the sale, in December 2007, of 35% of the bonds relating to the capital tranche of the securitisation operations, were added back (1 264 M.€ at the end of 2007 and 986 M.€ at the end of 2008).

Table 51

Loans to Customers

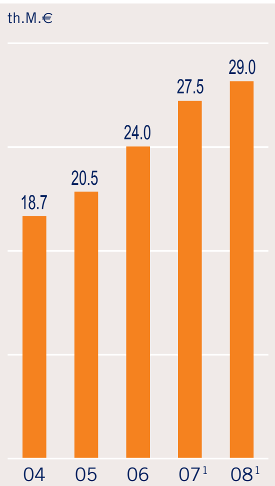


Chart 64

1) Includes securitised mortgage loans written off from the balance sheet in 2007.

Loan portfolio in 2008[1]

Breakdown by Customer segment

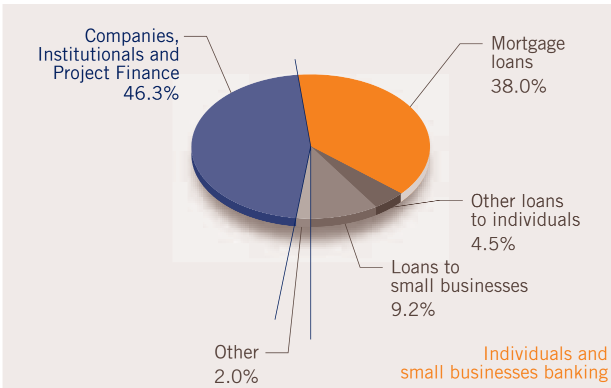


Chart 65

1) After derecognition of mortgage loans, as a result of the sale, at the end of 2007, of part of the bonds relating to the capital tranche of the securitisation operations made.

1) Source: Bank of Portugal; loans to resident individuals (including emigrants).

In this context, BPI intensified in the second half of the year the adjustment of spreads on new loans advanced to Customers, with greater incidence on business Customers so as to reflect the rise in funding costs and the higher credit risk associated with the economic environment which naturally had an impact on credit expansion.

On the other hand, the sharp decline in market rates (Euribor) from the beginning of October, has resulted in a lowering of the financial burden borne by households with mortgage loans, to the extent that in the vast majority of these loans (96%) the instalment is calculated based on the Euribor benchmark plus a fixed spread. Insofar as companies are concerned, it has enabled accommodating the increase in risk premiums, with the result that these companies' financing costs have generally speaking declined in spite of the higher spreads applied.

Resources taken from Customers

Customer resources recorded on the balance sheet grew 14% relative to 2007, spurred by the strong expansion in time deposits of 31% (+3.6 th.M.€).

Customer resources

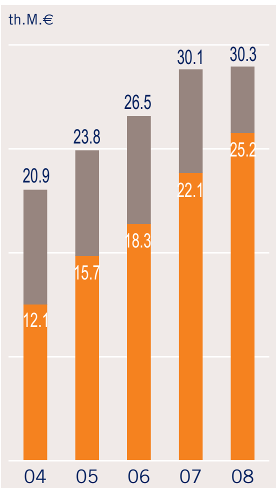


Chart 66

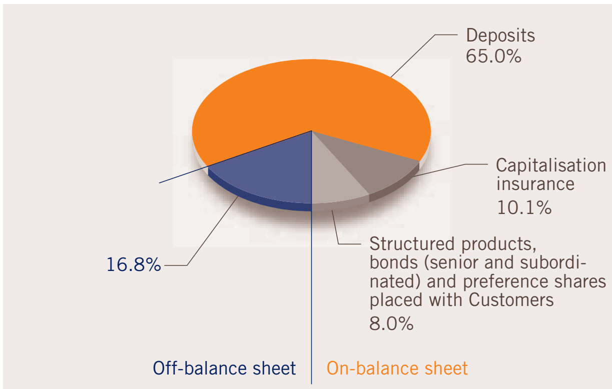
Total Customer resources[1] — Amounts in M.€

	2007	2008	Δ%
On-balance sheet resources			
Sight deposits	4 616.4	4 668.2	1.1%
Term and savings deposits	11 501.7	15 057.1	30.9%
Total deposits	16 118.0	19 725.3	22.4%
Capitalisation insurance (BPI Vida)[2]	4 199.3	3 060.4	(27.1%)
Structured products – guaranteed capital / limited risk[G] and fixed-rate bonds	1 459.4	2 102.0	44.0%
Subordinated bonds placed with Customers	286.1	279.1	(2.4%)
Preference shares placed with Customers	54.1	49.4	(8.5%)
On-balance sheet resources	**22 116.8**	**25 216.3**	**14.0%**
Off-balance sheet resources			
Unit trust (mutual) funds	2 547.4	1 099.0	(56.9%)
Equity (PPA) and retirement (PPR) savings plans	1 615.9	1 036.5	(35.9%)
Hedge funds	273.7	88.5	(67.7%)
Pension funds[3]	3 524.8	2 880.0	(18.3%)
Off-balance sheet resources	**7 961.8**	**5 104.0**	**(35.9%)**
Total	**30 078.6**	**30 320.2**	**0.8%**

Table 52

1) Corrected for double counting: placements of unit trust funds and pension funds managed by BPI in the Group's deposits, structured products and unit trust funds.
2) BPI Vida savings products with discretionary participation in results are recorded in the balance sheet under the caption AMOUNTS OWED TO CUSTOMERS (813.9 M.€, at 31 December 2008) and those with discretionary profit sharing are recorded under the caption TECHNICAL PROVISIONS (2 246.4 M.€, at 31 December 2008).
3) Includes BPI Group Employees pension funds.

Total Customer resources[1] in 2008



1) Corrected for duplication of balances.

Chart 67

Off-balance sheet resources – unit trust (mutual) funds, PPR, PPA and pension funds – fell by 35.9% relative to 2007, as a result of the drop in the value of investments and higher redemptions.

The strong corrections noted in the markets affected not only capital-growth investments, but also the performance of those with a more conservative profile, namely bond and Money market funds, which originated the demand by Customers for risk-free on-balance sheet investments, notably time deposits.

SECURITIES AND FINANCIAL INVESTMENTS PORTFOLIO

At 31 December 2008, the total portfolios of assets held for dealing and available-for-sale, investments held to maturity and investments in associated companies and jointly-controlled entities, amounted to 4 643.9 M.€, which corresponded to 12% of domestic operations' total assets.

Financial assets and investments in associated companies and jointly controlled entities

Amounts in M.€

	2007	2008	Δ%
Financial assets held for dealing			
Bonds of public-sector issuers	485.5	180.9	(62.7%)
Corporate bonds and bonds of other entities	1 994.2	509.6	(74.4%)
Shares	855.8	249.7	(70.8%)
Participating units	559.6	121.0	(78.4%)
Derivatives with positive fair value	219.5	317.9	44.8%
Financial assets held for dealing	**4 114.6**	**1 379.1**	**(66.5%)**
Financial assets available for sale			
Bonds of public-sector issuers	838.6	816.1	(2.7%)
Corporate bonds and bonds of other entities	1 518.6	1 747.5	15.1%
Shares	1 083.4	57.5	(94.7%)
Participating units	56.9	111.9	96.6%
Other	2.5	2.1	(14.6%)
Financial assets available for sale	**3 500.0**	**2 735.2**	**(21.9%)**
Investments held to maturity	**-**	**407.7**	**-**
Investments in associated companies and jointly controlled entities	**137.9**	**121.9**	**(11.5%)**
Total	**7 752.5**	**4 643.9**	**(40.1%)**

Table 53

The portfolio of assets held for dealing amounted to 1 379.1 M.€, at the end of 2008. Of this total, 59% (819.9 M.€) corresponded to BPI Vida's investments portfolio, allocated to cover securitisation insurance.

Following the changes to the IAS 39 and IFRS 7 accounting standards, BPI set about the reclassification of bonds held by BPI Vida, of the portfolio of financial assets held for dealing to the portfolio of investments held to maturity (407.7 M.€[1]) and to the Customer loans portfolio (55.0 M.€[1]), and the reclassification of 40.7 M.€[1] of bonds of the portfolio of financial assets held for dealing to the portfolio of financial assets available for sale.

The portfolio of financial assets available for sale stated at market values was 2 735.2 M.€ at the end of 2008. On that date, it registered unrealised losses (net of gains) of 540.9 M.€, before deferred taxes, which were disclosed in the fair value reserve.

Portfolio of financial assets and participating interests in 2008

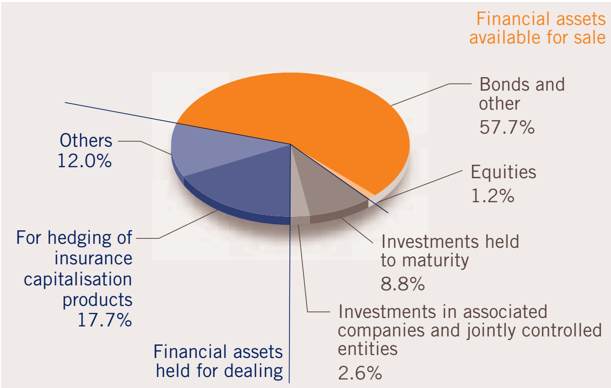


Chart 68

1) Book value at 31 December 2008.

Fair value reserve – financial assets portfolio available for sale
At 31 December 2008

Amounts in M.€

	Market value	Unrealised gains (losses) (Fair value reserve)
Equities portfolio	57.5	13.8
Bonds – public debt	816.1	(58.7)
Corporate bonds	1 747.5	(498.3)
Others	114.1	2.3
Total	**2 735.2**	**(540.9)**

Table 54

BPI has maintained over the past few years a bond portfolio with the object of diversifying the Bank's sources of income. Roughly 32% of this portfolio corresponds to public debt, 2 / 3 of which Portuguese public debt. The corporate bonds which form part of the portfolio correspond to large European companies with ratings[G] of BBB or higher and companies in exporting emerging markets[G] or with leading positions in their home markets.

The equities portfolio was significantly reduced throughout 2008. In December 2008, the portfolio of shares available-for-sale totalled 57.5 M.€, which corresponded to 4.5% of shareholders' equity allocated to domestic operations on that date.

It is important to mention the disposal of the 3.0% shareholding in Galp (market value of 461.5 M.€ at the end of 2007), with gains of 21.7 M.€, and the sale of the 5.2% investment held by Banco BPI and BPI Vida in BCP, (market value of 552.2 M.€ at the end of 2007), with pre-tax losses of 94.5 M.€.

Still as regards the BCP investment, BPI recognised, in 2008, 120.6 M.€ of impairment losses (before tax) in the income statement.

REVENUE

Net interest income

Net interest income in the domestic activity was 503.7 M.€, which corresponds to a 5.1% decrease (-27.1 M.€) relative to 2007. Around 2 / 3 of this decrease is explained by the decline in dividends received given that in 2007, this caption included dividends of 16.1 M.€ from BCP whereas in 2008, up until the complete sale of the investment which occurred in the middle of November, BCP had not paid any dividends.

Net interest income Amounts in M.€

	2007	2008	Δ%
Net interest income (narrow sense)	476.8	470.4	(1.4%)
Gross margin on unit links products	10.7	6.5	(38.9%)
Income from securities – dividends	22.3	5.6	(75.0%)
Commissions relating to the amortised cost (net)	20.9	21.2	1.1%
Net interest income	**530.7**	**503.7**	**(5.1%)**

Table 55

Narrow net interest income

Narrow net interest income, which represents 93% of the total net interest income, was down 1.4% (-6.5 M.€) relative to 2007, pressured by the higher average cost of resources.

BPI gave priority to the attraction of Customer resources, maintaining a competitive range of time deposits which translated itself into an increase in the cost of these resources, whilst access to the capital market was moderate.

Indeed, the deepening financial crisis throughout 2008 led to a scarcity of opportunities for banks to procure medium and long-term funds on the respective markets and gave rise to a significant widening of risk premiums.

For their part, the adjustment of credit spreads[G] so as to reflect the banks' higher funding costs has been a much slower and gradual process, which resulted in the narrowing of the unitary margin[G] between loans and resources.

The expansion in the volumes of loans and resources was unable to compensate for the negative impact on net interest income of the contraction of the average spread between loans and resources.

The average spread between remunerated assets and liabilities fell by 0.18 percentage points, which generated a negative price effect of 53.7 M.€. This outstripped the positive volume effect of 37.3 M.€ which stemmed from the expansion of average remunerated assets and liabilities of 7.7% and 7.4%, respectively.

Margin on resources

2008 witnessed a contraction in the average spread on resources which reflects besides the increase in the average cost of resources taken, an increase in their average maturity.

The spread between 3-month Euribor (average) and the average interest rate on deposits narrowed from 1.36% in 2007 to 0.96% in 2008, which reflects the drop in the average spread on time deposits. Net interest income benefited however from the rising trend in interest rates which took place up until the end of September, which originated an increase in the average spread on sight deposits. This widening partially offset the narrowing spreads on time deposits.

Net interest income in 2008

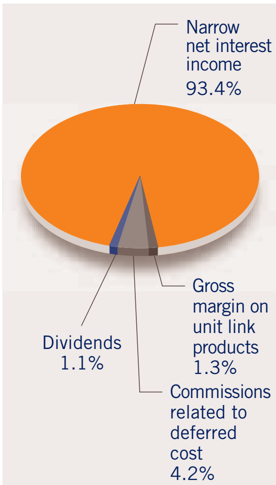


Chart 69

Narrow net interest income

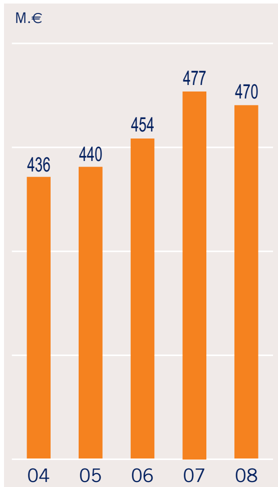


Chart 70

Credit margin

The spreads on new loans advanced to Customers evolved gradually in 2008 in such a way as to reflect the higher funding costs incurred by banks. However, this adjustment has been much slower than that observed in resources and only intensified in the final quarter of the year.

Hence, globally, the credit spread recorded a contraction of 0.06 p.p. in 2008.

The average spread on the corporate loans portfolio registered a slight widening in 2008 of 0.02 p.p. relative to the respective benchmarks to 0.87 p.p., while the loan portfolio relating to individuals registered a decrease in the average spread of 0.12 p.p. (in home loans, the decrease in the portfolio's average spread was 0.10 p.p. to 0.64 p.p. in 2008).

Trend in interest income and expense

Amounts in M.€

	2007	2008	ΔM.€	Δ%
Interest-earning assets				
Placements with credit institutions	56.7	113.2	+56.5	99.7%
Loans to Customers	1 339.2	1 543.4	+204.2	15.3%
Bonds and other fixed-income securities[1]	131.1	119.3	(11.8)	(9.0%)
Interest income from interest-earning assets	**1 526.9**	**1 776.0**	**+249.0**	**16.3%**
Interest-bearing liabilities				
Amounts owed to central banks and to other credit institutions and financial liabilities held for trading, excluding derivatives	196.0	130.4	(65.6)	(33.5%)
Customer deposits and other remunerated resources	458.0	732.4	+274.5	59.9%
Debt securities[2]	219.0	304.0	+85.0	38.8%
Subordinated debt and participating bonds	32.5	48.4	+15.9	49.0%
Financial liabilities associated to transferred assets	156.3	117.0	(39.3)	(25.2%)
Interest cost on interest-bearing liabilities	**1 061.8**	**1 332.3**	**+270.5**	**25.5%**
Subtotal	**465.1**	**443.6**	**(21.5)**	**(4.6%)**
Other income and costs	22.3	25.1	+2.8	12.7%
Trading derivatives	6.4	6.7	+0.3	4.9%
Hedging derivatives	(17.0)	(5.1)	+11.9	70.2%
Narrow net interest income	**476.8**	**470.4**	**(6.5)**	**(1.4%)**

Note: does not include BPI Vida's interest-earning assets and interest-bearing liabilities, bearing in mind that the margin earned on capitalisation insurance is essentially recorded in the captions GROSS MARGIN ON UNIT LINKS and TECHNICAL RESULTS OF INSURANCE CONTRACTS.

Table 56

1) Debt securities in the portfolio of dealing assets and in the portfolio of assets available for sale.

2) Includes income from bonds indexed to indices, hedged by derivative instruments. The results of built-in derivatives and on hedging derivatives are recorded separately in the caption HEDGING DERIVATIVES.

The following table presents the average interest rates corresponding to the average balance on remunerated assets and liabilities

Average interest rates on remunerated assets and liabilities

Amounts in M.€

	2007			2008		
	Average balance	Interest	Average interest rate	Average balance	Interest	Average interest rate
Interest-earning assets						
Loans to Customers	25 749.7	1 339.2	5.2%	27 192.2	1 543.4	5.7%
Companies, institutionals and project finance	11 436.0	573.2	5.0%	12 657.9	699.4	5.5%
Mortgage loans	9 815.1	479.7	4.9%	9 748.8	528.0	5.4%
Other loans to individuals	1 047.7	76.7	7.3%	1 177.2	84.9	7.2%
Loans to small businesses	2 354.8	147.4	6.3%	2 584.8	170.3	6.6%
Other	1 096.3	62.2	5.7%	1 023.4	60.8	5.9%
Other interest-earning assets[1]	3 941.1	187.8	4.8%	4 786.7	232.6	4.9%
Interest-earning assets	**29 690.9**	**1 526.9**	**5.1%**	**31 978.9**	**1 776.0**	**5.6%**
Interest-bearing liabilities						
Customer resources[2]	15 698.8	458.0	2.9%	19 899.7	732.4	3.7%
Financial liabilities associated to transferred assets	3 807.3	156.3	4.1%	2 559.9	117.0	4.6%
Other interest-bearing liabilities[3]	10 706.2	447.5	4.2%	9 989.2	482.9	4.8%
Interest-bearing liabilities	**30 212.3**	**1 061.8**	**3.5%**	**32 448.8**	**1 332.3**	**4.1%**
Unitary net interest margin			1.6%			1.4%
Unitary net interest margin, after hedging income			**1.6%**			**1.5%**
Note:						
Euribor 3 months (annual average)			4.3%			4.6%
Euribor 3 months (3 month moving average)			4.1%			4.8%

Table 57

Note 1: BPI Vida's remunerated assets and liabilities and corresponding interest income and expense were excluded from the table for the reason that the interest income and expense earned on capitalisation insurance is essentially recorded in the captions GROSS MARGIN ON UNIT LINKS and TECHNICAL RESULTS OF INSURANCE CONTRACTS.

Note 2: The above table does not include the net profit / loss on trading derivatives (6.4 M.€ in 2007 and 6.7 M.€ in 2008) and other interest income (22.3 M.€ in 2007 and 25.1 M.€ in 2008).

1) Bonds and other fixed-income securities in the portfolio of dealing assets and in the portfolio of assets available for sale and placements with credit institutions.

2) Deposits, cheques, orders payable and other Customer resources.

3) Includes amounts owed to central banks and to other credit institutions and financial liabilities held for trading, excluding derivatives, includes debt securities, subordinated debt and participating bonds.

Technical result from insurance contracts

The technical result from capitalisation insurance with discretionary profit sharing[1], was a negative 12.2 M.€ in 2008, reflecting the drop in the value of the securities portfolios allocated to capitalisation insurance which guarantee the respective capital.

It will be noted that the management of this portfolio adheres to a conservative risk profile and the majority of the bonds have maturities of less than 3 years and did not present at the end of 2008 any impairment.

1) Correspond to the gains and losses on the management of the resources taken and allocated to those capitalisation insurance products, and are deducted from amounts owed to Customers (mathematical provisions and profit sharing).

Commissions

Commissions and other net income decreased by 14.3% (-42.7 M.€), relative to 2007 to 255.8 M.€, greatly influenced by the trend in commissions more directly related to the capital markets – commissions from asset management and investment banking –, which decreased 29.9% (-34.9 M.€).

Asset-management commissions[1] were 28.0% lower (-24.1 M.€) relative to those earned in the previous year. This decrease, given that these commissions are indexed to the value of the assets under management, reflects on the one hand the drop in the value of the securities making up the portfolios and, on the other, the redemptions which took place.

Investment banking commissions (excluding asset management commissions) fell by 35.5% (-10.8 M.€) to 19.6 M.€. Of these, brokerage and placing commissions, penalised by the sharp decrease in liquidity observed in the Iberian equity markets, fell by 42% relative to the year before.

Commissions from commercial banking, excluding commissions related with asset management, decreased 4.3% (-7.8 M.€) to 174.2 M.€.

The trend in commercial banking commissions reflects a more moderate growth in business volume against a backdrop of the slowdown in economic activity.
It is important to mention that BPI with effect from the last quarter of 2008 has been adjusting the charges for services so as to reduce the cross subsidisation that exists between products and segments.

Commissions and other similar income (net) Amounts in M.€

	2007	2008	Δ%
Commercial Banking commissions			
Income from cards	51.8	55.2	6.5%
Commissions associated with loans and guarantees	58.1	51.1	(12.0%)
Unit trust funds and pension funds	72.1	50.3	(30.2%)
Intermediation of insurance products	31.8	32.8	3.3%
Deposits and related services	25.0	24.7	(1.4%)
Banking services	15.5	11.4	(26.2%)
Of which: consultancy	11.4	7.1	(37.7%)
Other	(0.2)	(1.0)	-
Commercial Banking commissions	**254.1**	**224.5**	**(11.6%)**
Investment Banking commissions			
Unit trust funds	11.6	9.6	(17.2%)
Portfolio management and advisory services	2.4	2.1	(14.1%)
Brokerage and placing	23.7	13.8	(41.9%)
Consultancy and valuations (Corporate Finance)	3.8	3.5	(6.9%)
Other	2.8	2.3	(19.9%)
Investment Banking commissions	**44.4**	**31.3**	**(29.5%)**
Total	**298.5**	**255.8**	**(14.3%)**
Note:			
Asset management commissions	*86.2*	*62.0*	*(28.0%)*
Commercial banking commissions, excluding asset management commissions	*182.0*	*174.2*	*(4.3%)*
Investment banking commissions, excluding asset management commissions	*30.4*	*19.6*	*(35.5%)*

Table 58

Commissions in 2008

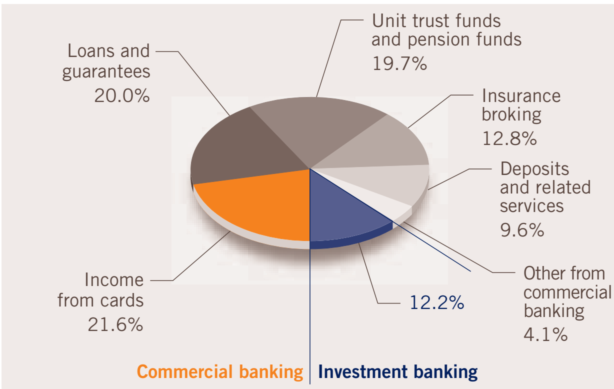


Chart 71

1) Asset-management commissions essentially correspond to commissions for the management and placing of unit trust (mutual) funds, the commissions earned from managing pension funds and Private Banking management and advisory commissions.
The commissions from managing unit trust funds are apportioned to commercial banking and investment banking activities taking into consideration the relative weight of the commercial networks in the placing of products. Pension-fund management commissions are fully allocated to commercial banking activity, while Private Banking asset-management and advisory commissions are allocated to investment banking activity.

Profits from financial operations

In 2008, losses of 20.2 M.€ were recorded from financial operations. This is primarily attributable to the negative results of 60.5 M.€ on available-for-sale shares and to a positive net financial income of 36.6 M.€ from the pension funds[1]. In 2007, financial operations generated profits of 176.1 M.€.

The net result on available-for-sale shares (-60.5 M.€) resulted above all from pre-tax losses of 94.5 M.€ realised on the disposal of the BCP investment and from gains of 21.7 M.€ and 10.1 M.€ realised on the Galp and Tvtel holdings, respectively.

In equities trading activity, 2008 registered gains of 10 M.€ (12.6 M.€ in 2007).

The net financial income from pensions[1], in 2008, chiefly reflects the positive differential between the pension fund's expected rate of return (7.0%) and the discount rate (5.0%) which was in force in the 1st half of 2008, and the existence of the pension fund's surplus funding during the first half of the year (353.1 M.€ in December 2007 and 108.6 M.€ in June 2008). In the 2nd half of 2008, as a consequence of the adoption of an assumption of 5.5% for the pension fund expected rate of return and for the discount rate, the financial income from pensions was close to zero.

In 2007, the financial income from pensions was 60.6 M.€, as a result of the existence of the fund's surplus funding relative to the liabilities it is designed to cover (of 239.6 M.€, at the end of 2006 and 419.6 M.€ in June 2007), as well as a positive differential between the fund's expected rate of return and the discount rate (differential of 1% and 2.5%[2], in the first and second halves of 2007, respectively).

Profits from financial operations

Amounts in M.€

	2007	2008	Δ M.€
Profit in fair value operations and available for sale assets			
Equities	62.0	(50.4)	(112.4)
Bonds	18.2	(1.5)	(19.7)
Structures products	9.1	(0.0)	(9.2)
Hedge funds	4.9	(12.6)	(17.5)
Currency	11.9	4.8	(7.1)
Others	9.3	3.1	(6.3)
Profit in fair value operations and available for sale assets	**115.5**	**(56.7)**	**(172.2)**
Net financial income from pensions			
Expected pension funds return	173.8	161.2	(12.6)
Interest cost	(113.2)	(124.6)	(11.4)
Net financial income from pensions	**60.6**	**36.6**	**(24.0)**
Total	**176.1**	**(20.2)**	**(196.2)**

Table 59

Operating income and costs

Other operating income totalled 191.5 M.€ in 2008 (0.9 M.€ in 2007) and reflect primarily the recording of a pre-tax gain of 176.6 M.€, realised on the sale of 49.9% of BFA. They also included in 2008, 8.5 M.€ and 9.6 M.€ of gains on the sale to Banco BPI's pension fund of assets from loans recovered and its own fixed assets respectively.

1) The net financial income from pensions corresponds to the expected pension fund return net of the interest-cost with pensions.
2) In the first semester of 2007, the fund's expected rate of return was 5.75% and the discount rate was 4.75%. In June 2007, the fund's expected rate of return was increased to 7.5% and the discount rate increased to 5%.

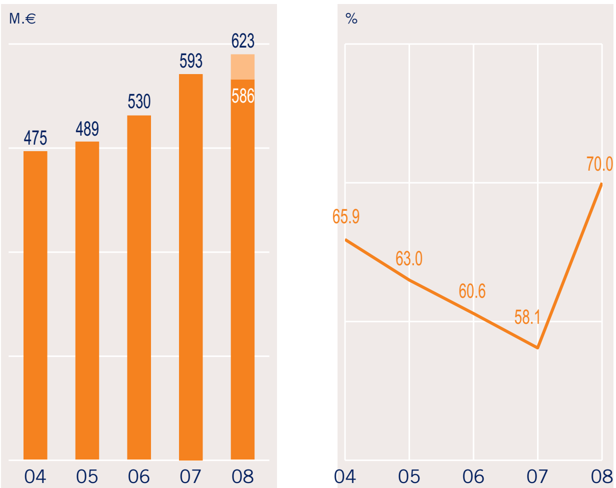
OPERATING COSTS

Operating costs – personnel costs, outside supplies and services and depreciation and amortisation – increased by 5.1% relative to 2007. Excluding early-retirement costs, operating costs decreased 1.1%, despite the 7% and 6.2% increases in the physical distribution network and the number of Employees, respectively.

The indicator "operating costs as a percentage of net operating revenue" was situated at 70.0%[1].

Operating costs

From 2004 until 2008 | As % of net operating income[1]



Operating costs
Of which:
cost with early retirements

Chart 72

1) Operating costs, excluding early-retirement costs, as % of net operating revenue.
In the calculation of the efficiency ratio in 2008, net operating revenue excludes the loss incurred with the BCP shares and the gain realised on the sale of 49.9% of BFA.

Operating costs — Amounts in M.€

	2007	2008	Δ%
Personnel costs, excluding early-retirements costs	352.8	349.3	(1.0%)
Outside supplies and services	203.0	196.0	(3.5%)
Operating costs, before depreciation and amortisation	**555.8**	**545.3**	**(1.9%)**
Depreciation and amortisation	36.4	40.5	11.2%
Subtotal	**592.2**	**585.8**	**(1.1%)**
Costs with early retirements	1.0	37.7	-
Total	**593.2**	**623.5**	**5.1%**
Efficiency ratio[1, 2]	**58.1%**	**70.0%**	**-**

1) Operating costs, excluding costs with early retirements, as percentage of net operating revenue.
2) In the calculation of the efficiency ratio in 2008, net operating revenue excludes the loss incurred with the BCP shares and the gain realised on the sale of 49.9% of BFA.

Table 60

Personnel costs

Personnel costs increased 9.4% in 2008 (+33.2 M.€), relative to 2007. Excluding early-retirement costs, personnel costs fell by 1.0% (-3.4 M.€).

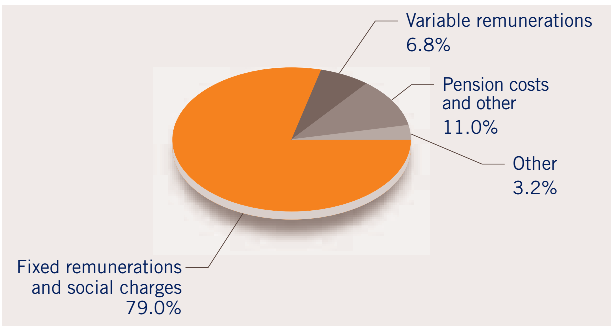
Personnel costs — Amounts in M.€

	2007	2008	Δ%
Remunerations			
Fixed remunerations and social charges	252.7	276.1	9.3%
Variable remunerations	50.8	23.7	(53.4%)
Others	14.8	11.0	(25.6%)
Remunerations	**318.3**	**310.9**	**(2.3%)**
Pension costs[1]	34.5	38.5	11.6%
Subtotal	**352.8**	**349.3**	**(1.0%)**
Costs with early retirements	1.0	37.7	-
Total	**353.8**	**387.0**	**9.4%**

1) Includes current service cost (33.6 M.€ in 2007 and 38.3 M.€ in 2008), the amortisation of actuarial deviations, fund income recorded outside the corridor and the amortisation of the pension plan's conditions.

Table 61

Personnel costs[1] in 2008



1) Excluding early-retirements costs.

Chart 73

1) In the calculation of the efficiency ratio in 2008, net operating revenue excludes the loss incurred with the BCP shares and the gain realised on the sale of 49.9% of BFA.

Fixed remuneration and employer's contributions increased 9.3% (+23.5 M.€), which reflects the 6.7% increase in the average number of Employees[1] (+486 people), stemming above all from the expansion of the distribution network and the 2.6% revision of the ACTV salary scale for 2008. Also to be noted is the increase in pension costs of 11.6% (+4.0 M.€), resulting from the higher current service cost.

The decrease in variable remuneration of 53.4% (-27.1 M.€), explains the 1% decline in personnel costs, excluding early-retirement costs. The relative weight of variable remuneration fell from 14% in 2007 to 7% in 2008.

On the other hand, a programme of 200 early retirements was approved at the end of 2008, to be effected during the first quarter of 2009. The cost of this programme (36 M.€[2]) was fully recognised in the 2008 income statement, while the impact on the staff headcount and corresponding reduction in costs will only be reflected in 2009.

Outside supplies and services

Costs with outside supplies and services decreased 3.5% (-7.0 M.€), relative to 2007, whilst in 2007 they included 9.9 M.€ in costs associated with BCP's takeover bid for BPI.

The attention paid to the cost management and containment permitted that costs (excluding the BCP takeover bid costs in 2007) rose by just 1.5% (+2.9 M.€) in 2008 relative to 2007, despite the higher costs associated with the functioning of a much enlarged physical distribution network; in fact, costs associated with the size of the operational structure – costs with premises, communications and IT systems, and others – rose 8.3%, that is, 9.9 M.€ in absolute terms.

Advertising costs fell by 14.7%, that is, -3.3 M.€.

Outside supplies and services — Amounts in M.€

	2007	2008	Δ%
Advertising, communication, public relations and studies			
Advertising campaigns	22.1	18.9	(14.7%)
Studies and advising[1]	22.1	9.3	(57.8%)
Subtotal: advertising, communication, public relations and studies	**44.2**	**28.2**	**(36.2%)**
Costs related to businesses			
Cards and automatic banking	11.8	12.1	2.5%
Treasury, compensation and cheques	8.6	9.5	10.4%
Home loans, consumer credit and motor car financing	7.5	7.4	(1.0%)
Other	3.7	3.5	(4.0%)
Subtotal: costs related to business	**31.5**	**32.5**	**3.1%**
Costs with premises, communications, IT and other			
Premises	43.0	46.9	9.0%
Communications	24.9	27.4	9.7%
IT	18.7	22.5	20.2%
Other	32.1	31.9	(0.6%)
Subtotal: costs with premises, communications, IT and other	**118.8**	**128.6**	**8.3%**
Costs related with human resources	8.5	6.6	(22.4%)
Other costs	0.0	0.1	86.3%
Total	**203.0**	**196.0**	**(3.5%)**

1) Includes costs of 9.9 M.€ in 2007 associated with the BCP's takeover bid for BPI.

Table 62

Outside supplies and services in 2008

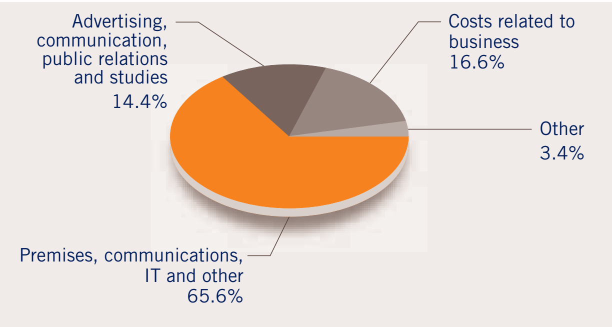


Chart 74

1) Excluding temporary work which is recorded under the caption OUTSIDE SUPPLIES AND SERVICES.
2) In 2008 a total cost with early retirements of 37.7 M.€ was recognised.

Depreciation and amortisation

Depreciation and amortisation charges in the domestic activity were up 11.2% to 40.5 M.€ in 2008 (4.1 M.€ more than in 2007). The increase is mainly due to the distribution network's expansion and the ongoing investment in IT systems.

Depreciation and amortisation

Amounts in M.€

	Depreciation and amortisation in the year			Net fixed assets	
	2007	**2008**	**Δ%**	**31 Dec. 07**	**31 Dec. 08**
Intangible assets	4.8	7.3	52.4%	14.6	14.1
Tangible assets					
Premises	7.8	7.2	(8.5%)	132.4	124.4
Computer hardware	10.6	12.5	18.0%	17.5	104.6
Other tangible assets	13.2	13.5	2.4%	68.0	4.1
Capital expenditure in progress				20.2	3.9
Tangible assets	31.6	33.1	5.0%	238.1	237.1
Total	**36.4**	**40.5**	**11.2%**	**252.7**	**251.1**

Table 63

IMPAIRMENTS AND PROVISIONS

Impairment of Customer loans

The cost of credit risk in domestic operations increased in 2008 as a consequence of the deterioration in the economic climate. Even so, the indicator remained at levels considered to be low.

Loan impairments increased from 52.8 M.€ in 2007 to 107.6 M.€ in 2008. The cost of credit risk, measured by loan impairments as a percentage of the average balance on the performing loan portfolio, climbed from 0.21% in 2007 to 0.40% in 2008. This indicator's average value over the past five years was 0.29%.

It should be noted that in 2008, an impairment charge of 21.4 M.€ was booked relating to a single default situation. Excluding this situation, the cost of credit risk was situated at 0.32% in 2008.

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

The net credit loss, which corresponds to the amount of impairment charges recognised in the year, net of recoveries of arrear loans and interest written off, was 81.8 M.€ in 2008, which corresponded to 0.30% of the loan portfolio's average balance. This figure is comparable with the average of 0.20% for the past five years.

Loan impairments in 2008

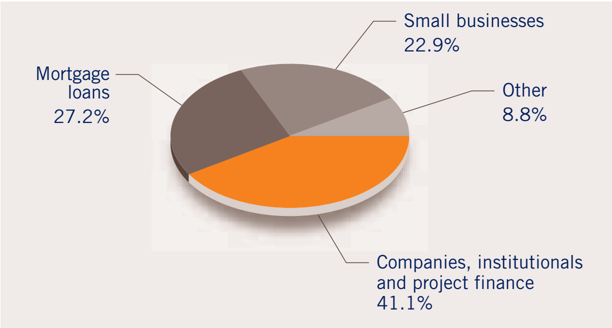


Chart 75

Loan impairments as % of loan portfolio

From 2004 until 2008

Chart 76

By Customer segment, in 2008[2]

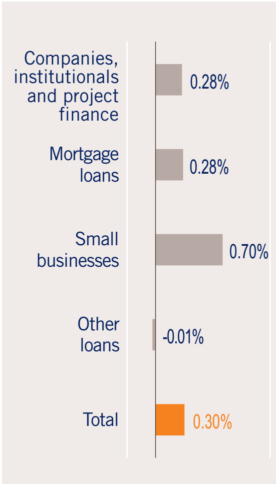


Chart 77

— Loan impairments
— Loan impairments, deducted of recoveries of loans and interests in arrears written-off

1) Generic and specific loan provisions under PCSB.

2) Impairments net of recoveries of loans in arrears written-off.

Loan provisions and impairments

Amounts in M.€

	2007	As % of the loan portfolio[1]	2008	As % of the loan portfolio[1]
Loan provisions and impairments				
Corporate banking, institutional banking and project finance	13.3	0.12%	44.2	0.35%
Individuals and small businesses banking				
Mortgage loans[2]	16.6	0.16%	29.2	0.29%
Loans to individuals – other purposes	6.3	0.58%	10.2	0.84%
Loans to small businesses	15.2	0.64%	24.7	0.95%
Individuals and small businesses banking	38.1	0.28%	64.1	0.46%
Other	1.4	0.22%	(0.7)	(0.13%)
Loan provisions and impairments[2]	**52.8**	**0.21%**	**107.6**	**0.40%**
(-) Recovery of loans written-off	20.8	0.08%	25.7	0.09%
Net credit loss[2, 3]	**32.0**	**0.12%**	**81.8**	**0.30%**

Table 64

Note: in the table above, impairments for Structured Investment Vehicles (SIV) (25 M.€ in 2007 and 26.3 M.€ in 2008) were not included.

1) Average performing loan portfolio.

2) For analysis purposes, the 2007 figure excludes 6.2 M.€ of impairment charges set aside in 2007 and relating to the revaluation of properties pledged as security as at 31 December 2006.

3) Loan provisions and impairments deducted of recoveries of loans and interests in arrears previously written off.

Impairments to Structured Investment Vehicles (SIV)

BPI recognised as impairment charges the total acquisition value of the SIV (Structured Investment Vehicles) portfolio.

To this end, impairment losses of 25.0 M.€ were recognised in 2007 and 26.3 M.€ in 2008.

Other impairments and provisions

Impairments and provisions relating to securities and other assets amounted to 139.4 M.€ in 2008. Of this figure, 120.6 M.€ resulted from the recognition as impairments of unrealised losses on the BCP shareholding.

In 2007, impairment losses relating to securities and other items of 14.8 M.€ were recognised.

RESULTS OF EQUITY-ACCOUNTED SUBSIDIARIES

Equity-accounted subsidiaries contributed 5.2 M.€ to the net profit from the domestic activity in 2008, when in the previous year the respective contribution was 24.4 M.€.

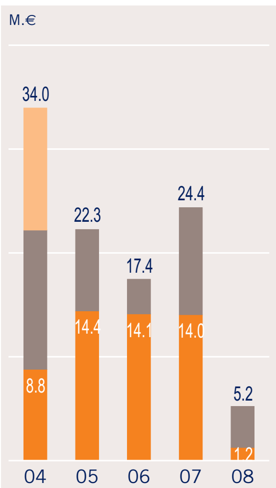
The contribution from subsidiaries in the insurance areas fell from 14.0 M.€ in 2007 to 1.2 M.€ in 2008. The appropriated results relating to the shareholding in Allianz Portugal and Cosec amounted to 3.2 M.€ and -2.0 M.€, respectively.

Equity-accounted results of subsidiaries Amounts in M.€

	2007	2008	∆%
Subsidiaries in the insurance area			
Allianz Portugal	13.2	3.2	(75.5%)
Cosec	0.9	(2.0)	-
Subsidiaries in the insurance area	14.0	1.2	(91.5%)
Viacer	4.0	2.6	(36.0%)
Finangest	6.3	1.4	(78.1%)
Other	0.04	0.05	8.2%
Total	**24.4**	**5.2**	**(78.8%)**

Table 65

Equity-accounted results of subsidiaries



Of which:
- Insurance companies (Allianz and Cosec)
- Other
- BPI Vida[1]

1) With the adoption of the IAS/IFRS in 2005, BPI Vida, which is 100% held by BPI Group, began to be consolidated through the full consolidation method.

Chart 78

MINORITY SHAREHOLDERS' INTERESTS

Minority interests in net profit, which in the domestic activity, essentially correspond to the dividend on the preference shares issued by BPI Capital Finance rose by 9.5%, from 16.8 M.€ in 2007 to 18.4 M.€ in 2008. The preference shares are denominated in euro and entitle the holder to a non-cumulative preferential dividend indexed to three-month Euribor.

At the end of 2008, the balance sheet value of the preference shares was 263.4 M.€.

PENSION LIABILITIES

At 31 December 2008, the net assets of the pension funds amounted to 2 269.4 M.€[1], which guaranteed the funding of 98.7% of the pension obligations to Employees.

Pension liabilities to Employees

Pension liabilities in December 2008 stood at 2 298.2 M.€, 147.3 M.€ less than at the end of 2007. Contributing to this situation were primarily:

- a decrease of 171.0 M.€ in the amount of liabilities resulting from the alteration by the Bank of the discount rate from 5% to 5.5%, at the end of June 2008, using as the yardstick the yields on low-risk corporate bonds.
- a decrease of 32.8 M.€ resulting from changes at the end of the year to the assumptions for salary growth from 4% to 3.5% and for the growth in pensions from 2.5% to 2.25% while, on the other side, a longer life expectancy began to be considered for the population covered by virtue of, maintaining the mortality tables, considering one year less than the beneficiaries' actual ages.

Meanwhile, at the end of 2008, a programme involving 200 early retirements was approved, the execution of which is scheduled to take place in the first quarter of 2009. It is estimated that the additional pension liabilities will be around 30 M.€. The cost associated with the programme's execution has already been fully reflected in the 2008 net profit figure (36 M.€[2]).

Return

Since the start of the international financial crisis, BPI defined as a priority for the pension fund's management the respective preservation of the capital. With this objective in mind, the relative share of the equities component was reduced from 61% in June 2007 to 18% in December 2008, while the relative importance of the cash and bonds component rose from 25% in June 2007 to 65% in December 2008.

In 2008, the bank's pension funds recorded a negative return of 20.5%, which stemmed chiefly from the losses realised on reducing the equities component and the drop in the value of the equities and bonds portfolios, given that these portfolios are valued at market prices.

In 2008 the Bank altered twice the assumption regarding the pension fund's expected rate of return so as to reflect the prevailing conditions in the financial markets:

- the first of these alterations occurred at the beginning of the year with a cut in the expected rate of return from 7.5% to 7%;
- the second reduction from 7% to 5.5% occurred in June 2008, with the new assumption applying as from that moment.

It should be pointed out that the financial assumption adopted concerning the fund's return is below the effective long-term return obtained by the fund. Up to the end of 2008, the fund's actual return since its creation in 1992 was 9.7% per annum, and that in the last ten, seven, five and three years, the actual annual returns were on average 6.5%, 6.8%, 5.9% and 3.7%, respectively.

Actuarial and financial gains and losses

The actuarial and financial gains and losses occurring in the year were negative to the extent of 541.2 M.€, and resulted from the negative variance in the pension fund's rate of return relative to the financial return assumptions and from the positive actuarial gains stemming from the changes to the aforementioned actuarial assumptions.

1) Including contributions to be made at the beginning of 2009.
2) In 2008 a total cost with early retirements of 37.7 M.€ was recognised.

In terms of accounting treatment, the amount of the actuarial losses that occurred in 2008:

- 40.8 M.€ was offset by positive gains existing at the end of 2007;
- 229.4 M.€ was registered within the corridor contemplated in IAS 19 to accommodate the fund's negative variances (actuarial and rate of return) without causing an impact on earnings;
- the remaining 270.9 M.€ was recorded outside of the said corridor.

It should be noted that solely for determining regulatory capital the Bank of Portugal (Notice 11 / 2008) laid down a regime for recognising in regulatory capital, in a gradual manner over 4 years, part of the pension funds' actuarial and financial gain and losses which occurred in 2008. The application of this regime to BPI meant that at the end of 2008, no negative impact was recognised in capital related with the actuarial and financial gains and losses which occurred in 2008, as described in the section "Group Capital" of the present chapter.

Employees' pension obligations cover — Amounts in M.€

	2007	2008
Total past service pension liabilities	2 445.4	2 298.2
Pension funds[1]	2 798.5	2 269.4
Financing surplus	353.1	(28.8)
Financing of pension liabilities	**114.4%**	**98.7%**
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
Positive (/ negative) deviations outside the corridor	(1.5)	(272.4)
Pension funds return	17.8%	(20.5%)

1) Including contributions to be made at the beginning of 2009.

Table 66

Liabilities for the Directors' complementary pension plan

The directors forming part of Banco BPI's Executive Committee, as well as the other directors of Banco Português de Investimento, benefit from the complementary retirement and survivors pension plan. The liabilities associated with this plan are covered by a pension fund.

At 31 December 2008, these liabilities totalled 26.1 M.€ and were 97.2% covered by the pension fund.

Directors' complementary pension plan cover — Amounts in M.€

	2007	2008
Total past service pension liabilities	23.4	26.1
Pension funds[1]	23.4	25.4
Financing of pension liabilities	99.9%	97.2%

1) Including contributions to be made at the beginning of 2009.

Table 67

PENSION OBLIGATIONS – REGULATORY FRAMEWORK AND GROUP POLICIES

BPI GROUP PENSION FUNDS

According to the Bank of Portugal's rules, banks must guarantee the funding of retirement obligations exclusively through pension funds. The other financial companies must ensure full cover of the obligations by means of pension funds or by insurance contracts for the same purpose and, with respect to the part not financed, through provisions carried in the balance sheet.

The Group's staff pension funds fully guarantee old-age and infirmity retirement pensions and survivors' pensions due to Employees and former Employees of the banks (Banco BPI and Banco Português de Investimento), as well as to Employees of the subsidiaries which adhered to the Vertical Collective Employment Agreement (BPI Gestão de Activos and Inter-Risco).

At the end of 2008, the net assets of the staff pension funds totalled 2 269.4 M.€ (figure well above the amount of the Group's shareholders' equity, which on that date stood at 1 498 M.€). On the same date, the funds covered a universe of 7 662 Employees on the current payroll, 7 144 pensioners and 2 668 former workers.

Recapitalisation of the pension funds

When the Group acquired Banco Fonsecas & Burnay (BFB) in 1991, the latter presented a pension-fund shortfall of 128 M.€ (of which 89 M.€ related to pension obligations under payment and 39 M.€ related to pension obligations for the past services of current Employees). Right at the time of acquisition, the deficit in the fund's net assets was covered by provisions in the balance sheet, in order to meet the liabilities of current pension-payment obligations.

As a result of the financial effort made, the pension funds' net assets already fully covered at the end of 1995 current pension payments, and by the end of 1998 100% cover was achieved for Employees on the payroll.

Early retirements

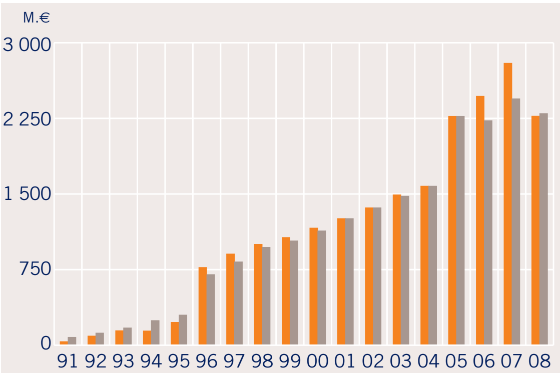
Following the acquisition of the commercial banks (BFB in 1991 and BFE and BBI in 1996), intensive programmes were implemented directed at modernising and enhancing the efficiency and competitiveness of the structures acquired. Workforce rationalisation and rejuvenation were amongst the priorities assumed and which translated into the implementation of an early-retirement programme. This entailed a large financial commitment aimed at covering the increase in pension obligations. In the period 1995 to 2008, a total of 3 881 early retirements have been realised which have led to an increase of 557.8 M.€ in pension obligations.

Within the ambit of the strategic programme directed at raising efficiency and reducing costs in the period 2002-2004, a total of 1 357 early retirement accords were executed.

Only nine early-retirement accords were realised between 2005 and 2007.

At the end of 2008 a programme of 200 early retirements was approved and is scheduled to be realised in the early months of 2009.

Pension funds assets and BPI Group Employees pension liabilities



■ Pension funds[1]
■ Past service liabilities

Chart 79

1) Pension funds assets in 2008 include contributions due at the beginning of 2009.

1) Including contributions to be made at the beginning of 2009.

Investment policy

The investment policy of Banco BPI's Pension Fund is set out in the management contract and takes into consideration the core objectives for each asset class, as follows.

	Asset class	Benchmark[G]
Equities	30%	MSCI Europe
Fixed-rate bonds	25%	EFFAS>1
Variable-rate bonds	20%	3-month Euribor
Hedge Funds	5%	3-month Euribor
Real estate	15%	EFFAS>1
Liquidity	5%	3-month Euribor
Total	**100%**	

Table 68

The TWR (time weighted rate of return) and the standard deviation are the benchmark measurements used respectively for analysing the management performance of the investments of Banco BPI's Pension Fund and the risk.

BPI Pensões, in its capacity as Banco BPI's Pension Fund management entity, carries out the monitoring of the risk implicit in the said fund's portfolio, in accordance with the limits laid down internally, using for this purpose the VaR (Value at Risk[G]) methodology.

The calculation model adopted for determining the VaR is Delta Normal which may, in the case of options, be extended to the Delta-Gamma Normal. Currently, the original risk factors can be grouped into four major groups: equities, interest-rate periods, foreign-exchange rates and participation units. The model's current version supports the following classes of financial instruments: equities, bonds, money market, deposits, commercial paper, options, futures[G], swaps[G] and currency, with the later inclusion of structured products contemplated.

The risk team uses various tools for controlling risk, namely, the KMV system, the licence for which belongs to Moody's KMV. This system applies to the portfolio's credit component (Corporate bonds) and permits calculating the EDF (Expected Default Frequency) for each security. It thus permits gauging the probability of a security entering into default. The inputs for this system are quite diverse and include information about the accounts of the companies, as well as the indicators relating to the behaviour of the issuer's shares when these are quoted on the stock market. In the case of unquoted issuers, we resort to getting this information via ratings, obtaining from the KMV the average EDF for each rating class and resorting to the security's rating. When the security has no official rating, the issuer's rating (if such exists) is taken into consideration. The estimated loss arising from the exposure to credit risk is obtained by multiplying the amount in portfolio by the probability of default within one year and considering a recovery rate of 20%.

Composition of the pension funds

At 31 December 2008, the equities component represented 15% of the portfolio of Banco BPI's staff pension fund, while the bond portfolio accounted for 48%. Investments in European markets represented around 92% of the fund's assets. The equities portfolio is composed chiefly of shares in Portuguese companies, while the bond portfolio refers mainly to non-Iberian European markets.

Banco BPI pension funds' assets
Breakdown by asset class

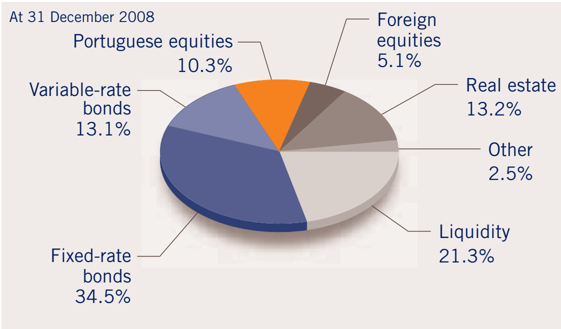


Chart 80

Returns

The Banco BPI pension fund has produced very positive historical results above the market average, with a direct impact on the pension fund's solvency and on the annual cost to Banco BPI.

Since 31 December 1991, the Group's pension funds have earned an annual average return of 9.4%, whilst the pay increases under the Banking Sector's ACTV salary scale averaged 3.7%. Meanwhile, the pension-fund market's return median was situated at 6.6% (according to data disclosed by Mercer Investment Consulting).

In 2008 the BPI Group's staff pension funds achieved a net annual average return of -20.5%.

Financial assumptions

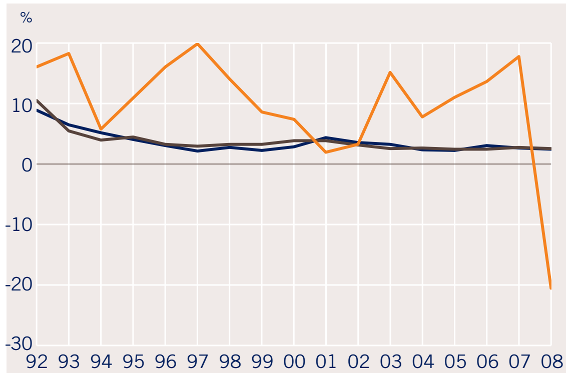
In 2008, a review was carried out of the financial assumptions used in determining the liabilities of the Group's pension funds.

Alterations were made to the actuarial and financial assumptions so as to reflect the prospects for their future behaviour: rate of return, rate of pension and salary increases and mortality tables. The recorded historical figures give support to the new assumptions adopted.

In accordance with the provisions of IAS 19, the discount rate was also revised.

The changes to the assumptions relating to the rate for discounting the liabilities, mortality tables, and the growth in salaries and pensions resulted in a decrease in the Banco BPI staff pension liabilities of 203.8 M.€.

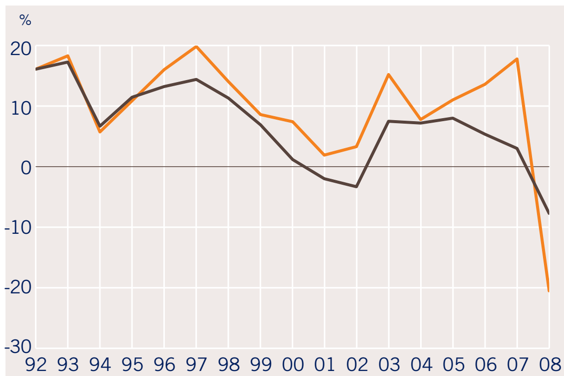
BPI Group Employees pension funds
Return vs. inflation and ACTV salary scale review



— BPI Group Employees pension funds return
— ACTV salary scale review
— Inflation rate

Chart 81

BPI Group Employees pension funds
Return vs. market performance



— BPI Group Employees pension funds return
— Pension funds market's return median

Chart 82

INTEGRATION INTO THE GENERAL SOCIAL SECURITY REGIME OF NEW BANKING EMPLOYEES

The social protection of banking sector workers had its origins in a collective employment agreement for the sector signed in 1944, while the Social Security Base Law safeguarded the existing situations of professional groups covered by specific regimes, as is the case of bank workers, whose regime has evolved in a different manner at certain credit institutions, although in their majority, independent from the Social Security system, or in a few cases, partially integrated into the Social Security system.

The current Government's programme foresaw a set of measures of a structural nature with respect to the convergence of the social protection systems, namely as regards the harmonisation of the benefits on the issue of public regimes and the "future integration of other social security regimes, as is the case of the workers of the banking institutions", having deliberated in the meantime that the new workers admitted at the CGD with effect from 1 January 2006 are now covered by the general Social Security regime.

The simple extension to all banking sector workers of the general Social Security regime would be capable of negatively affecting the amount of the respective net salaries and, eventually in the future, the amount of the respective retirement pensions, with the result that the approach to this subject should be obligatorily cautious, identifying exhaustively all the different situations that such measure might imply.

In this regard the Government deliberated the constitution of 2 working groups, in 1984 and 2000, incorporating representatives of the Government, workers and the credit institutions for the purpose of carrying out the studies necessary for the integration of banking workers into the Social Security system. The conclusions which the working groups arrived at were not consensual, with the Governments of the time having maintained, without alteration and separate from the Social Security regime, the pension regime for banking workers.

It is in this context that the Tripartite Agreement that it was possible to arrive at on 9 December 2008 assumes particular importance, involving the Government, the sector trade unions and credit institutions, with a view to the integration into the general Social Security regime of new bank workers admitted with effect from 3 March 2009 (Dec. Law 54 / 2009, of 2 March).

Thus there is now a single Social Security regime for all new banking sector staff and identical to that of the workers of all the companies operating in Portugal, facilitating the mobility of workers within the banking sector and from inside and to outside of the banking sector. These workers also began to be covered by a pension plan under the defined-contribution regime, in addition to the benefits on the question of pensions which they have been earning from the Social Security.

This alteration also permits the elimination of risks for the new workers stemming from the market, methodology and actuarial assumptions, longevity and growth in pensionable salaries, associated with the present regime of guaranteed pension benefit.

INTERNATIONAL ACTIVITY

OVERVIEW

In 2008, the contribution from the international activity to the Group's consolidated net profit increased 82%, from 77.1 M.€ to 140.6 M.€. Banco de Fomento Angola's (BFA) contribution to consolidated net profit rose by 85% to 136.4 M.€ in 2008, while the contribution from the 30% stake in Banco Comercial e de Investimentos (BCI), in Mozambique, which is equity accounted, grew 26% to 4.2 M.€.

The return on average shareholders' equity (ROE) allocated to international activity – roughly 20% of the Group's average shareholders' equity – stood at 41.2%.

Return on average shareholders' equity (ROE) from international activity

Amounts in M.€

		2007	2008
Net operating revenue as % ATA	*1*	9.4%	8.2%
Operating costs as % ATA	*2*	2.9%	2.3%
Operating profit (before impairments) as % ATA	***3** = 1-2*	**6.5%**	**5.9%**
Profit before taxes as % of operating profit	*4*	77%	91%
Net profit as % of profit before taxes	*5*	74%	82%
ROA[1]	***6** = 3x4x5*	**3.7%**	**4.4%**
ATA / average shareholders' equity[2]	*7*	8.4	9.4
ROE[1]	***8** = 6x7*	**31.0%**	**41.2%**

ATA = Average total assets.

1) Taking into consideration the net profit attributable to BPI Shareholders.

2) Excluding revaluation reserves.

Table 69

Net profit from international activity

From 2004 until 2008

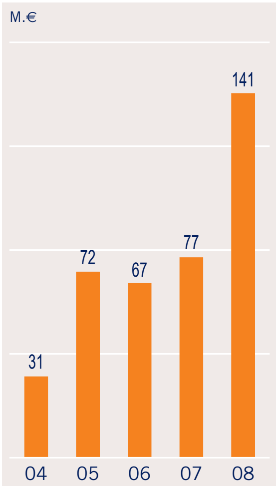


Chart 83

In 2008

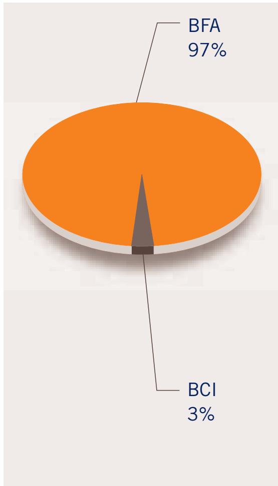
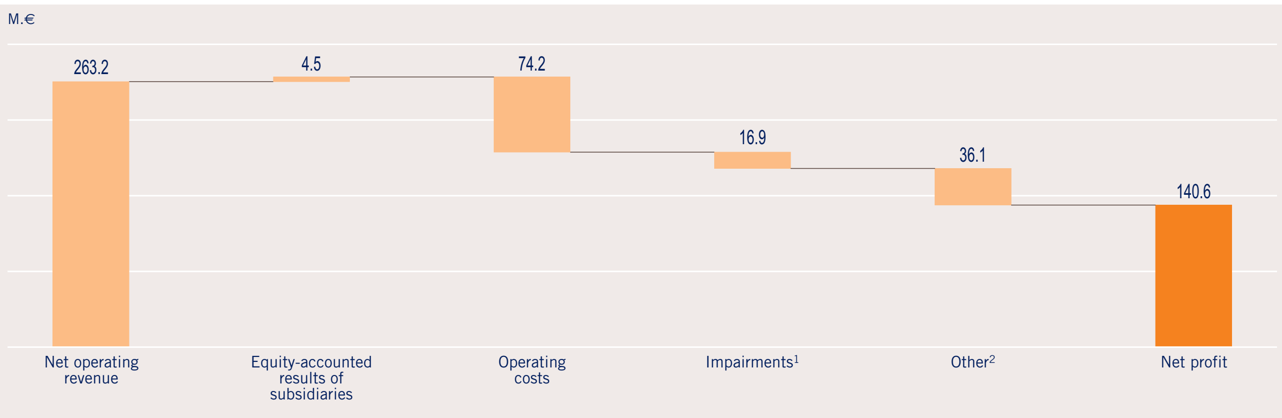


Chart 84

Net profit from international activity in 2008



1) Loan impairments and other impairments and provisions, net of recoveries of loans and interests in arrears previously written-off.

2) Corporate income tax and minority interests.

Chart 85

In **Angola**, BFA's performance in 2008 followed the general lines that have characterised the development of that banking operation in recent years: expressive business expansion, the enlargement of the distribution network, market leadership, high liquidity, solidity and profitability.

Total assets grew 87%, Customer resources expanded 97%, Customer loans were up 28% and the number of Customers rose 37% to 553 thousand, which represents an increase of some 150 thousand new Customers in a year.

Business growth was underpinned by the continuing reinforcement of the Bank's commercial capability, founded on the enlargement of the distribution network, the larger staff headcount and enhanced skills, the development of a segmented approach and the larger spectrum of products and services.

The distribution network grew 18% to 113 units at the end of 2008, with the opening in the new year of:

- 14 new retail branches, whose total now stands at 99;
- One investment centre, with BFA now boasting five of these units;
- Two corporate centres, which joined the seven units already functioning.

The workforce increased by 5% to 1 598 Employees.

At the end of 2008, BFA represented about 12% of the BPI Group's global physical distribution network, roughly 17% of the total Employees, around 26% of the total number of Customers and about 10% of the BPI's total consolidated assets.

BFA has an extremely liquid and well-capitalised balance sheet, which made it resistant to the turbulence experienced on the international financial markets in 2008. Customer resources constitute the principal component of liabilities and underwrite the funding of 88% of the assets. Customer loans represented 32% of Customer resources. On the other hand, highly liquid investments – cash, bank balances and loans to financial institutions and the portfolio of dealing securities – accounted for 58% of total assets.

Shareholders' equity, including minority interests, represented 8.9% of total assets.

In Mozambique, BCI maintained significant growth in business operations. Net total assets grew 22%, Customers' deposits rose 10% and the loan book expanded 49%.

At the end of 2008, BCI's workforce comprised 843 Employees (+18%) and it boasted a distribution network of 50 branches (nine more than in 2007).

International activity balance sheet structure in 2008

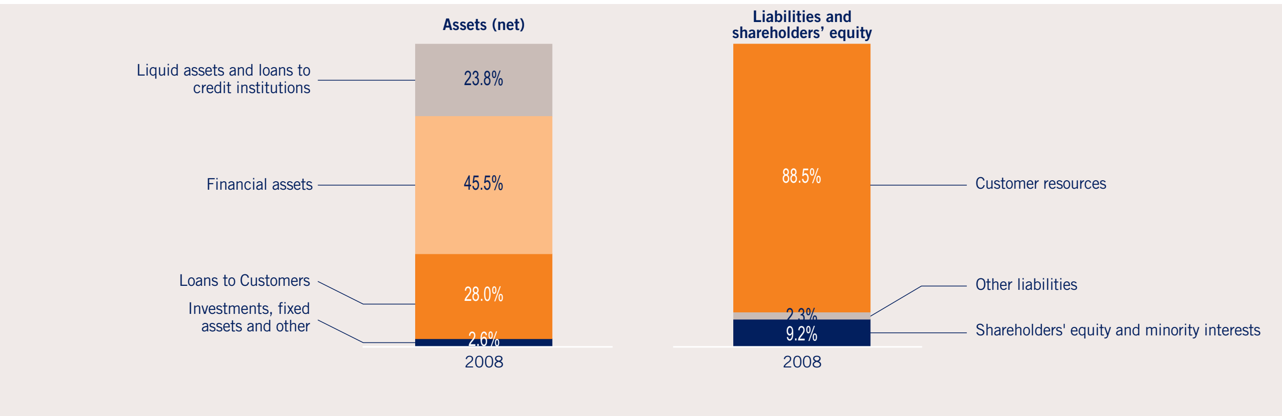


Chart 86

CONSOLIDATION OF INTERNATIONAL ACTIVITY

The international activity comprises the activity conducted by Banco de Fomento in Angola (fully consolidated), as well as the appropriation of the results attributable to the 30% participating interest in BCI Fomento, in Mozambique, and the activity of the broker BPI Dealer (92.7% held), also in Mozambique.

In December 2008, BPI sold to Unitel a 49.9% stake in BFA's capital, after which it began to recognise minority interests relating to this shareholding already with effect from December.

Banco de Fomento Angola's contribution to the net profit from the international activity in 2008 was 136.4 M.€, while BCI contributed with 4.2 M.€ and BPI Dealer Mozambique with 4 thousand euro.

The COSTS and INCOME captions, as well as the captions ASSETS and LIABILITIES, presented as being derived from the international activity, refer almost exclusively to Banco de Fomento Angola, given that BCI's (Mozambique) contribution is recognised in the BPI Group's financial statements using the equity method, while the accounts of BFE Dealer Mozambique (also consolidated in full) are not material.

Consolidation of Banco de Fomento Angola

The financial statements of Banco de Fomento Angola are recognised in the consolidated financial statements using the purchase (full consolidation) method.

Their inclusion is preceded by the conversion of the income statement and balance sheet balances into euro, based on indicative exchange rates disclosed by the Banco Nacional de Angola (central bank).

Effective from the second half of 2006 and for purposes of BFA's consolidation, the Angolan economy ceased to be regarded as a hyperinflationary economy, with the result that the conversion of the income statement and the balance sheet is done in accordance with the principles set out in IAS 21.

The income and costs generated each month are converted into euro at the exchange rate of the month in which they are recognised. In the case of assets and liabilities, the exchange rate ruling at the end of the year is used. The gains or losses resulting from this conversion are recognised directly in Shareholders' equity, in the caption REVALUATION RESERVES.

Up till the end of June 2006 (when the Angolan economy was considered to be a hyperinflationary), the gains or losses resulting from the conversion into euro of income, costs and initial shareholders' equity were recognised in the income statement for the period, under the item PROFITS FROM FINANCIAL OPERATIONS, in accordance with the principles set out in IAS 29 – Financial Reporting in Hyperinflationary Economies.

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 is expressed in American dollars. At the end of 2008, more than 59% of Customer resources and more than 96% of the loan portfolio were denominated in dollars. A substantial portion of revenue and costs is expressed in the American currency or is indexed thereto, as is the case with personnel costs.

In December 2008, around 52% of assets and a similar percentage for total liabilities and shareholders' equity were expressed in American dollars, while the remainder was virtually all expressed in kwanza (AKZ).

Euro exchange rates

	2007	2008	Δ%
At year end			
1 EUR = AKZ	110.209	106.194	(3.6%)
1 EUR = USD	1.469	1.413	(3.8%)
Year average			
1 EUR = AKZ	105.396	110.696	5.0%
1 EUR = USD	1.377	1.475	7.1%

Table 70

International activity income statement[1]

Amounts in M.€

		2007	2008	Δ%
Net interest income (narrow sense)	*1*	131.2	172.5	31.5%
Unit linked gross margin	*2*	-	-	-
Income from securities (variable yield)	*3*	-	-	-
Commissions related to deferred cost (net)	*4*	-	-	-
Net interest income	***5*** *= Σ 1 to 4*	**131.2**	**172.5**	**31.5%**
Technical result from insurance contracts	*6*	-	-	-
Commissions and other similar income (net)	*7*	44.1	49.7	12.7%
Profits from financial operations	*8*	21.5	40.8	90.2%
Operating income and charges	*9*	(0.5)	0.1	120.0%
Net operating revenue	***10*** *= Σ 5 to 9*	**196.2**	**263.2**	**34.1%**
Personnel costs	*11*	(25.4)	(32.3)	27.3%
Other administrative expenses	*12*	(25.6)	(29.9)	16.6%
Depreciation of fixed assets	*13*	(9.0)	(12.0)	33.0%
Operating costs	***14*** *= Σ 11 to 13*	**(60.0)**	**(74.2)**	**23.6%**
Operating profit	***15*** *= 10+14*	**136.2**	**189.0**	**38.8%**
Recovery of loans written-off	*16*	0.1	0.1	48.3%
Loan provisions and impairments	*17*	(28.3)	(9.8)	(65.5%)
Other impairments and provisions	*18*	(3.5)	(7.2)	107.0%
Profits before taxes	***19*** *= Σ 15 to 18*	**104.5**	**172.1**	**64.8%**
Corporate income tax	*20*	(31.0)	(26.8)	(13.6%)
Equity-accounted results of subsidiaries	*21*	3.6	4.5	25.8%
Income attributable to minority interest	*22*	-	(9.3)	-
Net profit	***23*** *= Σ 19 to 22*	**77.1**	**140.6**	**82.3%**
Cash flow after taxation	***24*** *= 23-13-17-18*	**117.9**	**169.5**	**43.8%**

Table 71

1) The contribution from the international activity includes the net profit of Banco de Fomento Angola (73.8 M.€, in 2007, and 136.4 M.€, in 2008) and of BCI (3.3 M.€, in 2007, and 4.2 M.€, in 2008), which in the case of the latter was equity accounted deducted of taxes on dividends received from BCI.

International activity balance sheet

Amounts in M.€

	2007	2008	Δ%
Assets			
Cash and deposits at central banks	281.0	439.3	56.3%
Amounts owed by credit institutions	16.4	51.0	210.6%
Loans and advances to credit institutions	95.1	558.9	487.5%
Loans and advances to Customers	961.1	1 234.7	28.5%
Financial assets held for dealing	476.8	1 474.5	209.2%
Financial assets available for sale	425.4	527.4	24.0%
Investments held to maturity	-	-	-
Hedging derivatives	-	-	-
Investments in associated companies and jointly controlled entities	13.1	15.9	21.6%
Other tangible assets	78.8	94.6	20.0%
Intangible assets	0.9	1.3	53.0%
Tax assets	-	-	-
Other assets	12.8	4.6	(64.2%)
Total assets	**2 361.4**	**4 402.2**	**86.4%**
Liabilities and shareholders' equity			
Financial liabilities held for dealing	-	-	-
Credit institutions' resources	50.2	36.6	(27.1%)
Clients' resources and other loans	1 977.2	3 895.1	97.0%
Debts evidenced by certificates	-	-	-
Technical provisions	-	-	-
Financial liabilities associated to transferred assets	-	-	-
Hedging derivatives	-	-	-
Provisions	15.4	18.7	21.8%
Tax liabilities	30.0	25.4	(15.2%)
Instruments representing capital	-	-	-
Other subordinated loans	-	-	-
Other liabilities	17.6	21.6	22.6%
Share capital, share premium account, reserves and other equity instruments	194.0	65.3	(66.3%)
Treasury stock	-	-	-
Net profit	77.1	140.6	82.3%
Minority interests	-	199.0	-
Total shareholders' equity and minority interests	**271.1**	**404.8**	**49.3%**
Total liabilities and shareholders' equity	**2 361.4**	**4 402.2**	**86.4%**
Note:			
Bank guarantees	265.7	237.1	(10.8%)

Table 72

Note:
The balance sheet relating to the international activity presented above has not been corrected for the balances resulting from operations with the “Domestic Activity” geographical segment. For consolidation purposes, these balances have been eliminated.

LOANS AND RESOURCES

Customer loans

The Customer loans portfolio grew 28% to 1 234.7 M.€ at the end of 2008. The loan portfolio's expansion expressed in dollars[1] was 24% in 2008. The ratio of loans in arrears for more than 90 days was situated at the end of 2008 at 0.7%, and was covered by loan impairment allowances to the extent of 629%.

At the end of 2008, about 63% of the portfolio referred to companies and 37% to loans advanced to individuals. The loan portfolio presents a meaningful sectorial diversification, taking into consideration the Angolan market's characteristics of an emerging economy and the fact that the oil and diamond industry accounted for more than 50% of GDP.

In loans to individuals, consumption represented 52% and home loans 25%.

Customer loans portfolio — Amounts in M.€

	2007	2008	Δ%
Performing loans portfolio	992.3	1 267.1	27.7%
Loans in arrears	13.1	12.8	(1.8%)
Loan impairments	(48.8)	(50.4)	3.4%
Interests	4.6	5.2	13.7%
Total	**961.1**	**1 234.7**	**28.5%**
Bank guarantees	265.7	237.1	(10.8%)

Table 73

Resources taken from Customers

Customer resources, expressed in the currency of the consolidated accounts – the Euro –, grew 97% to 3 856.0 M.€ at the end of 2008. Measured in dollars, Customer resources[2] registered 89% growth in 2008.

Customer resources — Amounts in M.€

	2007	2008	Δ%
Sight deposits	1 183.6	1 972.3	66.6%
Term deposits	196.3	147.9	(24.6%)
Securities sold with repurchase agreements[G]	578.5	1 735.7	200.0%
Total	**1 958.3**	**3 856.0**	**96.9%**

Table 74

Customer loan portfolio in 2008

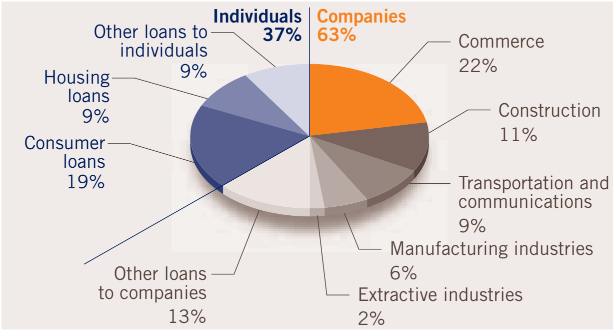


Chart 87

Customer loans

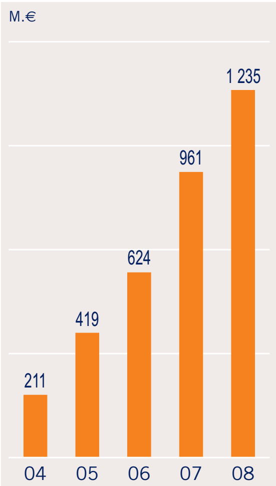


Chart 88

Customer resources

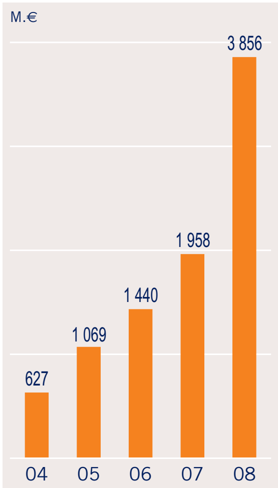


Chart 89

1) At the end of 2008, US dollar-denominated loans represented around 96% of the loan portfolio.
2) Customer resources expressed in dollars represented at the end of 2008 roughly 59% of the total balance of Customer resources.

Sight deposits grew 67% (+789 M.€) to 1 972 M.€. At the end of 2008, these represented about 51% of total Customer resources.

Securities sold with repurchase agreement trebled in value in 2008, to total 1 736 M.€ at the end of the year. The aggregate of time deposits and sales of securities with repurchase agreement increased by 143% to 1 884 M.€ at the end of 2008.

Customer resources in 2008

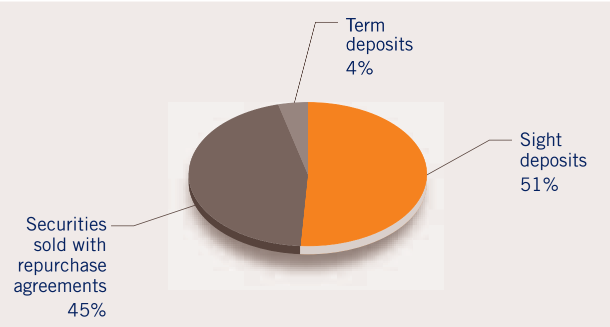


Chart 90

SECURITIES PORTFOLIO

The portfolio of assets held for dealing increased threefold to 1 474 M.€ at 31 December 2008.

The portfolio of assets held for dealing was at the end of 2008, composed of short-term securities with maturities of up to one year, expressed in kwanzas and issued by the Central Bank (TBC – Títulos do Banco Central) and by the Government (BT – Bilhetes do Tesouro). The portfolio's residual maturity in December 2008 was 3.3 months. The average remuneration rate earned by this portfolio in 2008 was 13.1%.

The portfolio of available-for-sale assets comprises Treasury Bonds (Obrigações do Tesouro) in kwanzas, indexed to the American dollar, and in American dollars. The portfolio of available-for-sale assets rose by 24% to 527 M.€ at the end of 2008. This portfolio's average yield in 2008 was 7.5%.

REVENUE

Net interest income

Net interest income in the international activity grew 31.5% (+41.4 M.€) relative to 2007 to 172.5 M.€.

This increase reflects the strong growth in the volume of business with Customers. In terms of average balances, Customer loans grew 40% and the portfolios of dealing and available-for-sale securities grew 89%. For their part, Customer resources, with 57% growth in terms of average balances, provided the funding for the strong asset expansion.

Net interest income Amounts in M.€

	2007	2008	Δ%
Income			
Interest on Customer loans	73.5	91.9	25.0%
Interest on financial assets held for dealing	53.8	125.5	133.2%
Interest on financial assets available for sale	22.1	35.0	57.9%
Interest on placements with credit institutions and other	16.0	9.5	(40.7%)
Interest income from interest-earning assets	**165.5**	**261.9**	**58.2%**
Costs			
Customers deposits	14.3	11.8	(17.8%)
Securities sold with repurchase agreements	17.3	73.3	323.8%
Other interest costs	2.7	4.2	56.4%
Interest cost on interest-bearing liabilities	**34.3**	**89.3**	**160.2%**
Net interest income	**131.2**	**172.5**	**31.5%**

Table 75

The average spread [G] between remunerated assets and liabilities was situated at 6.1% in 2008, which is slightly lower than the 7.2% average spread recorded in 2007.

The average remuneration on loans was situated at 8.3% in 2008 (9.3% in 2007). The average return on the dealing portfolio was 13.1% in 2008. It is to be noted that the placing interest-rates of TBC (central bank securities) and BT (treasury bills) remained relatively stable throughout the year. The average return on the portfolio of available-for-sale securities (Treasury Bonds) was situated at 7.5% in 2008.

For their part, interest-bearing liabilities register an increase in the average rate from 1.9% to 3.1%. This behaviour is the result of the very expressive growth in sales of securities with repurchase agreement realised with Customers.

Net operating revenue

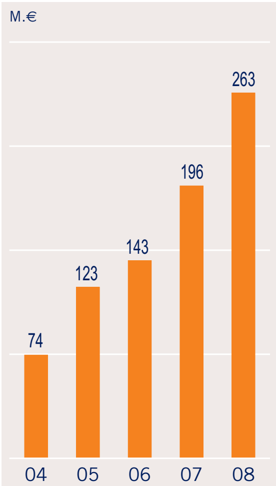


Chart 91

Net interest income

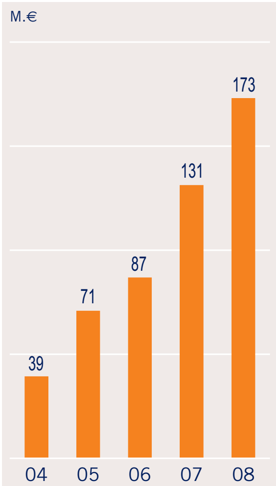


Chart 92

Average balance sheet and factors influencing the trend in net interest income from BFA

Amounts in M.€

	2007			2008			Change in net interest income				
							Volume effect and residual effect			Rate effect	Total
	Average balance	Average rate	Interest (income / costs)	Average balance	Average rate	Interest (income / costs)	Volume effect	Residual effect	Total		
Interest-earning assets											
Placements with credit institutions	270.7	5.4%	14.7	311.2	2.6%	7.9	2.2	(1.2)	1.0	(7.8)	(6.7)
Loans to Customers	791.4	9.3%	73.5	1 104.9	8.3%	91.9	29.1	(3.0)	26.1	(7.7)	18.4
Financial assets held for dealing	508.5	10.6%	53.8	955.7	13.1%	125.5	47.3	11.4	58.7	13.0	71.7
Financial assets available for sale	245.4	9.0%	22.1	468.9	7.5%	35.0	20.1	(3.5)	16.7	(3.8)	12.8
Other			1.3			1.6					0.2
Interest-earning assets[1]	**1 816.0**	**9.1%**	**165.5**	**2 840.7**	**9.2%**	**261.9**	**98.8**	**3.7**	**102.5**	**(6.3)**	**96.4**
Interest-bearing liabilities											
Customer deposits[2]	1 492.6	1.0%	14.3	1 744.7	0.7%	11.8	2.4	(0.7)	1.7	(4.3)	(2.6)
Securities sold with repurchase agreements[2]	282.2	6.1%	17.3	1 049.9	7.0%	73.3	47.1	6.5	53.6	2.4	56.0
Other interest-bearing liabilities	36.5	5.9%	2.2	59.0	6.4%	3.8	1.3	0.1	1.4	0.2	1.6
Other			0.6			0.5					(0.1)
Interest-bearing liabilities[1]	**1 811.2**	**1.9%**	**34.3**	**2 853.6**	**3.1%**	**89.3**	**50.8**	**5.9**	**56.8**	**(1.7)**	**55.0**
Average spread between interest-earning assets and interest-bearing liabilities		7.2%			**6.1%**						
Net interest income			**131.2**			**172.5**	**48.0**	**(2.2)**	**45.7**	**(4.7)**	**41.4**

1) The volume, price and residual effects calculated for the total interest-earning assets and the total interest-bearing liabilities correspond to the sum of the values of the parts.

2) Recorded in the caption RESOURCES OF CUSTOMERS AND OTHER LOANS.

Table 76

Commissions

Commissions and other similar income were up 12.7% to 49.7 M.€, in 2008.

Commissions and other similar income (net)

Amounts in M.€

	2007	2008	Δ%
Banking service	20.6	22.4	8.9%
Deposits and related services	14.8	19.2	29.7%
Associated with loans and guarantees	5.3	5.5	3.4%
Other	3.4	2.6	(23.5%)
Commissions and other similar income (net)	**44.1**	**49.7**	**12.7%**

Table 77

Profits from financial operations

Profits from financial operations rose by 90%, from 21.5 M.€ in 2007 to 40.8 M.€ in 2008. These results are largely derived from commercial activity with Customers.

OPERATING COSTS

The distribution network's strong expansion in Angola, coupled with the larger staff complement associated with it, explains the increase in operating costs of 23.6% to 74.2 M.€ in 2008.

Personnel costs rose 27.3%. This increase reflects on the one hand the 13.2% expansion in the average size of the staff complement and, on the other, salary reviews and promotions. Costs with outside supplies and services climbed 16.6%, while depreciation and amortisation were 33.0% higher.

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

Operating costs
From 2004 until 2008

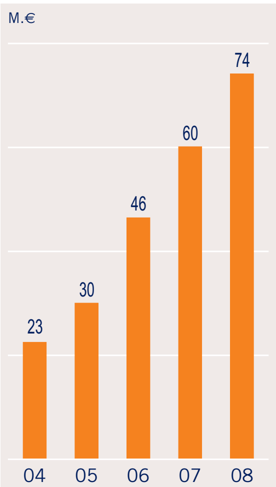


Chart 93

As % of net operating revenue

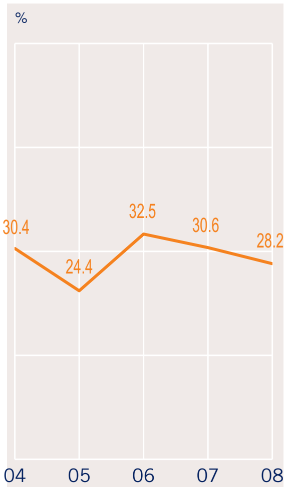


Chart 94

Operating costs — Amounts in M.€

	2007	2008	∆%
Personnel costs	25.4	32.3	27.3%
Outside supplies and services	25.6	29.9	16.6%
Operating costs, before depreciation and amortisation	**51.0**	**62.2**	**21.9%**
Depreciation and amortisation	9.0	12.0	33.0%
Total	**60.0**	**74.2**	**23.6%**
Efficiency ratio[1]	**30.6%**	**28.2%**	

1) Operating costs as percentage of net operating revenue.

Table 78

IMPAIRMENTS AND PROVISIONS

Provisions and impairments for the year decreased from 31.8 M.€ in 2007 to 17.0 M.€ in 2008.

Loan impairment charges were 28.3 M.€ in 2007 and 9.8 M.€, in 2008.

In February 2008 the new rules for the constitution of provisions came into effect in Angola. Within the ambit of this regulatory change, BFA undertook a review of impairments having arrived at a surplus of 7.9 M.€, which was utilised between March and July 2008. Had this procedure not been adopted, the amount of impairments in 2008 would have been 17.2 M.€, which would correspond to 1.52% of the loan book's average balance, instead of the 9.8 M.€ actually recorded (0.87% of the loan book's average balance).

According to the previous provisioning rules in Angola, a large part of BFA's loan impairments corresponded to general loan impairments (provisions) corresponding to 4%[1] of the loan and guarantees book, the maximum allowed for tax purposes.

1) In Angola, under the previous rules, the banks had to set aside provisions for general credit risks of between a minimum of 2% and a maximum of 4% of the loan and guarantees portfolio.

In 2007, BFA set aside general loan impairments of 23.2 M.€, while specific loan impairment charges earmarked to cover the risk of collecting non-performing loans amounted to 5.1 M.€, which corresponded to 0.64% of the loan book's average balance.

Loans in arrears for more than 90 days

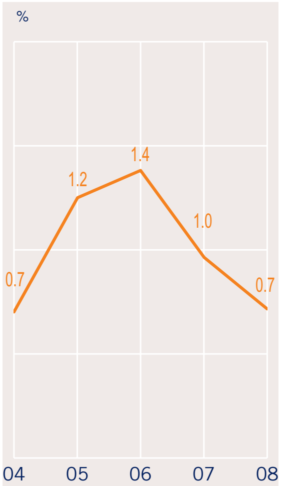


Chart 95

Coverage of loans in arrears[1] by impairments[2]

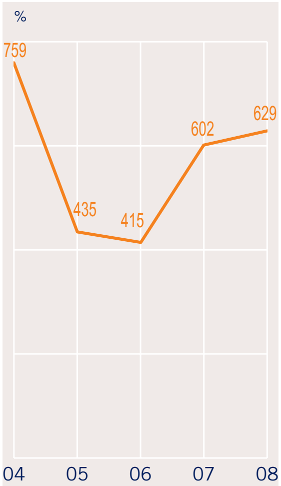


Chart 96

1) Loans in arrears for more than 90 days.
2) Accumulated loan impairments in the balance sheet.

CORPORATE INCOME TAX

The average corporate income tax rate in Angola declined from 29.4% in 2007 to 15.3% in 2008. The reduction in that average rate is chiefly explained by the increase in the portfolio of Angolan Republic Treasury Bills as a consequence of the resumption of issues of these securities, given that the income on these securities (as well as that earned on Treasury Bonds) is tax exempt. In December 2008, Treasury Bills represented some 94% of the portfolio of financial assets held for dealing.

RESULTS OF EQUITY-ACCOUNTED SUBSIDIARIES

Equity-accounted results correspond to the appropriation of net income attributable to the 30% participating interest in BCI in Mozambique. In 2008, equity-accounted results amounted to 4.5 M.€, 25.8% more than the previous year's figure.

BCI's contribution to consolidated net profit, besides the equity-accounted results, also includes the deferred tax relating to the BCI's distributable earnings. In 2008, BCI's contribution increased 25.9% to 4.2 M.€.

BCI maintained in 2008 a high pace of business growth. Total assets grew 22% to 669 M.€; deposits by 10% to 500 M.€ and the Customer loans portfolio by 49% to 371 M.€.

At the end of 2008, BCI served more than 85 thousand Customers. It had a workforce comprising 843 Employees, 18% more than the figure a year earlier, and a distribution network made up of 50 branches (nine more than at the end of 2007) and 108 ATM.

MINORITY INTERESTS

In December 2008 BPI sold a 49.9% stake in BFA's capital to Unitel, as a result of which BPI's holding fell from 100% to 50.1%.

The impact of the sale on the BPI Group's earnings and regulatory capital was fully recognised in 2008.

BPI recognised minority interests of 9.3 M.€ in BFA's 2008 net profit, which corresponded to 49.9% of the net profit earned by BFA in the last month of the year.

Risk management

At the BPI Group, risk management is founded on the ongoing identification and analysis of the exposure to the different risks (counterparty risk, country risk, market risks, liquidity risks, operational and legal risks) and on the execution of strategies aimed at maximising the results *vis-à-vis* risks, within predefined and duly supervised limits. Risk management is complemented by the analysis à posteriori of performance indicators.

ORGANISATION

Risk management is coordinated by the Board of Directors' Executive Committee within the ambit of the work delineated by the Board of Directors. At the higher level there are also two specialist executive committees: the Market Risk Executive Committee, whose attention is focused on the management of overall risks (market, liquidity, country and credit / securitisations), and the Credit Risk Executive Committee, whose work is concentrated on the analysis of the larger loan operations.

The Bank has a centralised and independent structure for dealing with the analysis and control of risk in accordance with the best organisational practices in this domain and with the requirements of the Basle Accord. The Risk Analysis and Control Division is responsible for monitoring global risks (market, credit, country, liquidity and operational risks) and for the management of the risk datamart for the whole Group (to where all the important information about the Bank's systems converge). It is responsible for identifying exposure to the different risks, including the calculation of capital at risk using VaR models and stress tests, the control of derivatives, the production of rating and scoring[G] models, the calculation of default probability (DP) and loss given default (LGD), statistical provisions and the selection of portfolios for securitisation[G].

In the realm of specific credit risks, the Corporate and Small Businesses Credit Risk Division and the Individuals Credit Risk Division, are charged with ensuring an independent vision of the risk of the various proponents or guarantors and of the characteristics of the operations in the respective segments, as well as the management of debt-recovery processes in the event of default. In specific segments such as Institutional Customers or Derivatives, there are risk-analysis areas carrying out similar functions. The attribution of ratings to Portuguese and Spanish companies (having as a support a quantitative model in the case of many companies), or to project finance[G] operations is the function of the Corporate and Small Businesses Credit Risk Division, as well as of the Rating Committee.

In the operational risks domain, a specific unit of the Organisation Division keeps abreast of the information of the processes and occurrences through the application of operational risk management. This information is then reported to the Operational Risk Committee.

Selected indicators

	2007	2008		
	Consolidated	Domestic activity	International activity	Consolidated
Loans in arrears for more than 90 days, as percentage of total loan portfolio	1.0%	1.2%	0.7%	1.2%
Loan impairments (accumulated in the balance sheet), as percentage of total loan portfolio	1.4%	1.4%	4.5%	1.6%
Loans in arrears for more than 90 days and doubtful loans[1], as percentage of total loan portfolio[2]	1.0%	1.2%	0.7%	1.2%
Loans in arrears for more than 90 days and doubtful loans, net of specific loan provisions, as percentage of total net loan portfolio[2]	0.2%	0.4%	(3.3%)	0.3%
Increase in loans in arrears (for more than 90 days), adjusted by write-offs[G] as percentage of the performing loan portfolio	0.19%	0.40%	1.09%	0.43%
Increase in loans in arrears (for more than 90 days), adjusted by write-offs and deducted of recoveries of loans and interests written-off, as percentage of the performing loan portfolio	0.12%	0.31%	1.08%	0.34%
Loan impairments in the year as percentage of the performing loan portfolio	0.31%	0.40%	0.87%	0.41%
Loan impairments in the year deducted of recoveries of loans and interests written-off, as percentage of the performing loan portfolio	0.23%	0.30%	0.85%	0.32%
Country-risk[G] exposure, net of provisions (M.€)[4]	-	-	-	6 572
As percentage of total assets (net)	-	-	-	15%
Market risk (VaR)				
Maximum (M.€)	7	-	-	5.7
Monthly average (M.€)	3.5	-	-	2.0
Loans as percentage of total Customer resources	86.2%	93.8%	33.3%	87.0%
Loans as percentage of stable resources[3]	68.8%	-	-	60.0%

Table 79

1) Doubtful loans treated as being in arrears for purposes of provisioning.

2) Calculated according to the Bank of Portugal Instruction 16 / 2004.

3) Stable resources in accordance with the definition laid down in Bank of Portugal Instruction 1 / 2000: Customer deposits, participating securities, provisions for loans (specific and general), loans (certificated or not) with a residual maturity term of more than one year, minority shareholders' interests and shareholders' equity, after deducting the profits to be distributed by way of dividends.

4) The exposure to Group I countries totals 5 427 M.€ (essentially corresponds to the exposure to European Union countries, Switzerland, USA and offshore banks which are 100% held or are the branches of counterparties whose registered head offices are in Group I countries).
The exposure to Group II countries totals 1 145 M.€ and essentially corresponds to the exposure to Angola (410 M.€, including the subsidiary), Brazil (385 M.€), Kazakhstan, Russia and Mozambique.

CREDIT RISK

Management process

Credit risk associated with the possibility of actual default by a counterparty (or with the change in the economic value of a given instrument or portfolio stemming from a deterioration in the risk quality of a counterparty) constitutes the primary risk factor inherent in the BPI Group's business spectrum.

Specific approval for loans to companies and small businesses or to institutional Customers follows the principles and procedures laid down in the credit regulations, and in essence result from the following:

- Rejection filters: the existence of incidents and defaults or debts to the Tax Administration, the Social Security Department, currency restrictions and others.

- Exposure limits: evaluation of the present capability to service debt and the establishment of corresponding maximum exposure limits.

- Acceptance / rejection boundary according to the probability of the counterparty defaulting: a boundary is set in accordance with the internal rating (potential Customers whose classification places them in a risk class which is deemed to be excessive are turned down, that is, whose probability of defaulting is high) or in accordance with an equivalent analysis by an expert system (there is no internal scoring or rating for the small businesses or the institutional Customers segment, with the result that the subjective appraisal of the risk analysts is fundamental).

- Mitigation of risk attaching to operations: in the acceptance or rejection of Customers and operations, regard is had to any personal or tangible guarantees which contribute to reducing risks.

  In the corporate segment, the object is to become involved with long-term operations which are associated with tangible guarantees (financial and non-financial), with collateral cover levels (net of haircuts[G] and temporal adjustments in the case of financial assets) of 100%.

  In the small businesses segment, the medium / long-term operations must as a rule be fully secured by tangible guarantees.

  In order to mitigate credit risk on companies' derivative operations, in addition to the drafting of contracts with clauses which permit the set-off of obligations in the event of default, BPI has as a rule signed collateralisation accords with its counterparties.

The specific approval of loans to individuals follows the principles and procedures laid down in the credit regulations. The approval or rejection of operations in essence result from the following:

- Rejection filters: the existence of incidents and defaults or debts to the Tax Administration and to the Social Security Department, minimum and maximum age restrictions and others.

- Exposure limits: evaluation of the present capability to service debt through the calculation of the housing-to-income ratio or the estimated value of the savings of the loan applicants, guarantors or sureties. As a general rule, applications where the housing-to-income ratio is considered to be excessive or where savings become negative due to the costs of the new loan, are turned down.

- Acceptance / rejection boundary, according to the probability of the counterparty defaulting: boundaries are set in accordance with the internal scoring (potential Customers whose classification places them at risk which is deemed to be excessive are turned down, that is, whose probability of defaulting is high).

  There are reactive scorings for each loan segment (housing, personal loans, credit cards and motor car finance) designed to evaluate the probability of default by the counterparty, guarantors or sureties.

  In complex cases, the identification of the risk class (probability of default) requires the involvement of the Individuals Credit Risk Division.

- Mitigation of risk attaching to operations: in the acceptance or rejection of Customers and operations, regard is had to any personal or tangible guarantees which contribute to reducing risks.

  In the **home loans** segment, BPI tightened in 2008, the collateralisation requirements and the relationship between loan and guarantee now bears a maximum figure of 85% (or 95% if there is personal protection insurance or insurance to protect the amount repayable). In motor car finance, the relationship between the amount financed and the security can attain a maximum value of 130%.

  In order to access BPI **personal loans**, an insurance policy must be taken out which protects the loan against the eventuality of unemployment and hospitalisation.

On the commercial front, the overall evaluation of operations or Customers must take into consideration the objectives relating to the profitable employment of shareholders' equity relative to the risks assumed.

For each one of the different divisions involved, the relevant hierarchical levels for the approval of credit according to their risk or commercial characteristics have been defined with the object of decentralising decisions and, therefore, ensuring processing speed and efficacy.

Subsequently, the Bank maintains constant vigilance over the evolution of its exposure to the different counterparties, the evolution of its portfolio (diversification by geographical area, sector, segment, counterparty, currency and maturity), and the profitability results and indices achieved *vis-à-vis* the risks assumed.

Moreover, problematic credit situations, provisioning cover indices, write-offs and recoveries are analysed every month. The alert signalling non-performing loans is available on-line via the internal network for the information of the Bank's managers.

An estimate is also made of the provisions for impairment losses, involving both a statistical calculation for performing loans with incidents or loans in default, and an evaluation of the same impairment by expert systems for all the larger loans. The impairment losses and provisions are the object of a monthly assessment by the Board of Directors' Executive Committee (Executive Committee for Credit Risk), and are reviewed every six months by the external auditors and reviewed regularly by the Audit and Internal Control Committee.

Functioning as agents controlling this entire management process, in addition to the Board of Directors, the Audit and Internal Control Committee and the Executive Committee for Credit Risk, are the Risk Analysis and Control Division, the internal and external auditors and the Bank of Portugal.

Evaluation of exposure to credit risk

Companies, institutional Customers, specialised finance and small businesses

BPI uses an internal rating system for companies with ten classes (E1 to E10) plus two classes in the case of incidents (ED1 and ED2) and one in the case of default (ED3, which corresponds to a 100% "probability of default"). Default probabilities are associated to each classification for the evaluation of loans, guarantees and securities of medium and large-sized companies.

Internal rating of companies
Breakdown of exposure by risk classes in 2008

Risk classes	Value (M.€)	% of portfolio amount	One-year default probability
E1	2 395.7	21.1%	0.03%
E2	1 136.1	10.0%	0.35%
E3	2 374.9	20.9%	0.50%
E4	1 071.9	9.5%	0.84%
E5	1 084.2	9.6%	1.18%
E6	730.1	6.4%	1.40%
E7	863.2	7.6%	2.08%
E8	646.5	5.7%	3.55%
E9	242.3	2.1%	4.83%
E10	160.3	1.4%	7.53%
Without rating	192.1	1.7%	5.36%
ED1	104.2	0.9%	21.01%
ED2	56.8	0.5%	31.32%
ED3 (default)	296.8	2.6%	-
Total	**11 355.1**	**100.0%**	

Note: the portfolio includes bonds and commercial paper of the Companies segment.
In the calculation of default probabilities, all the operations in default of a single Customer were regarded as being a single negative case (and not various cases). The calculation of the portfolio's average default probabilities naturally excludes the ED3 class (in default for more than 90 days or in legal-recovery process) and does not take into account any bank guarantees.

Table 80

The average default probability of the companies portfolio from a one-year perspective weighted by the amount of liabilities stood at 1.5% at 31 December 2008. The loss on each operation in default in this segment is on average 17.9%.

In the project finance area, there is a classification system based on five classes. The portfolio is composed in the majority of cases of projects with "good" or "strong" ratings.

Internal rating of project finance
Breakdown of exposure by risk classes in 2008

Risk classes	Value (M.€)	% of portfolio amount
Strong	548.1	31.0%
Good	1 185.1	67.1%
Satisfactory	17.2	1.0%
Weak	0	0%
Default	0	0%
Without rating	15.9	0.9%
Total	**1 766.2**	**100%**

Table 81

The small businesses segment is not evaluated by means of scoring. Notwithstanding this fact, it is possible to estimate an average default probability over a one-year period in the case of this portfolio, and a loss in the event of default of 2.1% and 49.9%, respectively (the definition of default used in the calculations of impairment losses is that of loans in arrears for 180 days or more).

These systems for evaluating counterparty risk are complemented by other methodologies, in particular, the calculation of the capital at risk, in accordance with the assessment enshrined in regulations governing solvency ratios or a variation thereof.

Indices relating to exposure concentration are also analysed. In global terms, the portfolio reveals a sound degree of diversification by counterparty or group (including conservative compliance with the regulations governing "large exposures"), geographical areas, sectors and maturity periods.

Financial institutions
In financing granted to other financial institutions, BPI bases its risk analysis on available external ratings[G]. Financing relations are restricted to investment grade institutions[G].

Individuals

In the individuals domain, there is a reactive scoring model for each segment, annually updated, designed to represent default probabilities (distribution of the results of each scoring by ten classes, plus two in the case of incidents and one terminal class in the case of default).

Over the life of the operations, the default probabilities are assessed and represented by behavioural scorings or by the study of default frequencies in each loan segment.

Default probabilities of loans to individuals in 2008

Risk classes	Probability of default within a year[1]	Loss given default (LGD)
Mortgage loans	2.1%	27.13%
Personal loans	2.5%	42.27%
Motor car finance	3.3%	19.35%
Credit cards	2.5%	52.92%

Note: The calculation of the average default probability includes situations of loans in arrears for less than 90 days. The LGD calculation for the personal loan, cards and motor-car finance segments, conforms to a default definition of 180 days and follows a different calculation methodology.
1) Probability of default weighted by the liabilities in portfolio.

Table 82

The estimated loss on each operation in default in these segments is also revised periodically over the lifespan of the operations. The lowest expected loss in the event of default in the motor-car and housing finance is directly related to the existence of tangible guarantees, facilitating the recoupment of loans. In home loans, the estimated ratio of portfolio finance / average guarantee at the end of the year was around 45.7% (for value of outstanding principal and revalued properties), providing a comfortable safeguard margin against delinquencies.

Securities portfolio

Turning to the evaluation of risks stemming from its securities portfolio, BPI resorts primarily to information obtained from external rating reports. Notwithstanding the valuation of bonds at market prices containing implicitly in this environment high risk premiums, the investment portfolio is predominantly composed of the securities of low credit-risk issuers.

Bonds and fixed-interest securities' investment portfolio[1]

Amounts in M.€

Rating	2007	%	2008	%
Aaa	20.5	0.5	137.3	2.8
Aa	548.9	14.2	764.2	15.8
A	365.3	9.4	589.6	12.2
Baa	906.1	23.4	696.4	14.4
Other / without rating (NR)	723.6	18.7	860.0	17.8
Commercial paper with guarantees from credit institutions	14.6	0.4	12.4	0.3
Commercial paper without guarantees	1 291.4	33.4	1 763.2	36.6
Total	**3 870.5**	**100.0**	**4 823.1**	**100.0**

1) Includes preference shares which are recorded in the equities portfolio.

Table 83

Bonds investment portfolio in 2008
Breakdown of exposure by classes of risk (external rating)

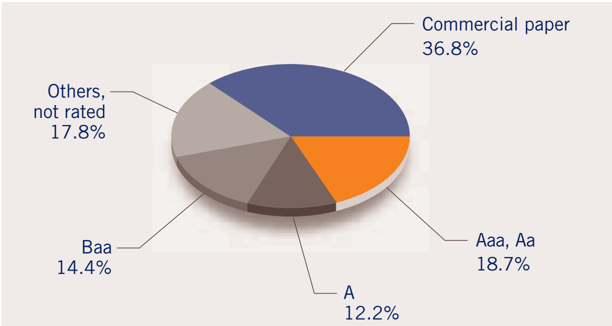


Chart 97

Equities / participating interests portfolio

As regards the structural position of the equities / participating interests portfolio, the corresponding market risk is not easily measured by traditional methodologies such as VaR, given the investment's time horizon, the importance of the positions or the lack of quoted prices in the equity market. According to the Basle Accord, this risk is treated as credit risk (and eventually included in the treatment of large exposures).

The realisation of a stress test on this portfolio reveals a capital at risk of just 24.3 M.€ given above all the fall already registered and the disposal of equity positions in the meantime.

Derivative operations

Given the specific manner in which they are valued, credit risk stemming from derivative operations is accorded special treatment. This has as its base the concept of the substitution value, which is estimated daily. Default probabilities and the value of losses in case of default are analysed according to rating agencies' data.

The set-off and collateralisation contracts naturally have an influence on the calculation of this type of exposure. These agreements, which entail the receipt (and payment) of collateral amounts for hedging risks between counterparties, permitted a reduction in the substitution value of the derivatives portfolio from 273 M.€ (gross amount, after set-off) to 149 M.€ (net amount) at the end of 2008.

Current credit risk – substitution value of derivatives by type of counterparty

Amounts in M.€

	2007	2008
Over-the-counter market	69.8	149.1
Financial institutions	46.4	52.9
Local and administrative public sector	0.0	0.1
Companies	22.8	89.5
Unit trust funds and pension funds	0.2	3.7
Individuals	0.3	2.8
Regulated markets (stock exchange)	2.3	0.0
Total	**72.1**	**149.1**

Note: the total substitution value is the sum of the substitution values of the counterparties, when positive. It does not include options inserted into bonds issued or bought. The substitution value incorporates the effect of the risk reduction that results from the set-off of credit and debit balances between the same counterparties and agreements with counterparties, which serve as guarantee for compliance with obligations.

Table 84

This form of evaluating exposure to counterparty risk is complemented by the traditional regulatory approach.

Default, provisioning and recovery levels

At the end of 2008, Customer loans in arrears for more than 90 days amounted to 357.1 M.€, which corresponded to 1.2% of the gross loan portfolio.

In domestic operations, loans in arrears for more than 90 days totalled 347.9 M.€, which corresponded to a loan-in-arrears ratio of 1.2%, while in international operations, loans in arrears for more than 90 days amounted to 9.2 M.€ and were equivalent to 0.7% of the gross loan portfolio.

The non-performing loan ratio calculated in accordance with the criteria prescribed in Bank of Portugal letter-circular no. 99 / 2003 was 1.2%. Besides loans in arrears for more than 90 days, the aforesaid ratio includes doubtful debts, which are treated as being in arrears for provisioning purposes. At 31 December 2008, doubtful loans totalled 6.6 M.€.

At 31 December 2008, impairment allowances (accumulated) relating to the Customer loans portfolio[1] recognised in the consolidated balance sheet totalled 464.5 M.€, which corresponded to 1.6% of the gross loan portfolio. Loan impairments in domestic operations were 406.7 M.€ and corresponded to 1.4% of the gross loan portfolio. In international operations, loans impairments totalled 57.9 M.€, which corresponded to 4.5% of the gross loan portfolio.

1) Loan impairments correspond to the estimated total loss, whether this refers to performing loans or to non-performing loans, taking into consideration the total amount of the exposure, the probability of entering into default, the amount recoverable and the time period to recovery.

Loans to Customers in arrears, provisions and impairments

Amounts in M.€

	2004	2005	2006	2007	2008
Customer loan portfolio at the end of the year (gross)	19 021.1	21 270.4	24 941.4	27 603.2	29 723.8
Loans in arrears					
Loans in arrears for more than 90 days[1]	202.4	278.0	263.5	276.9	357.1
Loans in arrears for more than 30 days[1]	220.8	295.7	277.6	296.5	460.8
Doubtful loans[2]	8.6	5.4	3.3	6.7	6.6
Loan impairments	-	335.1	341.0	385.7	464.5
Total loan provisions	325.0	-	-	-	-
Ratio of loans in arrears and doubtful loans					
Loans in arrears for more than 90 days, as percentage of total loan portfolio	1.1%	1.3%	1.1%	1.0%	1.2%
Loans in arrears for more than 90 days and doubtful loans[2], as percentage of total loan portfolio[3]	1.1%	1.3%	1.1%	1.0%	1.2%
Loans in arrears for more than 30 days, as percentage of total loan portfolio	1.2%	1.4%	1.1%	1.1%	1.6%
Loan impairments (accumulated in the balance sheet)					
Loan impairments, as percentage of total loan portfolio	–	1.6%	1.4%	1.4%	1.6%
Loan impairments, as percentage of loans in arrears for more than 90 days	–	120.5%	129.4%	139.3%	130.1%
Provisioning cover (according to Bank of Portugal Notice 3 / 1995)					
Loans in arrears for more than 90 days	160.6%	-	-	-	-
Loans in arrears for more than 90 days and doubtful loans[2]	154.0%	-	-	-	-
Loans in arrears for more than 30 days	147.2%	-	-	-	-
Note					
Write-offs[G]	64.0	48.3	30.5	37.4	41.0
Recovery of loans and interests in arrears written-off	15.3	17.6	21.0	20.9	25.9

Note: 2004 in accordance with the Portuguese standards laid down in the Chart of Accounts for the Banking Sector (Plano de Contas para o Sector Bancário – PCSB).

Table 85

1) Includes interests in arrears.
2) Doubtful loans treated as being in arrears for purposes of provisioning.
3) Calculated according to the Bank of Portugal Instruction 16 / 2004.

2008 saw an increase in loan delinquencies although this remained at a contained level.

The appearance of new non-performing loans (for more than 90 days), net of recoveries, in 2008 totalled 121.2 M.€, which corresponded to 0.43% of the average loan portfolio. In the previous year, the rise in Customer loans in arrears for more than 90 days (adjusted for write-offs booked) was 51.5 M.€, which corresponded to 0.19% of the performing loan portfolio.

During 2008, 25.9 M.€ in arrear loans and interest was recovered, while in 2007 recoveries totalled 20.9 M.€.

Ratio of loans in arrears

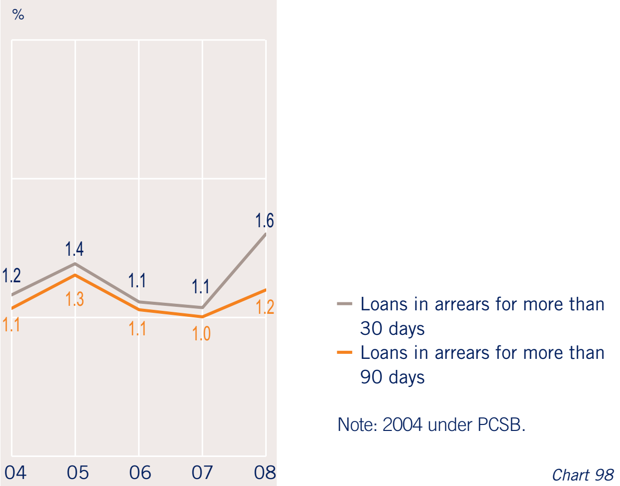


Chart 98

Deducting the overdue loans and interest recoveries from the variation in loans in arrears (for more than 90 days) in the year, adjusted for write-offs, we arrive at a loan loss of 30.6 M.€ in 2007 (0.12% of the average loan portfolio) and of 95.3 M.€ in 2008 (0.34% of the average loan portfolio).

In domestic operations, this indicator was situated at 83.1 M.€ in 2008 (0.31% of the loan portfolio) and in international operations, at 12.2 M.€ (1.08% of the loan portfolio).

The net credit loss in the year (measured by loan impairment losses recognised in the year and after deducting recoveries of arrear loans previously written off from assets) amounted to 91.5 M.€, which corresponds to 0.32% of the performing loan portfolio.

In domestic operations, the net credit loss represented 0.30% of the loan portfolio, amounting to 81.8 M.€.

In international operations, the net credit loss was situated at 0.85%, percentage which corresponds to 9.6 M.€. Following the introduction in February 2008 of new rules for the constitution of provisions in Angola, BFA set about the review of impairments, having ascertained a surplus relative to the previous methodology, which was utilised between March and July 2008. Had this procedure not been adopted, the amount of impairments net of recoveries in 2008 would have been about 17.0 M.€, instead of the 9.6 M.€ actually booked, which corresponds to 1.51% of the average balance on the loan portfolio.

Net credit loss[1]

As % of the average performing loan portfolio

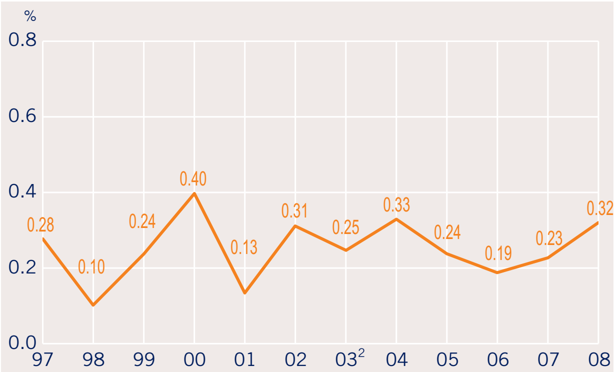


Chart 99

1) Loan provisions (PCSB until 2004) and loan impairments (IAS since 2005) recognised in the year and after deducting recoveries of loans and interests in arrears previously written off.
2) In 2003, 27.2 M.€ of generic provisions were reversed. It corresponded to the excess of provisions resulting from the application of the new Bank of Portugal provisioning rules. This amount represented 0.16% of the average loan portfolio.

Credit loss and cost of risk

Amounts in M.€

	Domestic activity		International activity		BPI Group (consolidated)	
	2007	2008	2007	2008	2007	2008
Performing loan portfolio (average balance)	**25 726.0**	**27 189.3**	**805.9**	**1 128.0**	**26 532.0**	**28 317.3**
Change in loans in arrears						
Increase in loans in arrears (for more than 90 days) adjusted by write-offs	**48.5**	**108.9**	**3.0**	**12.3**	**51.5**	**121.2**
as percentage of the performing loan portfolio (average balance)	0.19%	0.40%	0.37%	1.09%	0.19%	0.43%
- Recovery of loans and interests in arrears written-off	20.8	25.7	0.1	0.1	20.9	25.9
= Increase in loans in arrears (for more than 90 days), adjusted by write-offs and deducted of recoveries of loans and interests written-off	**27.8**	**83.1**	**2.9**	**12.2**	**30.6**	**95.3**
as percentage of the performing loan portfolio (average balance)	0.11%	0.31%	0.36%	1.08%	0.12%	0.34%
Net credit loss						
Loan impairments in the year (in the income statement)	**52.8**	**107.6**	**28.3**	**9.8**	**81.1**	**117.3**
as percentage of the performing loan portfolio (average balance)	0.21%	0.40%	3.51%	0.87%	0.31%	0.41%
- Recovery of loans and interests in arrears written-off	20.8	25.7	0.1	0.1	20.9	25.9
= Net credit loss	**32.0**	**81.8**	**28.2**	**9.6**	**60.2**	**91.5**
as percentage of the performing loan portfolio (average balance)	0.12%	0.30%	3.50%	0.85%	0.23%	0.32%

Table 86

In 2007, loan impairments in international operations based on the methodology previously adopted chiefly reflected the recognition of general impairments of up to 4% of loans and guarantees granted. In 2007, loan impairments in international operations amounted to 28.3 M.€, while 23.2 M.€ corresponded to general impairments and 5.1 M.€ (0.64% of the average loan portfolio) was earmarked to cover the risk of collection of loans advanced which were overdue.

BPI recognises as overdue loans the instalments on a loan which is in arrears for more than 30 days. In the case of loans handed over for legal recovery, all the outstanding capital (instalments due and not yet due) is classified as loans in arrears. In mortgage loans, BPI normally initiates the recovery process 5 months after the date of the 1st default, at which moment the loan becomes a litigation situation, and all the outstanding capital is in this manner recognised as non-performing loans.

At the end of 2008, total non-performing loans were 460.8 M.€ which represented 1.6% of the gross loans portfolio. At that date, there were instalments not yet due with defaulting instalments amounting to 360.4 M.€.

Roughly 59% of overdue loans and associated instalments not yet due are fully covered by tangible guarantees. The tangible guarantees secured more than 75% of the total exposure to loans (instalments due and not yet due) of around 71% of the overdue loans and associated instalments not yet due.

In average terms, total overdue loans and associated instalments not yet due were 100% covered by tangible guarantees (580.3 M.€) and individual impairment allowances set aside for these loans (240.7 M.€).

The remaining loan impairment allowances recorded in the consolidated balance sheet and not allocated to specific default situations, amounted to 223.9 M.€, which corresponds to 0.8% of the performing loan portfolio.

Loans in arrears and performing loans associated with loans in arrears
At 31 December 2008

Amounts in M.€

	Loans with instalments in default			Real guarantees[2] (mortgages and other[3])	Impairments[4]
	Performing loans[1]	In arrears	Total		
Loans with collateral	332.3	257.0	589.3	580.3	127.6
Loans without collateral	28.1	203.8	231.9	-	113.0
	360.4	**460.8**	**821.2**	**580.3**	**240.7**

1) Performing loans associated with loans in arrears.
2) It was considered the amount owed if lower than the fair value of the collateral received.
3) Other collateral includes pledged deposits and securities.
4) For purposes of determining impairments in loans under legal action, pledged property is valued at the amount in the event of execution, which is less than market value.

Table 87

At the end of 2008, accumulated impairment allowances in the balance sheet relating to domestic operations represented 1.4% of the gross loan portfolio.

It is important to point out that the expected loss on mortgage loans, which accounted for 38% of the domestic operations' loan portfolio at the end of 2008, is low – 1.0% of the loan book –, given the existence of real guarantees and a history of very minimal actual loss.

In international operations, the accumulated impairment allowances in the balance sheet represented 4.5% of the gross loan portfolio at the end of 2008, which corresponded to 629% cover for loans in arrears for more than 90 days.

The table below presents the ratios for loans in arrears for more than 90 days and the impairment allowances in the balance sheet by market segment, as well as the contribution of each segment to the gross loan portfolio.

Loans in arrears and impairments accumulated in the balance sheet, by market segment

	2007			2008		
	Loan portfolio (gross), as % of the consolidated loan portfolio	Ratio of loans in arrears for more than 90 days	Loan impairments (accumulated in the balance sheet) as % of the gross loan portfolio	Loan portfolio (gross), as % of the consolidated loan portfolio	Ratio of loans in arrears for more than 90 days	Loan impairments (accumulated in the balance sheet) as % of the gross loan portfolio
Domestic activity						
Corporate banking, institutional banking and project finance	45%	0.5%	1.3%	44%	0.6%	1.5%
Individuals and small businesses banking						
Mortgage loans	35%	1.4%	0.8%	36%	1.7%	1.0%
Loans to individuals – other purposes	4%	1.7%	2.6%	4%	1.7%	2.5%
Loans to small businesses	9%	1.6%	1.9%	9%	2.3%	2.7%
Individuals and small businesses banking	49%	1.5%	1.2%	49%	1.8%	1.4%
Other	3%	1.1%	1.6%	2%	0.8%	1.1%
Domestic activity	**96%**	**1.0%**	**1.2%**	**96%**	**1.2%**	**1.4%**
International activity	**4%**	**1.0%**	**5.8%**	**4%**	**0.7%**	**4.5%**
Total	**100%**	**1.0%**	**1.4%**	**100%**	**1.2%**	**1.6%**

Table 88

COUNTRY RISK

Country risk is very similar in terms of its respective effects to counterparty risk and is associated with the changes or specific turmoil of a political, economic or financial nature in those places where the counterparties operate (or, more rarely, in a third country where the business transaction takes place), which impede full compliance with the contract, irrespective of the counterparties' will or capacity. The "country-risk" designation is also used to classify the counterparty risk involved in loans to state entities, given the similarity between the analysis methods for country risk and those for a state's counterparty risk (sovereign risk).

Individual evaluation of each country's risk is performed with recourse to external ratings, external studies (IIF and others) and reports prepared by the Finance Division. The Board of Directors' Executive Committee approves the list of countries in respect of which country-risk[G] exposure is authorised. Eligible countries considered are large-sized emerging markets[G] which embrace market economy principles, are open to international trade and are of strategic importance within the framework of international politics.

In addition, the operations defined as eligible are short-term financing for external trade, the loans of certain multilateral banks, certain medium-term operations with political risk hedging or which, due to their structuring, are not subject to transfer risk.

Country risk exposure
At 31 December 2008

Amounts in M.€

Country	Rating	Gross exposure	Guaran-tees	Exposure net of guarantees
Countries from Group I				
Euro zone		3 567.8	309.7	3 258.1
Other EU countries		558.7		558.7
Switzerland	AAA	193.5	1.7	191.8
USA	AAA	127.9	1.6	126.3
Other		14.3	2.8	11.5
Off-shores		1 280.8		1 280.8
Countries from Group II				
Brazil	BBB-			
Trade Finance		5.3		5.3
Public debt		259.9		259.9
Other		121.6	1.3	120.2
Kazakhstan	BBB-			
Trade Finance		36.7		36.7
Other		43.2		43.2
Russia	BBB+			
Trade Finance		24.4		24.4
Other		127.9		127.9
Turkey	BB-			
Trade Finance		5.7		5.7
Other		70.9		70.9
Angola		210.0		210.0
Mozambique	B	19.3	3.7	15.6
Other		11.7	4.2	7.5
Subsidiaries				
Angola (BFA)		199.8		199.8
Mozambique (BCI)	B	17.8		17.8
Total		**6 897.3**	**325.1**	**6 572.3**

Note:

Table 89

Group I – General authorisation. Includes operations with banks domiciled in offshore centres, provided that these banks are 100% owned or are the branches of authorised counterparties whose registered head offices are domiciled in Group I countries.
Group II – Remaining Countries / Operations.
Gross exposure includes on-balance sheet and off-balance sheet operations (current exposure of derivatives).
Rating corresponding to 2nd best (S&P, Fitch IBCA, Moody's), medium and long-term debt.
The off-shores include the Cayman Islands, Andorra, British Virgin Islands, Mauritius, Jersey Island and Dutch Antilles.

The direct exposure to country / sovereign risk by way of trading activity is described in the section dealing with market risks.

MARKET RISK

Market or price risk (interest rates, foreign exchange rates, equity prices, commodity prices and others) is defined as the possibility of incurring losses due to unexpected variations in the price of financial instruments or operations.

The assessment of treasury positions (short term) and structural risk positions relating to interest or foreign exchange rates (long term) is based on gap schedules (currency gaps, repricing gaps[G], duration gaps).

The Bank is structurally exposed to the risk of a fall in interest rates, with an amount of capital at risk of 38.5 M.€ associated with the classical stress test of a 200 basis points fall in interest rates.

At 31 December 2008, the repricing gap (of interest rates) accumulated up to 1 year was 840 M.€.[1]

The risk management of market positions of up to one year has been delegated to the Finance Division within limits fixed by the Executive Committee for Market Risks. Long-term structural positions are managed in accordance with the rules laid down by the Executive Committee for Market Risks.

In the currency arena, the financial holdings are taken into account in the structural position, including the currency position in kwanza associated with BFA's shareholders' equity. The positions in the remaining currencies are of minor significance. A stress test to the exposure reveals a more significant capital at risk only in the case of a sharp depreciation of the kwanza (80 M.€).

Foreign exchange rate risk

Structural position at 31 December 2008[1]

Amounts in M.€

	Sight	Term	Global
AKZ[1]	199.8	0.0	199.8
USD	(499.6)	519.4	19.8
GBP	82.8	(79.5)	3.4
JPY	(228.0)	226.5	(1.5)
CAD	(80.4)	77.0	(3.4)
CHF	159.7	(115.4)	44.4
Other	20.8	(8.2)	12.7
Position 1[2]	(344.9)	620.0	275.1
Position 2[2]	1 334.2	1 090.5	286.2
Position 3[2]	839.5	855.2	280.6

1) Correspond to 50.1% of BFA's shareholders equity at 31 December 2008. This exposure is partially covered at the Angolan subsidiary via the provision for the maintenance of own funds.
2) Position 1 – algebraic sum of the positions in each currency; Position 2 – sum in module; Position 3 – highest absolute value between the sum of all the long positions vs. sum of all the short positions.

Table 90

The trading positions are managed autonomously by traders and kept within the exposure limits by market or products, fixed and revised periodically. There are different exposure limits including overall VaR limits set by the Executive Committee for Market Risks and later distributed autonomously amongst the various books, by the divisions involved in trading activities. In addition, stop-loss limits are defined.

Value at Risk (VaR)

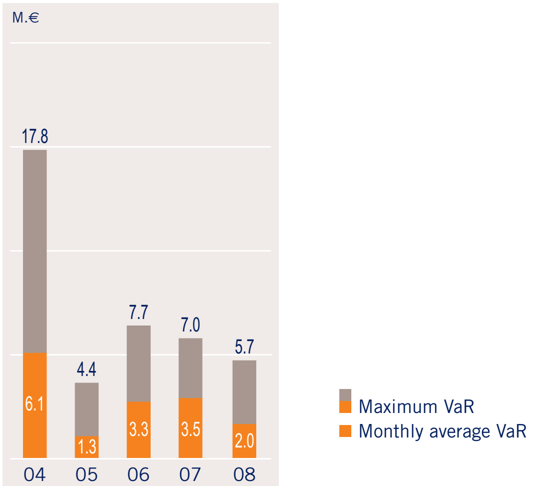


Chart 100

1) Includes 50 M.€ of non-remunerated sight deposits; the remaining amount of sight deposits was considered to be not sensitive to interest rates; the Bank prepares however analyses in accordance with other assumptions.

Market risk in trading books[1]

Amounts in M.€

	2007		2008	
	Average VaR	Maximum VaR	Average VaR	Maximum VaR
Interest rate risk	1.8	3.7	0.7	3.4
Currency risk	1.6	7.2	1.1	1.8
Equities risk	2.5	9.1	1.2	4.8
Commodities	0.2	5.7	0.1	0.2
Spread	0.1	0.8	0.1	0.4

1) Maximum potential loss with a 99% confidence level resulting from an adverse movement in prices, indices and interest rates over a period of two weeks, taking into consideration in the calculation of the overall risk the effect of the correlation of returns. A normal distribution of returns is assumed. Maximum VaR based on daily calculations.

Table 91

In evaluating exposure under trading operations, this function is carried out on a daily basis which calculates the VaR – Value at Risk[G] – according to standardised assumptions, which as a rule are consistent with the BIS's set of recommendations. Exposure arising from options is controlled by recourse to specific models. The information generated by the risk evaluation and control system is available online to authorised users.

LIQUIDITY RISK

Liquidity risk is monitored in terms of its two components: i) in the tradability of the different assets; ii) in its overall context, whereby liquidity risk is defined at grassroots level as the (in)ability to monitor the asset's growth and to satisfy treasury requirements without incurring abnormal losses.

In terms of the different assets, the various managers keep a constant watch over the transaction levels of the various instruments in accordance with a variety of indicators (BPI's market share, number of days to unwind positions, size and volatility[G] of spreads, etc.), although always observing the operating limits set for each market.

At global level, responsibility for liquidity risk-management strategy is vested in the Executive Committee for Market Risks and the Group's Finance Division and is founded on the constant vigilance of the exposure indicators. Given the rupture of the interbank market and the international debt market, the advantages of a balanced exposure where there is a surplus in short-term liquidity were clearly evident, the weak dependence in relative terms on interbank funding, the diversity of funding sources by counterparties, maturities and financial centres, the proportionality of long-term assets relative to more stable resources, and the possibilities of the substantial transformation of assets into liquidity (at the ECB or through the securitisation of certain assets, despite this segment's retreat since the end of 2007). In any case, certain last-resort measures in line with the best Basle practices are also provided for and which suggest the need for an emergency plan to deal with the liquidity risk (even if it is improbable that there will be actual recourse to it).

A primary indicator of liquidity risk – the degree of transformation of stable resources into loans – was situated at around 60%.

Liquidity risk
Sundry indicators

	Dec. 2008
Degree of transformation of deposits into loans	120.2%
Degree of transformation of Customer resources in the balance sheet into loans	96.8%
Degree of transformation of stable resources into loans	60.0%
Liquidity ratio	116.3%

Note: Stable resources and liquidity ratio as defined in Bank of Portugal Instruction 1 / 2000. *Table 92*

The evaluation of global exposure to liquidity risk is also favourably reflected in the gap schedules by maturities (which permits the timely identification of the larger lags and their dynamic cover).

At 31 December 2008, the repricing gap (for liquidity) up to one year stood at 587.9 M.€[1].

The stress test tables (monitored by the Bank of Portugal) also evidence favourable results.

In 2008 the Bank broadened the portfolio of assets eligible for short-term funding from the ECB through the structuring of collateralised operations involving own assets or through the acquisition of securities, or even through the creation of conditions for the utilisation of bank loans.

At the beginning of January 2009 the portfolio of ECB eligible assets totalled 3 918 M.€[2], an increase of almost 2 800 M.€ relative to the end of 2007.

1) Includes all currencies; does not the activities of the offshore branches; considered the growth projected for loans and Customer resources in the balance sheet for the next 12 months; the shares and trading operations were considered without term.
2) Figure net of "haircuts".

OPERATIONAL RISKS

Operational risks are defined as those which could result in unexpected losses arising from human failure, shortcomings in internal control procedures, failures in the information systems or from external causes. The definition of operational risks includes legal risk and excludes strategic errors or reputation risks.

In 2008, according to the basic method for analysing operational risks, the value / capital at operational risk at BPI was situated slightly above 157.3 M.€.

The management of operational risk at the BPI Group is vested in two specific bodies, the Operational Risk Committee and the Operational Risk Area, and also in members of each one of the Group's bodies which undertake the identification and management of operational risk in their areas of activity.

In the quest to adopt the best practices stemming from the new regulations (Basle II), BPI has a system for gathering information concerning operational risks from the various divisions, identifying the frequency and severity of the losses which are classified into seven risk categories or factors (damages to physical assets, failures in IT systems, failure in the management and execution of processes, external fraud, internal fraud, violation of professional duties and contravention of labour norms). The gathering of this information by the various divisions is attainable by means of the proper training of the designated operational risk pivots. Identification of this data will in future enable the Risk Analysis and Control Division to test in future years the most advanced measures for controlling exposure to this risk, in parallel with the application of the basic method.

This information will also help formulate the management strategy for operational risk. In this domain and under the Executive Committee's supervision, the Organisation Division and, of course, all the divisions where factors critical to operational risk have been identified, assume a crucial role.

The management of operational risk is primarily founded on the training / quality of the human resources and on their proper organisation: segregation of functions, definition of responsibilities, procedures and supervision. All the internal and external audit work and the central management of alerts also contribute to this supervision.

There is also in place a business continuity plan anchored to the contingency programmes for the most crucial central information systems. In the case of necessity caused by equipment breakdown or by a major incident, it is possible to recoup these systems on site or at an alternative location after a period of time that varies with the type of risk. Also guaranteed – even under extreme conditions – is minimum functioning under an exceptional situation. The same method is employed in the case of the telecommunications equipment. The voice and data services at the BPI Group's main buildings are guaranteed through the recourse to alternative equipment, in accordance with formal disaster-recovery processes. The BPI Group has also identified alternative procedures for each one of its most critical operations. A data base is on stand-by which identifies all these procedures, thereby enabling these to be activated at any point in time. These disaster-recovery schemes are tested and subjected to periodic reviews.

Finally, the BPI Group annually reviews its insurance cover, adjusting cover to its operating requirements and market conditions, with the object of obtaining an appropriate level of outside protection against operational risk.

During 2008 the management model has been streamlined and its application more stringent, not only as regards the identification of potential operational risk but also with respect to the recording of operational losses detected.

In 2008 losses associated with the occurrence of operational risk amounted to 3.6 M.€ and presented the following distribution (utilising the type described in the New Capital Accord – Basle II):

Losses associated with the occurrence of operational risk in 2008
Breakdown by loss amount

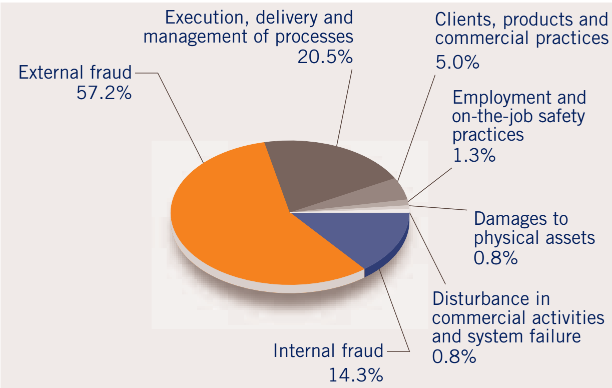


Chart 101

In terms of frequency, the operational risk occurrences presented in the same period the following distribution:

Losses associated with the occurrence of operational risk in 2008
Breakdown by frequency

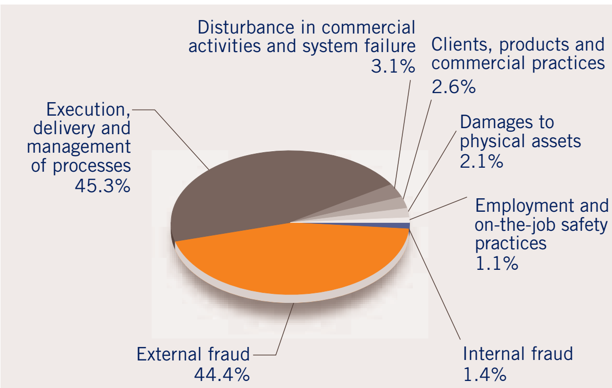


Chart 102

LEGAL RISKS

Legal risks imply the possibility of incurring unexpected losses stemming from shortcomings in the analysis of the legal framework applicable at a given moment to the contracts / positions to be established or from an alteration to the same legal framework.

Special attention is paid in the realm of legal risks to the analysis of the legal framework and to the identification of any regulatory shortcomings, to the analysis of the prospects of changes to the legal framework and their consequences, to the clarification of the nature of contractual relationships and the interpretation given to them by the counterparties, the analysis of products, their legal situation, centralisation of communications to the supervision authorities and the drawing up of the respective processes for submission to such authorities, and to the identification / proposals of measures capable of reducing eventual litigation risks.

ADOPTION OF THE RECOMMENDATIONS OF THE FINANCIAL STABILITY FORUM AND OF THE COMMITTEE OF EUROPEAN BANKING SUPERVISORS RELATING TO THE TRANSPARENCY OF INFORMATION AND VALUATION OF ASSETS

The Financial Stability Forum (FSF), in the report "Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience", of 11 April 2008, and the Committee of European Banking Supervisors (CEBS), in the reports "CEBS report on banks' transparency on activities and products affected by the recent market turmoil" and "Report on issues regarding the valuation of complex and illiquid financial instruments", both of 18 June, issued a series of recommendations relating to the transparency and disclosure of information.

The Bank of Portugal, through letter-circular 97 / 08 / DSBDR of 3 December 2008 has recommended that in the 2008 accounts reporting a separate chapter or specific annex is prepared as part of the Annual Report, designed exclusively to respond to the recommendations of the CEBS and of the FSF, taking into account the principle of proportionality and following the questionnaire presented as an annex to the Bank of Portugal's letter-circular 46 / 08 / DSBDR.

Throughout the Directors' Report, annual financial statements and respective notes and the Corporate Governance Report, BPI describes in detail the Group's business model and governance model, the major risks inherent in the Group's operations, the processes of risk analysis and management and the division of responsibilities amongst the various bodies, makes a detailed analysis of the activity carried out and the results obtained in 2008, and the impacts of the international financial crisis on business, results and capital, and it describes the accounting policies and valuation methods of financial assets and presents a qualitative and quantitative information concerning the exposures to financial assets.

In order to give compliance to the Bank of Portugal's recommendation, in the present chapter a response is given to the aforesaid questionnaire, using in large part cross-references to the more detailed information presented in the Annual Report.

I. BUSINESS MODEL

1. Description of the business model

The BPI Group's activity is centred on the commercial banking business, predominantly focused on the attraction of Customer resources and on the granting of loans to individuals, companies and institutions in Portugal, through Banco BPI, and in Angola, through BFA. At the end of 2008, 82.6% of the Group's shareholders' equity was allocated to domestic commercial banking activity, and 13.7% to international activity (Angola and Mozambique). The Group also carries on investment banking activities – Equities, Corporate Finance, Private Equity[G] and Private Banking –, Asset Management – unit trust fund management, pension funds and capitalisation insurance, which are placed with Customers through Banco BPI's and Banco Português de Investimento's distribution networks – and Private Equity. 3.7% of the Group's shareholders' equity at the end of 2008 was allocated to these activities.

The international financial crisis exerted pressure on the Bank's domestic operations but did not affect international business in Angola and Mozambique, i.e. countries which remained virtually immune to the international financial turmoil by virtue of the minimal link between the local financial system and the global financial markets, the local banking system's abundant liquidity and the reduced recourse by companies and the banking system to fundraising on the capital markets.

The international financial crisis significantly affected the functioning of the capital markets – provoking a substantial reduction of liquidity in funding operations on the primary market, lower liquidity and an increase in the spreads[G] on bonds on the secondary market and a widespread decline in stock prices on the equities market – and ended up contaminating the whole economy on a global scale, while also affecting domestic commercial banking activity with individuals and companies.

BPI's recourse to the capital market has been recurring over the past, above all as a source of medium and long-term funding. The BPI Group also uses the capital market for trading in interest-rate instruments and equities activity and, in recent years, has maintained a portfolio of investments in bonds and equity holdings as a form of diversifying the bank's sources of returns. The capital market situation is also a determining factor for asset management business.

In the Directors' Report, in the chapter dealing with financial and business structure, a detailed description is presented of the Group's financial structure and the main business areas.

DR – Financial and business structure, page 17.

2. Description of strategies and objectives

With effect from the third quarter of 2007 and throughout 2008, BPI's management concentrated its attention on four priorities, organised as a response programme to the immediate challenges posed by the financial crisis: defence and reinforcement of capital, guarantee of comfortable liquidity levels, risk reduction and strengthening the relationship with Customers.

As regards **Capital**, BPI closed the year with a total ratio of 11.3%, which corresponds to ratios for Tier I capital of 8.8% and for core Tier I capital of 8%.

In the case of **Liquidity**, the Bank presents a particularly comfortable situation:

- the net intake of Customer resources on the balance sheet outstripped in 2007 and 2008 the growth in loans granted in domestic and international operations;
- the net creditor position in the interbank markets attained at the end of 2008 1.5 th.M.€ at domestic level and 3.4 th.M.€ in consolidated terms;
- the capacity to access the European Central Bank remains intact, while the State guarantee was not used; in this manner, financial resources potentially available for funding domestic operations at the end of 2008 totalled 7.1 th.M.€, corresponding to the surplus position in the interbank market of (1.5 th.M.€), the amount available for refinancing at the European Central Bank (3.9 th.M.€) and the potential issue guaranteed by the Portuguese State (1.7 th.M.€) – a sum which exceeds the volume of medium and long-term debt repayments to be made by the end of 2013.
- as concerns international operations, Banco de Fomento Angola's balance sheet is very liquid, reflecting a loans-to-balance-sheet resources relationship of 32%;

BPI's funding policy during the last few years was characterised by a deliberate intention to reduce the weight of short-term funding, namely on the money market, in the total borrowing structure. This was achieved by means of a greater recourse to the capital markets, including between 2005 and 2007, the realisation of four asset securitisation[G] operations, and by a greater emphasis on capturing Customer resources.

In 2008, BPI sought to take advantage of the few opportunities in which the medium and long-term capital markets presented some liquidity. BPI issued 150 M.€ of Public Sector Bonds[G] in July and 1 000 M.€ of Mortgage Bonds[G] in August. In addition, two other senior debt issues was realised amounting to 150 M.€.

The securitised debt market remained closed throughout 2008, as has been the case since August 2007.

The Bank resorted in 2008 to the structuring of collateralisation operations with its own assets with the object of enlarging the portfolio of assets eligible for short-term financing at the ECB.

In the area of **risk management**, BPI reduced the exposure to equities, not only in its own portfolio of available-for-sale assets, which fell from 1 083 M.€ at the end of 2007 to 58 M.€ at the end of 2008, but also in the asset portfolio of the BPI Group's pension funds, which declined from 61% in June 2007 (before the financial crisis) to 18% in December 2008.

The ratios of loans in arrears remained low despite the rise in risk levels in the economy, while the cover for overdue loans is adequate. The consolidated ratio of loans in arrears for more than 90 days was situated at the end of 2008 at 1.2% while accumulated impairments in the balance sheet represented 130% of loans in arrears for more than 90 days.

In the field of **Customers relationships**, the results attained were expressed in the signing up of 165 thousand new Customers in Portugal and 148 thousand in Angola, and in important commercial activity indicators: consolidated Customer loans grew 6.2%, on-balance sheet Customer resources expanded 21% and total Customer resources grew 6.7%.

In the Directors' Report, in the Financial Review chapter a detailed analysis of the Group's operations and earnings in 2008 is presented.

DR – Presentation of the report, page. 6; DR – Financial review, page 90; DR – Financial review, page 108.

3. Description of the importance of the operations carried out and the respective contribution to business

In 2008, consolidated net profit was 150.3 M.€, including three extraordinary impacts: one positive, the 130.6 M.€ gain realised on the sale of 49.9% of BFA's capital, and two negative: the net loss of 184.4 M.€ resulting from the sale of the entire shareholding in BCP and costs of 27.7 M.€ associated with 200 early retirements decided upon and announced in December

2008. Excluding these three non-recurring effects, net profit would have been 231.9 M.€.

In 2008, net profit from commercial banking (domestic and international) was 212.6 M.€ (excluding the costs of early retirements), net profit from investment banking activity was 10.4 M.€ and the contribution to consolidated net profit from financial investments, including Private Equity was a negative 8.9 M.€ (excluding the gain of 130.6 M.€ realised on the 49.9% of BFA's capital and the net loss of 184.4 M.€ resulting from the sale of the total investment in BCP).

Profit from asset management business is allocated to domestic commercial banking activity and to investment banking activity based on the relative importance of each one of the distribution networks in the placing of managed products with Customers.

In the Directors' Report, in the chapters "Domestic Commercial Banking", "Bancassurance", "Asset Management", "Investment Banking", "Private Equity" and "International Commercial Banking", the activity carried out in 2008 is described in detail for each business area.

In the Directors' Report, in the Financial Review chapter, and in the notes to the financial statements, in Note 3 – Segment Reporting, an analysis is made of each business area's contribution to the BPI Group's net profit, the balance sheet and investments.

DR – Domestic Commercial Banking, page 53; Bancassurance, page 72; Asset Management, page 73; Investment Banking 79; Private Equity, page 84; International Commercial Banking, page 85; DR – Financial review, page 90; AFS – Note 3 Segment reporting, page 208.

4. Description of the type of activities undertaken
5. Description of the objective and extent of the institution's involvement relating to each activity undertaken

BPI's **domestic commercial banking** activity encompasses Individuals and Small Businesses Banking, Corporate and Institutional Banking and the State Business Sector.

Individuals and Small Businesses Banking serves individual Customers and small businesses with a turnover of up to 5 M.€. The Group has a complete and diversified product range, amongst which home loans, consumer credit, credit and debit cards, motor car finance, commercial loans, deposits, guaranteed-capital and limited-risk products[G], unit trust funds, PPR and PPA, capitalisation products, stock exchange operations, life assurance and non-life insurance, amongst others.

Corporate, Institutional and State Business Sector Banking manages in an integrated manner the Bank's relationship with the business and institutional Customer base, as well as the respective spectrum of products and services. The Corporate Banking range of products and services includes financing for operations, investment loans, treasury management and support for the export and internationalisation sector. The Project Finance[G] area centres activity on financing project finance operations and public-private partnerships, offering consultancy and the organisation, mounting, and participation in the financing of major projects.

Institutional Banking serves, amongst others, local authorities, autonomous regions, the Social Security system, universities, foundations, public utility associations and other non-profit entities. The range of products and services made available to its Customers is based on the granting of day-to-day financing, support for treasury management and the provision of services tailored to these Customers.

Commercial banking business in Angola is carried on directly by BFA. BFA has a range of financial products and services tailored for individuals, which encompass sight deposits, time deposits, home loans, personal and motor car loans and cards, amongst others, and a structured range for companies, which includes solutions associated with treasury management, financing, bank guarantees and import finance. The corporate product range is also complemented by the availability of project finance and corporate finance solutions.

In **Capital Market operations**, BPI essentially uses the following financial instruments:

1) Sources of financing:
BPI has resorted to the Capital Market as a form of diversifying its funding sources. In this regard, it maintains permanently active a programme of Euro Medium Term Notes issues (EMTN) worth 10 000 M.€, a programme of Mortgage Bonds issues worth 7 000 M.€ and a programme of public sector bonds worth 2 000 M.€. As for short-term funding, the Bank also has a Euro Commercial Paper programme amounting to 5 000 M.€.

2) Bond portfolio:
The securities forming part of the bond portfolio correspond to large European companies with a rating[G] of BBB or higher, companies from exporting emerging markets[G] or with leading

positions in their home markets and Asset Backed Securities (ABS's)[G] with the intervention of credible institutions and whose underlying assets were considered a good investment opportunity in the light of the market conditions on the date of acquisition. The acquisition of any security for the portfolio presupposes a prior analysis of the issuer's creditworthiness and a specific approval by the Executive Committee. If it refers to a structured issue (ABS), its structure is analysed from a legal and financial perspective. Issuers' performances are permanently monitored.

During 2008, the Bank maintained a very active posture in monitoring the events which affected the valuation of portfolio positions. As regards the ABS portfolio, besides the recurring the analysis of available information, permanent contacts were maintained with the various participating entities in the structures, namely managers, trustees, originators and even other investors. The balance sheet value of the ABS portfolio at 31 December was 183.4 M.€. Of this portfolio's composition, mention is made of the 59% securitisation of "Diversified Payment Rights[G] (DPR)" generated by first-class banks in emerging markets and will high levels of over-collateralisation and 17% of securitised home loans (RMBS) originated in various European markets.

3) Asset Management:

BPI's asset management business is centred at BPI Asset Management, BPI Vida and BPI Pensões, which undertake the management of the unit trust (mutual) and life-capitalisation funds distributed by the Bank's commercial network, as well as managing pension funds and the asset portfolios of institutional Clients. These entities execute the management mandates in accordance with the specifications of the Products / Customers, as embodied in specific investment policies. Asset Management entails investing in the financial products most suited to each investment policy and controls the respective market risks, observing the regulatory and internal limits. Depending on the market trends and the objectives of each mandate, shares are bought and sold on any global stock market (from a sectorial or geographical perspective), debt securities (of governments, financial or corporate sectors, in both developed and emerging countries, as well as other structured debt instruments) and hedging instruments (of equities, interest-rate and currency markets) traded on a stock market.

In the Directors' Report, in the chapters "Domestic Commercial Banking", "Bancassurance", "Asset Management", "Investment Banking", "Private Equity" and "International banking activity", the activity carried out by each business area is described in greater detail.

DR – Domestic Commercial Banking, page 53; Bancassurance, page 72; Asset Management, page 73; Investment Banking, page 79; Private Equity, page 84; International Commercial Banking, page 85.

II. RISK AND RISK MANAGEMENT

6. Description of the nature and extent of the risks incurred in relation to the activities carried out and the instruments utilised

DR – Risk management, page 143; CGovR – Risk management, page 382; DR – Financial review, page 108; AFS – Note 4.47 Financial risks, page 279 and following.

7. Description of major risk-management practices in operations

At the BPI Group, risk management is founded on the ongoing identification and analysis of the exposure to the different risks – counterparty risk, country risk[G], market risk, liquidity risk, operational and legal risks – and on the execution of strategies aimed at maximising the results *vis-à-vis* risks within predefined (and duly supervised) limits. Risk management is complemented by the analysis à posteriori of performance indicators.

Credit risk associated with the possibility of actual default by a counterparty (or with the change in the economic value of a given instrument or portfolio stemming from a deterioration in the risk quality of a counterparty) constitutes the primary risk factor inherent in the BPI Group's business spectrum.

In the Directors' Report, in the "Risk Management" chapter (page 143) and in the Group's Corporate Governance Report, in point 5. Risk management (page 382) a detailed description is given highlighting the major risks attaching to the Group's operations, risk analysis and management and the division of the responsibilities amongst the various bodies.

The analysis of liquidity risk presented in the Risk Management chapter of the Directors' Report, is complemented with a review of the funding and liquidity trends in domestic operations, in the Financial Review chapter (page 108).

In the notes to the financial statements, Note 4.47 – Financial risks – presents the fair value of the financial instruments and the valuation of the risk exposure resulting from financial instruments – credit risk, liquidity risk, market risk (interest-rate risk, equities risk and currency risk).

III. IMPACT OF THE PERIOD OF FINANCIAL TURBULENCE ON EARNINGS

8. Qualitative and quantitative description of earnings

As referred to in point 1, the international financial crisis pressured the Bank's domestic operations but has not affected until now the Bank's international business in Angola and Mozambique, countries which remained virtually immune to the international financial turmoil by virtue of the minimal link between their local financial system and the global financial markets, the local banking system's abundant liquidity and the reduced recourse by companies and the banking system to fundraising on the capital markets.

The international financial crisis influenced the results of domestic operations in five main areas:

- profits from financial operations, with e steep drop in trading profits and the drop in the Pension Fund's net financial income to a figure of close to zero as from June 2008;
- commissions, with the pronounced decline in asset management, as a consequence of the decline in managed assets; and with the lower growth in commercial banking commissions;
- loan impairments, with an increase in the respective amount, due to the slowdown in economic activity;
- net interest income, pressured by the higher average costs of resources and by the deceleration in lending, whilst the adjustment of the spreads (to reflect the rise in funding costs) occurred in a gradual and incomplete fashion;
- the indispensable tighter control over costs, with immediate negative impacts, as in the case of early retirements.

Consolidated net profit fell 57.7% relative to 2007 to 150.3 M.€, reflecting the impact of three extraordinary events: one positive, the 130.6 M.€ gain realised on the sale of 49.9% of BFA's capital, and two negative: the net loss of 184.4 M.€ resulting from the sale of the entire shareholding in BCP and costs of 27.7 M.€ associated with 200 early retirements decided upon and announced in December 2008. Excluding these three non-recurring effects, net profit would have suffered a drop of 34.7% to 231.9 M.€ and the ROE would have been 13.6% instead of the reported 8.8%.

In the Directors' Report, in the Financial Review chapter, a qualitative and quantitative review is presented dealing with the Group's operations and results and the impacts of the international financial crisis.

DR – Financial review, page 90.

9. Breakdown of the write-downs / losses by types of products and instruments affected by the period of turbulence

The most direct impact of the international financial crisis on the BPI Group's earnings resulted from the recognition of 51.3 M.€ of impairments (of which 25 M.€ in 2007 and 26.3 M.€ in 2008), corresponding to the acquisition value of a portfolio of Structured Investment Vehicles (SIV), which is currently recorded at nil value.

The notes to the financial statements 4.5 Financial assets available for sale and 4.7 Loans and advances to Customers, present details of impairment and unrealised losses, security by security.

The notes to the financial statements 4.19 Provisions and impairment losses and 4.39 Net income on financial operations, present details of the losses recognised in consolidated net profit for 2007 and 2008, resulting from the loans and securities portfolios held by the BPI Group.

AFS – Note 4.5 Financial assets available for sale, page 227; AFS – Note 4.7 Loans and advances to Customers, page 237; AFS – 4.19 Provisions and impairment losses, page 257; AFS – 4.39 Net income on financial operations, page 272.

10. Description of the reasons and factors responsible for the impact suffered

The biggest individual impact of the write-downs resulted from events which affected the capital market and which affected more severely BPI's investments in SIV. The SIV were created in the mid 90's and has as their object the acquisition of medium / long-term investment-grade assets (generally with an average risk rating of between double A and A), financing them through the issue of senior debt in the form of Commercial Paper and MTN (with triple A credit ratings by the three international agencies), besides a capital base (with a maximum leverage of 20 times) with an investment-grade credit rating (subordinated debt). The return on capital resulted from the arbitrage of the maturities between the assets and the liabilities. When the investors began to have doubts about the quality of their asset portfolios, the SIV's found it impossible to fund themselves on the capital market at low cost, having to resort to bank finance for unprecedented amounts. Due to the difficulties of raising finance and within the context of falling asset prices, they were obliged to start selling portfolios, incurring losses that compromised almost definitively the possibility of recouping the investments of the holders of their capital.

The indirect impact on domestic operations was due essentially to the rise in the funding costs of operations, in a context in which the raising of resources was important and, on the other, due to the deceleration in economic activity.

In the Directors' Report, in the Financial review chapter, a qualitative and quantitative review is presented showing the Group's operational and financial performance and the impacts of the international financial crisis.

In the Directors' Report, in the Background to operations chapter, a description is given of the economic environment behind the domestic and international operations (Angola and Mozambique), the behaviour of the financial markets and impacts of the international financial crisis on the economies and markets.

DR – Financial review, page 90; DR – Background to operations, page 41.

11. Comparison of the i) impacts between (relevant) periods and ii) financial statements before and after the turbulent period

The major impacts of the international financial crisis on the Group's operations and results occurred in 2008. The international financial crisis, which began in the summer of 2007, deepened with effect from September 2008, with the collapse of Lehman Brothers. What was originally a crisis confined to the international financial sector ended up spreading to the whole economy at global level, causing one of the most severe economic downturns of the past few decades.

A description of the impacts of the international financial crisis and a comparative review of the 2008 financial statements relative to the previous year are represented in the Financial review chapter of the Directors' Report.

DR – Financial review, page 90.

12. Breakdown of the write-downs between realised and unrealised amounts

The impact on the Group's results of the drop in the value of the equities and bond portfolios is described in the Directors' Report, in the Financial review chapter on pages 119 (Profits from financial operations) and 124 (Impairment losses for the year).

In the Directors' Report, in the Financial review chapter, on pages 113 and 114, and in the notes to the financial statements 4.5 Financial assets available for sale and 4.7 Loans and advances to Customers, details are presented of the impairment losses and unrealised losses, security by security.

DR – Financial review, page 113, 114, 119, 124; AFS – Note 4.5 Financial assets available for sale, page 227; AFS – Note 4.7 Loans and advances to Customers, page 237.

13. Description of the influence of the financial turbulence on the behaviour of Banco BPI shares

In the Group's Corporate Governance Report, point 11. Banco BPI Shares a description is presented of the stock exchange behaviour of Banco BPI shares and of the influence that the adverse performance of the equity markets at global level had on the share's behaviour.

CGovR – 11. Banco BPI shares, page 416.

14. Disclosure of the maximum loss risk

BPI resorted to calculating capital-at-risk using VaR and stress test models in managing and controlling market risks or price to which it is exposed (interest rate, currency rates, equity prices, commodity prices and others). The exposures are constantly measured and monitored.

In the Directors' Report, in the Risk management chapter (page 155) and in the note to the financial statements 4.47 Financial risks (page 279) information is presented regarding the maximum losses resulting from the unexpected changes in the price of instruments or operations based on the abovementioned methodologies.

DR– Risk management, page 155; AFS – Note 4.47 Financial risks, page 279.

15. Disclosure of the impact that the evolution of the spreads associated with the institution's own liabilities had on earnings

The deterioration in the financial crisis throughout 2008 made the opportunities for banks to obtain medium and long-term funds on the capital markets scarce, and culminated in a significant increase in the cost of funding, of both these resources and Customer resources.

BPI gave priority to the attraction of Customer resources, maintaining a competitive range of time deposits which translated into the higher costs of these resources, while access to the capital market was quite moderate.

On the other side, the adjustment of credit spreads in such a way as to reflect the Bank's higher funding costs, has been a slower and more gradual process, resulting in the narrowing of unit margins[G] between loans and resources.

The Bank did not revalue its liabilities.

DR – Financial review, page 115.

IV. EXPOSURE TYPES AND LEVELS AFFECTED BY THE TURBULENT PERIOD

16. Nominal value (or amortised cost) and fair value of exposures

In the notes to the financial statements 4.47 Financial risks the book value is compared with the estimated fair value for most of the BPI Group's assets and liabilities.

The notes to the financial statements 4.5 Financial assets available for sale presents details of the nominal value, book value and unrealised gains and losses recorded in the fair value reserve, security by security.

AFS – Note 4.47 Financial risks, page 279; AFS – Note 4.5 Financial assets available for sale, page 227.

17. Information about credit risk mitigation and respective effects on existing exposures

With the object of mitigating credit risk on operations with Customers, the Bank considers when accepting or rejecting Customers and operations, the existence of any personal or tangible guarantees, the existence of credit protection insurance, the drafting of contracts with clauses which permit setting-off liabilities in the case of default and collateralisation agreements with their counterparties.

In derivative operations, BPI resorts to set-off contracts and collateralisation established with counterparties, in order to mitigate credit risk.

In the Directors' Report, in the Risk Management chapter, a detailed description is made of the impact of credit risk mitigation. In this regard, the estimated loss in the case of default is presented for the principal Customer loan segments (loss-given-default, LGD).

DR – Risk management, page 145 to 153.

18. Detailed disclosure of exposures

In the Directors' Report, in the Risk Management chapter and in the notes to the financial statements 4.47 Financial risks – an analysis is presented of the quality of the loan and securities portfolios based on rating systems and internal scoring[G] and on the recourse to external ratings. The information is complemented by the analysis of the default levels, the existence of tangible guarantees and cover by impairment allowances.

The exposure to country risk is described in a separate section of the Risk Management chapter.

In the notes to the financial statements 4.5 Financial assets available for sale, details are presented of the exposures to available-for-sale securities, security by security.

Annexed to this section (page 168 to 175) are details of the ABS securities held by BPI at 31 December 2008.

DR – Risk management, page 145 to 153 and page 154; AFS – Note 4.47 Financial risks, page 279; AFS – Note 4.5 Financial assets available for sale, page 227.

19. Movements which occurred in the exposures between the relevant reporting periods and the underlying reasons for these variations (sales, write-downs, purchases, etc.)

In the Directors' Report, in the Financial Review chapter (page 113) the principal changes occurring in the financial assets and investments portfolio are described.

DR – Financial review, page 113.

20. Explanations about exposures which have not been consolidated (or which have been recognised during the crisis) and the associated reasons

The BPI Group consolidates all the exposures in which it has significant control or influence, as envisaged in IAS 27, 28 and IFRS 3. No changes were made to the BPI Group's consolidation perimeter as a consequence of the period of turbulence in the financial markets.

21. Exposure to "mono-line" insurers and quality of insured assets

At 31 December 2008, BPI's exposure to mono-line insurers was totally indirect and stemmed from the existence of portfolio positions whose interest and principal were unconditionally guaranteed by this type of company. There were no losses worth noting, given that none of these securities were in default.

Annexed to this section (page 173) is information about exposure to mono-line insurers.

DR – Adoption of Bank of Portugal recommendations on transparency of information and valuation of assets (page 173).

V. ACCOUNTING AND VALUATION POLICIES

22. Classification of transactions and structured products for accounting purposes and the respective accounting treatment

In the notes to the financial statements 2.2 Financial assets and liabilities, the accounting criteria used in the recognition and valuation of financial assets and liabilities are described.

BPI's investments in structured products (namely SIVs and ABS) were included in the debt securities portfolio and in available-for-sale assets (notes to the financial statements 2.2.3 and 2.2.4).

The debt securitisation operations originated by BPI are recognised in financial, liabilities associated with transferred assets (notes to the financial statements 2.2.4 and 4.18).

AFS – Note 2.2 Financial assets and liabilities, page 196; AFS – Note 2.2.3. Financial assets available for sale, page 197; AFS – Note 2.2.4 Loans and other receivable, page 198; AFS – Note 4.18 Financial liabilities relating to transferred assets, page 255.

23. Consolidation of Special Purpose Entities (SPE) and other vehicles and their reconciliation with the structured products affected by the turbulent period

The vehicles through which Banco BPI's debt securitisation operations are effected are recorded in the consolidated financial statements according to the BPI Group's continued involvement in these operations, determined on the basis of the percentage of the equity piece held of the respective vehicles.

24. Detailed disclosure of the fair value of financial instruments

The notes to the financial statements 4.47 Financial risks present details of the estimated fair value for virtually all of the BPI Group's financial assets and liabilities.

AFS – Note 4.47 Financial risks, page 279.

25. Description of the modelling techniques utilised for valuing financial instruments

The notes to the financial statements 2.2. Financial assets and liabilities and 4.47 Financial risks describe the techniques utilised in valuing financial instruments.

AFS – Note 2.2 Financial assets and liabilities, page 196; AFS – Note 4.47 Financial risks, page 279.

VI. OTHER IMPORTANT DISCLOSURE ASPECTS

26. Description of disclosure policies and principles which are used in financial reporting

BPI attributes great importance to the maintenance of a frank and transparent relationship with shareholders, investors, financial analysts, authorities and other capital market players.

Consequently and well before it became a common practice amongst companies listed on the stock exchange, BPI created in 1993 a structure dedicated solely for this purpose – the Investor Relations Division, which reports directly to the Executive Committee of the Board of Directors and to the Chairman of the Board of Directors.

The dissemination of accurate, timely, regular, clear and unbiased information which is important for evaluating their listed shares constitutes a concern of paramount importance at BPI.

In the BPI Group's Corporate Governance Report, in point 10. Communication with the market, detailed information is provided regarding the principles of financial information disclosure and the communication channels used, the Investor Relations Division's terms of reference and the activity carried out in the year.

CGovR – Communication with the market, page 413.

DR – Directors' Report; AFS – Notes to the annual financial statements; CGovR – BPI Group's Corporate Governance Report.

ANNEX TO POINT 18 OF THE BANK OF PORTUGAL RECOMMENDATIONS

The portfolio of ABS securities is divided into various sub-categories:

Residential Mortgage Backed Securities (RMBS): The issue of Residential Mortgage Backed Securities is collateralised by mortgage loans. The funding of the collateral's acquisition is done by means of the issue of various classes with different levels of seniority. The issues held by the Bank are solely collateralised by European mortgage loans, not including non-conforming loans, with the ▷

At 31 December 2008, the details of the RMBS securities in BPI's portfolio were as follows:

RMBS issues	Class	Level of seniority	Originator	Country of risk of the assets included in the collateral	Type of collateral
Loan portfolio					
Dali Capital Series 2006-1	A	Senior	Gazprombank	Russia	RMBS
Dutch Mor.Port.Loans (15.9.34)-O.Hip	B	Mezzanine	Hypoteekbank	Holland	RMBS
Gazprombank Mortgage Series 2007-1 25.06.2047	A1	Senior	Gazprombank	Russia	RMBS
Kazakh Mortgage S.07-1 15.02.2029	A	Senior	Bank Turanalem	Kazakhstan	RMBS
Red & Black Prime Russia Series 2007-1 01.19.35	A	Senior	Societe Generale	Russia	RMBS
Ukraine Mortgage Loan Series 2007-1 15.12.2031	A	Senior	Privatbank	Ukraine	RMBS
Available-for-sale portfolio					
Atlantes Mortgage – Sr.1-Cl.A (17.1.2036)	A	Senior	Banif	Portugal	RMBS
Cajam 22/06/2049 Series 2006-1	A2	Mezzanine	Caja Madrid	Spain	RMBS
Delphinus Nv 25/01/2091 Series 2004-I	B	Mezzanine	Asr Bank	Holland	RMBS
Granite M Issuer Plc 20/12/2054 Series 2006-1	A5	Senior	Northen Rock	United Kingdom	RMBS
Granite Mortg.-Tv 20.9.2044 Series 2004-3	2C	Mezzanine	Northen Rock	United Kingdom	RMBS
Granite Mortgages Series 2004-1 20/03/2044	2C	Mezzanine	Northen Rock	United Kingdom	RMBS
Granite Mortgages Series 2004-1 20/03/2044	2M	Mezzanine	Northen Rock	United Kingdom	RMBS
Holland Euro-Den Mtge Bck Series Vii 18/11/37	B	Mezzanine	Sns Bank	Holland	RMBS
Kion Mortgage Finance Plc 15/07/2051	A	Senior	Novabank	Greece	RMBS
Lusitano Mortgages 1 15/12/2035	D	Mezzanine	Banco Espirito Santo	Portugal	RMBS
Magritte Finance Nv Serie 2004	A	Senior	Krefima	Belgium	RMBS
Mbs Bancaja (17.11.2035)	A	Senior	Bancaja	Spain	RMBS
Pelican Mortgages 15/09/2036 S2	B	Mezzanine	Montepio Geral	Portugal	RMBS
Permanent Fin (No.5) 10.06.2034	3A	Senior	HBOS	United Kingdom	RMBS
Provide Plc 25/08/2048 Series 2005-1	B	Mezzanine	HVB / Unicredito	Germany	RMBS
Provide Plc 27/11/2045 Series 2004-1	B	Mezzanine	HVB / Unicredito	Germany	RMBS
Residential Mortg 13/05/2037 S 17x	M1C	Mezzanine	Kensington Group	United Kingdom	RMBS
Siena Mortgage S4 16/12/2038*	B	Mezzanine	Monte Paschi Siena	Italy	RMBS
Uci Series 8 Tx.Vr. (18.12.2033)	A	Senior	Union de Creditos Imobiliarios	Spain	RMBS

1) Subordination and Reserve Fund.

investment being mostly in the senior classes. The protection of the issues is assured by maximum default ratios in the collateral which accelerate the redemption of the more senior classes. The differential between the remuneration of the collateral and of the classes issued also represents an additional safeguard for absorbing losses.

Vintage	Credit Enhancement[1]	Arrears >90d	Last CPR	Current LTV	Moody's	S&P	Fitch	Balance sheet value (M.€)
2006	33.1%	0.9%	7.2%	62.2%	A3	BBB	nr	4.6
2000	19.3%	0.0%	n/d	62.9%	Aa1	AA+	AAA	4.0
2007	24.0%	3.1%	7.8%	61.9%	A3	B	nr	2.3
2007	37.7%	0.0%	6.5%	54.5%	A3	nr	BBB+	1.3
2007	33.6%	0.5%	18.8%	57.7%	Baa1	nr	A	2.4
2007	57.1%	0.0%	6.1%	67.1%	Baa3	nr	BB+	1.4
								15.8
2003	18.68%	7.65%	6.83%	na	Aaa	AAA	AAA	2.1
2006	13.5%	5.3%	4.8%	na	Aa1	AAA	AAA	0.3
2004	3.4%	0.2%	na	na	A1	nr	A	0.5
n/a (Master Trust)	16.2%	3.4%	32.7%	77.8%	Aaa	AAA	AAA	1.4
2004	9.7%	3.4%	32.7%	77.8%	Baa2	A-	BBB+	0.0
2004	5.6%	3.4%	32.7%	77.8%	Baa1	A-	A-	0.1
2004	11.6%	3.4%	32.7%	77.8%	A1	A+	AA	0.1
2003	7.0%	0.5%	16.0%	84.4%	A1	AA	AA-	0.5
2006	18.9%	0.9%	na	na	Aaa	AAA	AAA	0.3
2002	2.9%	2.7%	8.6%	na	Baa2	BBB	BBB+	0.2
2004	23.4%	2.6%	11.6%	na	Aaa	nr	AAA	1.3
2004	23.1%	0.7%	7.5%	43.3%	Aaa	nr	AAA	0.7
2003	11.4%	2.1%	7.2%	60.1%	A1	AA-	AAA	0.2
n/a (Master Trust)	9.04%	0.08%	25.70%	60.5%	Aaa	AAA	AAA	5.7
2005	3.7%	0.7%	13.6%	69.5%	Aa2	nr	AA	0.4
2004	3.1%	1.1%	15.9%	60.0%	Aa2	AA+	AA	0.6
2004	54.1%	18.6%	38.2%	76.7%	nr	AAA	AAA	0.0
2003	8.4%	3.7%	na	na	Aa3	AA+	AA	0.3
2002	11.2%	1.3%	5.9%	NR	Aaa	AAA	nr	0.8
								15.5

Collateralized Debt Obligations (CDO): Issues of the so-called Collateralised Debt Obligations can have as collateral loans, bonds or other ABS. The funding of the collateral's acquisition is effected with the issue of various classes of bonds with different seniority levels, while the losses realised on the collateral are allocated to the most subordinated classes until exhausted. The remuneration differential between the collateral and the various classes issued also provides additional protection. The existence of minimum ▷

At 31December 2008, details of the CDO portfolio were as follows:

Collateralised Debt Obligation issues	Class	Seniority level	Manager	Country of risk of the assets included in the collateral	Type of collateral
Loan portfolio					
Stichting Eurostar II CDO	A	Senior	Dws	Mostly Europe	HY Securities
Saratoga CLO I Limited	A2	Mezzanine	Invesco	USA	HY Loans
Saratoga CLO I Limited	B	Mezzanine	Invesco	USA	HY Loans
Available-for-sale portfolio					
Claris Ltd / Millesime CDO 10/06/2024 s1c2	n/a	Mezzanine	Societe Generale	Europe	Aaa Abs's
Cloverie 2004-72 17/11/2024	n/a	Mezzanine	Citi	USA	Aaa Us Rmbs
Rhodium Bv 27/05/2084 S1x	C	Mezzanine	Solent Capital	Europe	IG Mezzanine Abs's
Madison Avenue Cdo Ii	A	Senior	Metropolitan Life	Mostly USA	IG Securities
Avoca Clo 18/02/2022 Series IV	B	Mezzanine	Avoca	Mostly Europe	Leveraged Loans
Avoca Clo 15/01/2020 Series II	A1	Senior	Avoca	Mostly Europe	Leveraged Loans
Celf Loan Partners Bv 18/01/2021 Series 1	A	Senior	Celf	Mostly Europe	Leveraged Loans
Duchess 25/05/2021 Series V	B	Mezzanine	Babson Capital	Mostly Europe	Leveraged Loans
Harbourmaster CLO 11/10/2019 S 4	A3	Mezzanine	Harbourmaster	Mostly Europe	Leveraged Loans
Harvest CLO SA 21/05/2020 Series II	A2	Mezzanine	Mizuho	Mostly Europe	Leveraged Loans
Harvest CLO SA 29/03/2017 Series I	B2	Mezzanine	Mizuho	Mostly Europe	Leveraged Loans

1) Protection level by subordinated tranches to the class held.

over-collateralisation ratios (issue's cover by the portfolio of assets net of defaults and realised losses) safeguards the more senior classes given that the respective default accelerates repayment, not only through the interruption of the reinvestment period should it still be in progress, but also by the re-directing of the remuneration of the more subordinated classes. The Bank has investments mostly in the more senior classes collateralised by loans.

Vintage	Protection level[1] by subordinated tranches	Par Value Coverage Ratio	Interest Coverage Ratio	Moody's	S&P	Fitch	Balance sheet value (M.€)
2001	73.7%	168.3%	156.7%	nr	AAA	AAA	0.8
2006	20.5%	125.8%	222.2%	Aaa	AAA	nr	7.2
2006	12.2%	113.9%	198.3%	A2	A	nr	2.2
							10.1
2004	0.0%	n/a	n/a	Baa2	nr	nr	0.3
2004	0.9%	n/a	n/a	A1	nr	CCC	0.0
2004	13.9%	116.2%	153.4%	A2	AA	nr	0.5
2001	15.7%	117.6%	91.4%	Aa1	AA	nr	1.4
2005	23.2%	130.2%	151.9%	Aa2	AA	nr	0.4
2004	29.1%	130.4%	151.2%	Aaa	AAA	nr	0.7
2005	35.0%	129.2%	173.9%	Aaa	AAA	nr	0.7
2005	23.7%	131.0%	190.3%	Aa2	AA	nr	0.4
2004	12.3%	114.1%	151.5%	nr	nr	AA	0.3
2005	33.0%	126.0%	200.8%	Aaa	AAA	nr	0.4
2004	21.1%	126.7%	163.8%	Aa2	AA	nr	0.7
							5.7

Other ABS: the issues grouped under the designation of other ABS have different types of collateral; however, because individually they are of insignificant volume they were grouped under this more generic heading, Accordingly the following issues are included:

ABS of Auto Loans, whose collateral are loans granted for the acquisition of motor vehicles by individuals and / or companies guaranteed by the ownership of the vehicles;

ABS of Consumer Loans and Credit Cards, whose collateral are the personal loans for financing consumer credit granted and loans advanced through the use of credit cards, respectively, without tangible guarantees;

Commercial Mortgage-Backed Securities (CMBS), whose collateral are the rentals corresponding to the long-term rental contracts involving properties whose ownership is attributed to the vehicle which issues the bonds; ▷

Other ABS issues	Class	Seniority level	Manager	Country of risk of the assets included in the collateral	Type of collateral
Loan portfolio					
Roof Russia-Tv-(25.07.2017)	A	Senior	RZB	Russia	Auto Loans
Russian Car Loans Sr.1 Tv – 16/10/2017	A	Senior	Russian Standard Bank	Russia	Auto Loans
Russian Car Loans Sr.1 Tv – 16/10/2017	B	Mezzanine	Russian Standard Bank	Russia	Auto Loans
Russian Consumer Finance 1 Cl. A1 – 12/03/2012	A1	Senior	Russian Standard Bank	Russia	Consumer Loans
Available-for-sale portfolio					
Aleutian Investments Llc 25/10/2012	n/a	MTN pari passu with total of MTN issued by SPV		Japan / USA / Argentina	ABS collaterized
La Defense Plc 09/042014 S Iii	C1	Mezzanine	Credit Suisse	France	CMBS
Marlin (Emc-Ii) Bv 23/12/2012 S1	B	Mezzanine	Citi	Europe	CMBS
Midgaard Finance Ltd 23/04/2029	A2	Mezzanine	Nordea	Sweden / Finland/ Norway	CMBS
Opera 25/01/2022 S Ger3	B	Mezzanine	Eurohypo	Germany	CMBS
Cibeles Ftypme Fta 26/11/2030	BSA	Mezzanine	Several Spanish	Spain	SME
Chester Ass.Rec.Deal.-Tx.Vr.(15.07.2011)	A	Senior	Mbna Europe Bank	United Kingdom	Credit Cards
Promise Plc 05/10/2019 Caravela	B	Mezzanine	BCP	Portugal	SME
Nostrum Consumer Fin.-1/A (26.11.2015)	A	Senior	CGD	Portugal	Consumer Loans
Auto Abs Compartment 2004	A	Senior	Psa Finance Deutschland	Germany	Auto Loans
Locat Sec Vehicle Serie 2004-2	A	Senior	Locat Spa	Italy	Auto Loans
FTA Santander Emp-Sr.1 (04.11.38)	A2	Senior	Banco Santander	Spain	SME
CM Bancaja Fta Serie 1	A	Senior	Bancaja	Spain	SME

1) Subordination and Reserve Fund.

The category "Other ABS" also includes the ABS of NPLs. The **ABS of NPLs** have as collateral overdue debts relating to taxes and social security contributions owed to the Directorate-General for Taxes (Direcção Geral de Impostos) and to the Financial Management Institute of the Portuguese State Social Security. In this type of ABS the issue is protected assured by the very high level of over-collateralisation ▷

Issues of other ABS	Class	Seniority level	Manager	Country of risk of the assets included in the collateral	Type of collateral
Sagres Soc Titul. Cred. 25/09/2012 S1 Cm*	M	Mezzanine	Portugal	Portugal	NPL'S
Sagres Soc Titul. Cred. 25/09/2012 S1 Co*	O	Mezzanine	Portugal	Portugal	NPL'S

1) Protection level provided by tranches subordinated to the class held.

ABS of SME, whose collateral are loans advanced to small and medium-sized companies, which may or may not have tangible guarantees.

The financing of the acquisition of the collateral is effected by the issue of various classes with different levels of seniority. The issues held by the Bank are mostly of originators domiciled in Western Europe and in the most senior classes. The protection of the issues is assured by maximum default ratios in the collateral or by minimum ratios of over-collateralisation of the issue and respective interest (in the case of the CMBS) which accelerate the repayment of the most senior classes, in case they are not observed. The differential between the remuneration of the collateral and of the classes issued also represents an additional protection for absorbing losses.

At 31 December 2008, details of the portfolio of other ABS were as follows:

Vintage	Credit Enhancement[1]	Arrears >90d	Last CPR	Present LTV	Moody's	S&P	Fitch	Balance sheet value (M.€)
2007	12.0%	0.8%	na	69.7%	Baa1	nr	BBB-	3.6
2006	52.4%	4.8%	na	na	Baa1	BBB	nr	5.5
2006	36.5%	4.8%	na	na	Baa1	BBB	nr	1.5
2006	42.9%	4.9%	na	na	Baa2	BBB	nr	1.5
								12.1
2002	Collateral covers at 1.13x the MTN issued	na	na	na	Baa1	A	nr	3.0
2004	0.0%	>135%	na	na	nr	A	A	0.2
2004	24.6%	n/a	203.0%	41.1%	nr	AAA	AA-	0.03
2004	0.0%		Risk Nordea Bank		Aa1	A+	AA-	0.4
2007	0.0%	118.0%	152.0%	70.8%	nr	AA	AAA	0.6
2003	22.7%	1.5%	9.1%	na	Aa2	AA	nr	0.3
2002	12.1%	3.8%	na	na	Aaa	AAA	AAA	4.9
2004	8.4%	0.7%	na	na	nr	AAA	AA	0.6
2003	36.6%	3.7%	13.7%	na	Aaa	AAA	AAA	0.5
2004	14.2%	0.1%	na	na	Aaa	AAA	nr	0.6
2004	12.7%	0.4%	3.7%	na	Aaa	AAA	nr	1.1
2005	35.2%	0.7%	13.5%	64.5%	nr	AAA	AAA	2.3
2005	25.8%	0.7%	12.0%	na	nr	AAA	AAA	0.6
								15.2

of the collateral relative to the amount of bonds issued. The collections of overdue debts are used to redeem issues in the order of seniority and to pay the respective interest.

Vintage	Protection level[1] by subordinated tranches	Par value coverage ratio	Moody's	S&P	Fitch	Balance sheet value (M.€)
2004	51.0%	15.35x	A1	AAA	AAA	0.5
2004	8.5%	8.2x	nr	BBB-	BB+	0.3

DPR – Diversified Payment Rights: The collateralised Diversified Payment Rights have as originators banks domiciled in emerging countries with high volumes of overseas trade flows (historically with the greatest volume are Brazil and Turkey, and more recently Kazakhstan and Russia) which use these structures to obtain long-term financing with an investment-grade credit-risk rating. The collateral corresponds to the payment orders in USD and Euros, current and future, remitted by correspondent banks with high credit-risk ratings domiciled in investment-grade countries, through bank accounts opened at these banks in the name of the issuer under the administration of a Trustee, where the necessary funds are captured for payment of the issue's debt servicing, with the remainder remitted to the originator bank. ▷

Diversified Payment Rights issues	Originator	Originator's country	Type of collateral
Available-for-sale portfolio			
Brazilian Merchant Voucher Receivables	Visanet	Brazil	DPR
Brazil Foreign Diversified Payment Rights	Santander / Banespa	Brazil	DPR
International Diversified Payment Rights Series 2003	Bradesco	Brazil	DPR
Dollar Diversified Payment Rights Fin. Co.	Banco do Brasil	Brazil	DPR
Yapi Kredi DPR Fin Series 2006-B	Yaki Ve Kredi Bankasi	Turkey	DPR
Loan portfolio			
Alfa Diversified Payment Rights	Alfa Bank	Russia	DPR
Alfa Diversified Payment Rights	Alfa Bank	Russia	DPR
Alliance Dpr Co	Alliance Bank	Kazakhstan	DPR
Arts Series 2005-A	Akbank	Turkey	DPR
Bosphorous Fin. Services Ltd	Finansbank	Turkey	DPR
Garanti Diversified Series 2006-A	Tukiye Garanti Bankasi	Turkey	DPR
Garanti Diversified Series 2005-A	Tukiye Garanti Bankasi	Turkey	DPR
Hsbc Brazil Series 2006-A	HSBC Brazil	Brazil	DPR
Mdm Dpr Finance Company Series 2007-A	MDM Bank	Russia	DPR
Mdm Dpr Finance Company	MDM Bank	Russia	DPR
Tib Diversified Payment Rights Series 2005-D	Isbank	Turkey	DPR
Ubb Diversified Payment Rights Series 2002-1	Unibanco	Brazil	DPR
Vb Dpr Fin Co Series 2006-A	Tukiye Vakiflar Bankasi	Turkey	DPR
Vb Dpr Fin Co Series 2006-B	Tukiye Vakiflar Bankasi	Turkey	DPR
Vb Dpr Fin Co Series 2006-E	Tukiye Vakiflar Bankasi	Turkey	DPR
Yapi Kredi Dpr Fin Series 2006-B	Yaki Ve Kredi Bankasi	Turkey	DPR
Yapi Kredi Dpr Fin Series 2006-D	Yaki Ve Kredi Bankasi	Turkey	DPR
Yapi Kredi Dpr Fin Series 2007-B	Yaki Ve Kredi Bankasi	Turkey	DPR

These structures are protected against the risk of government intervention in the outflow of foreign exchange and guarantee the performance through the imposition of controls which ensure adequate cover for servicing the debt, as well as the frequency of the flows remitted. Despite the decline noted in export prices, the quality of the originator banks in the respective countries has permitted maintaining very high levels of payment orders.

Details of the Diversified Payments Rights issues were as follows:

Over-collateralisation of debt servicing	Moody's	S&P	Fitch	Monoline (wrapper)	Balance sheet value (M.€)
9.5	A2	A-	A-		1.0
61.4	A2	A-	A		2.2
59.0	A1	A	nr		1.4
98.9	A1	A-	nr		2.7
84.0	Baa1	AA	nr	MBIA	2.9
					10.3
82.4	Ba1	BBB-	nr		1.7
82.4	Ba1	BBB-	nr		2.9
9.0	nr	nr	BBB-		1.3
28.2	Baa1	AA	nr	MBIA	12.6
42.3	Baa2	nr	nr		2.9
45.6	Baa1	AA	nr	MBIA	9.5
45.6	Baa1	AA	nr	MBIA	4.7
412.0	A1	A-	nr	FGIC	12.6
57.9	Ba1	nr	BBB-		3.0
57.9	Ba1	nr	BBB-		3.0
77.8	Baa2	BBB-	nr		6.3
57.0	A1	BBB+	A-		3.6
22.3	Baa2	BBB-	nr	FGIC	5.4
22.3	Baa1	AA	nr	MBIA	6.2
22.3	Baa2	BBB-	nr		3.6
84.0	Baa1	AA	nr	MBIA	6.1
84.0	Baa1	A	nr	AMBAC	5.7
84.0	Baa2	BBB-	nr	XL CAPITAL	6.9
					97.9

ANNEX TO POINT 21 OF THE BANK OF PORTUGAL RECOMMENDATIONS

BPI does not have direct exposure to mono-line insurers. Indirect exposure stems from the guarantees given by these insurers to certain issues in portfolio, they themselves collateralised by assets with capacity for generating flows for covering the respective debt servicing. The unconditional and irrevocable guarantee of the mono-line insurers will only be actioned where the flows generated are insufficient to service the debt on the respective payment date. These issues are a sub-group of the securities presented above.

BPI's exposure to mono-line insurers at 31 December 2008:

Issue	Current rating underlying the issue (M / S&P / F)	Monoline (wrapper)	Current rating of the Monoline	Book value at 31 Dec. 08 (M.€)	Write-downs or Losses	Portfolio
HSBC Brazil DPR Finance (No. 1) Ltd 2006-A	A1 / A- / nr	FGIC	Caa1 / CCC / nr	12.6	0.0	Loans
Akbank Remittances Trust Sec (ARTS 10) 2005-A	Baa2 / BBB- / nr	MBIA	Baa1 / AA / nr	12.6	0.0	Loans
Garanti DPR Finance Co. 2005-A	Baa2 / BBB- / nr	MBIA	Baa1 / AA / nr	4.7	0.0	Loans
Garanti DPR Finance Co. 2006-A	Baa2 / BBB- / nr	MBIA	Baa1 / AA / nr	9.5	0.0	Loans
VB DPR Finance Co. 2006-A	Baa2 / BBB- / nr	FGIC	Caa1 / CCC / nr	5.4	0.0	Loans
VB DPR Finance Co. 2006-B	Baa2 / BBB- / nr	MBIA	Baa1 / AA / nr	6.2	0.0	Loans
Yapi Kredi DPR Finance Co. 2006-B	Baa2 / BBB- / nr	MBIA	Baa1 / AA / nr	6.1	0.0	Loans
Yapi Kredi DPR Finance Co. 2006-B	Baa2 / BBB- / nr	MBIA	Baa1 / AA / nr	2.9	0.0	DV
Yapi Kredi DPR Finance Co. 2006-D	Baa2 / BBB- / nr	AMBAC	Baa1/ A / nr	5.7	0.0	Loans
Yapi Kredi DPR Finance Co. 2007-B	Baa2 / BBB- / nr	XL Capital	Baa2 / BBB- / nr	6.9	0.0	Loans
Aleutian Investments LLC 2002 series B	n/a	AMBAC	Baa1/ A / nr	3.0	0.0	DV
Total				**75.6**		

Credit protection provided by wrapper – Unconditional and irrevocable guarantee of payment of the total repayments of capital and interest on the respective maturity dates.
M – Moody's.
S&P – Standard & Poor's.
F – Fitch.

Rating

The BPI Group's strategy, competitive position, solid financial base and quality assets continue to merit from the independent and reputable firms – Fitch Ratings, Moody's and Standard & Poor's – an evaluation that is borne out by the high credit ratings[G].

Standard & Poor's revised in its last note of 3 February 2009, the Bank's outlook from stable to negative, reflecting the possibility that the Portuguese economy's deterioration in 2009 could adversely affect earnings and the quality of BPI's assets.

Banco BPI rating classifications

	Fitch Ratings	Moody's	Standard & Poor's
Long term	A+	A1	A
Short term	F1	P-1	A-1
Outlook	Stable	Stable	Negative
Rating attribution:			
Initial date	31 Oct. 96[1]	1 Nov. 96[2]	27 Apr. 99
Last report	06 Oct. 08	10 Sep. 08	03 Feb. 09

1) Rating notation attributed to all banks that composed BPI Group at that date.
2) Rating notation attributed to BFB.

Table 93

Moody's:
A1 Bonds which are rated "A" possess very favourable attributes and are considered as superior-medium grade investments.
(the modifier 1 denotes a top position within category A).
Fitch Ratings:
A+ High credit quality. A ratings denote a low expectation of credit risk.
(the modifier + denotes a higher position within category A).
Standard & Poor's:
A An entity with an A rating possesses a strong capacity to meet its financial commitments.
(lack of signal denotes a middle position within category A).

Fitch Ratings		Moody's		Standard & Poor's	
Banco BPI		**Banco BPI**		**Banco BPI**	
Credit rating (LT / ST)	A+ / F1	Bank deposits (LT / ST)	A1 / P-1	Counterparty credit (LT / ST)	A / A-1
Outlook	Stable	Outlook	Stable	Outlook	Negative
Individual	B	Bank financial strength	C	Certificate of deposits (LT / ST)	A / A-1
Support rating	2	Issuer rating	A1		
Support rating floor	BBB-				
Senior unsecured (LT)	A+	Senior unsecured		Senior secured debt	AAA
Senior unsecured (ST)	F1	(domestic currency)	A1	Senior unsecured	A
Subordinated (LT)	A	Other short term		Short term debt (domestic currency)	A-1
		(domestic currency)	P-1	Subordinated (domestic currency)	A-
		Junior subordinate		Junior subordinated	
		(domestic currency)	A2	(domestic currency)	BBB+
		Subordinate (LT)			
		(domestic currency)	A2		
Preference stock (LT)	A	Preference stock	Baa1	Preference stock	BBB+
Sovereign rating – Portuguese Republic		**Sovereign rating – Portuguese Republic**		**Sovereign rating – Portuguese Republic**	
Long term (foreign currency)	AA	Long term (foreign currency)	Aa2	Long term / Short term	A+ / A-1
Long term (domestic currency)	AA	Long term (domestic currency)	Aa2		
Outlook	Stable	Outlook	Stable	Outlook	Stable

Figure 8

RATING REPORTS

Moody's, 10 September 2008

"The rating is supported by the bank's good domestic market shares and success in maintaining its position within the competitive Portuguese market, as well as by its overall sound financial profile. The ratings also take into account its strategy of remaining a mainly domestic-oriented group, with a still limited but growing presence in Angola. Also factored into the ratings is the high credit risk concentration in terms of single-name exposures."

Fitch Ratings, 6 October 2008

"Banco BPI's ratings reflect its sound asset quality, generally conservative risk profile, good franchise in Portugal and Angola and adequate capital ratios. The ratings also reflect Banco BPI's deteriorated, albeit adequate, underlying performance and increased risk concentration in corporate lending."

Standard & Poor's, 3 February 2009

"The ratings are supported by BPI's attractive position in the Portuguese retail banking market, skilled and stable management team, better asset quality track record than that of domestic peers, and comfortable liquidity. These factors are offset by the bank's weakening financial performance, structural exposure to changes in pension valuations, and excessive single-name concentrations."

"The negative outlook reflects the possibility of a downgrade if BPI's financial profile significantly weakens during 2009 as Portugal's economy enters into recession."

Proposed appropriation of net profit

BPI

Whereas:

a) Banco BPI, S.A. reported a consolidated net profit of EUR 150 304 779 and an individual net profit of EUR 360 204 531.21 in 2008.

The difference between the two values is essentially explained by the different accounting procedures applicable to the positive result on the sale of 49.9% of the share capital of Banco de Fomento Angola, S.A. (BFA) in the consolidated and in the individual accounts.

In the individual accounts the stake in BFA that was sold was registered and valued at acquisition prices. In the consolidated accounts the acquisition value was adjusted along the years such stake was held, by way of the incorporation of BFA profits deducted of the dividends distributed to BPI. As so, the result registered with the sale of the above mentioned stake in BFA (corresponding to the difference between the sale value and the acquisition value), was EUR 174 039 856 higher in the individual accounts, when compared with the one registered in the consolidated accounts;

b) Banco BPI's Long Term Dividend Policy, approved at the General Meeting of Shareholders on 19 April 2007, foresees the distribution of an annual dividend, subject to proposal to be submitted by the Board of Directors to the General Meeting, projected to be not less than 40% of net profit reported in the consolidated accounts for the financial year to which it related, unless exceptional circumstances require, at the Board of Directors' reasoned discretion, that the distribution of a lower dividend be submitted for resolution of the Shareholders;

c) The Board of Directors considers that there are no reasons that justify the submission of a proposal which does not follow the above mentioned dividend distribution policy;

d) All in all, the Board of Directors proposes that a EUR 0.0668 (6.68 cents) dividend be distributed for each of the 900 000 000 shares representing the share capital as at 31 December 2008, which corresponds to a distribution of 40% of the consolidated net profit for the year.

In the exercise of the authority conferred upon it by Article 16(2)(b) of the Articles of Association, the Board of Directors proposes the following appropriation of individual net profit for the financial year of 2008:

Transfer to Legal Reserve (Article 97 (1) of the GRCIFC)	EUR 36 020 453.12
Dividends	EUR 60 120 000.00
Transfer to Free Reserves	EUR 264 064 078.09
Total	EUR 360 204 531.21

The Board of Directors

Final acknowledgements

In a year marked by the strong deterioration in the financial and economic crisis which gained a world-wide dimension, BPI's management gave priority to strengthening the Bank's security and structural solidity and, in this domain, the results for the year are very positive, comparing favourably with the greater number of Portuguese banks gauging from capital and liquidity indicators, at the same time achieved without recourse to public assistance. It is appropriate to give due recognition for the dedicated and competent contribution from Employees, the encouraging support of the Shareholders and the loyalty of the Customers, who were responsible for the Bank attaining once again first place in the market in the leading satisfaction and service quality indicators.

As referred to in greater detail in the Corporate Governance Report, the Shareholders' General Meeting of 23 April 2008 approved:

- the alteration to BPI's corporate governance system, adopting a management and oversight model composed of a Board of Directors, a Supervisory Board and a Portuguese Statutory Auditor, with the consequent extinction of the previous supervisory body, the Audit Committee;
- the election of new members to the governing bodies for the term 2008 / 2010.

A special mention is warranted for Professor Jorge Figueiredo Dias, who on that date ceased functions as a member of the Board of Directors, to form part of the Supervisory Board.

Greetings are also extended to the new members of the Board of Directors Mr. António Lobo Xavier, Mr. Juan Nin Génova and Mr. Henri Penchas, and to the secretaries of the General Meeting Committee, Mrs. Alexandra Magalhães and Mr. Luís Amorim, all elected at the same meeting.

The Board is also pleased to discharge its duty of expressing its gratitude for the cooperation received from the Authorities within the scope of their respective duties in a particularly challenging environment compounded by the financial crisis.

Oporto, 6 March 2009

Board of Directors

Consolidated financial statements

Consolidated financial statements

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2008 AND 2007

(Amounts expressed in thousands of euro)

	Notes	31 Dec. 08 Amounts before impairment and depreciation and amortisation	31 Dec. 08 Impairment and depreciation and amortisation	31 Dec. 08 Net	31 Dec. 07 Net
ASSETS					
Cash and deposits at central banks	4.1	1 088 339		1 088 339	1 126 396
Loans and advances to other credit institutions repayable on demand	4.2	227 081		227 081	281 516
Financial assets held for trading and at fair value through profit or loss	4.3 / 4.4	2 853 579		2 853 579	4 591 411
Financial assets available for sale	4.5	3 347 884	85 281	3 262 603	3 925 400
Loans and advances to credit institutions	4.6	3 504 212	14	3 504 198	1 540 900
Loans and advances to Customers	4.7	29 723 757	448 575	29 275 182	27 230 513
Held to maturity investments	4.8	407 654		407 654	
Hedging derivatives	4.4	484 428		484 428	412 156
Other tangible assets	4.9	811 326	479 672	331 654	316 925
Intangible assets	4.10	88 324	72 960	15 364	15 453
Investments in associated companies and jointly controlled entities	4.11	137 875		137 875	150 960
Tax assets	4.12	250 375		250 375	141 371
Other assets	4.13 / 4.25	1 187 605	22 538	1 165 067	812 948
Total assets		**44 112 439**	**1 109 040**	**43 003 399**	**40 545 949**
LIABILITIES					
Financial liabilities held for trading	4.14 / 4.4			258 452	534 669
Resources of other credit institutions	4.15			2 007 412	3 731 946
Resources of Customers and other debts	4.16			25 633 620	20 621 866
Debt securities	4.17			6 417 808	5 341 855
Financial liabilities relating to transferred assets	4.18			2 070 779	3 008 159
Hedging derivatives	4.4			596 537	544 629
Provisions	4.19			77 565	72 853
Technical provisions	4.20			2 246 427	2 774 587
Tax liabilities	4.21			62 812	125 279
Participating bonds	4.22			28 682	27 269
Subordinated debt	4.23			767 628	930 834
Other liabilities	4.24 / 4.25			874 147	926 544
Total liabilities				**41 041 869**	**38 640 490**
SHAREHOLDERS' EQUITY					
Subscribed share capital	4.26			900 000	760 000
Share premium account	4.27			441 306	231 306
Other equity instruments	4.28			12 307	10 822
Revaluation reserves	4.29			(435 638)	54 975
Other reserves and retained earnings	4.30			452 509	253 132
(Treasury shares)	4.28			(22 686)	(30 213)
Consolidated net income of the BPI Group	4.45			150 305	355 111
Shareholders' equity attributable to the shareholders of BPI				**1 498 103**	**1 635 133**
Minority interest	4.31			463 427	270 326
Total shareholders' equity				**1 961 530**	**1 905 459**
Total liabilities and shareholders' equity				**43 003 399**	**40 545 949**

	Notes			31 Dec. 08 Net	31 Dec. 07 Net
OFF BALANCE SHEET ITEMS					
Guarantees given and other contingent liabilities	4.7 / 4.32			3 355 546	3 613 745
Of which:					
[Guarantees and sureties]				[3 112 929]	[3 371 558]
[Others]				[242 617]	[242 187]
Commitments	4.32			4 560 511	5 106 926

The accompanying notes form an integral part of these balance sheets.

The Accountant

The Board of Directors

CONSOLIDATED STATEMENTS OF INCOME FOR YEARS ENDED 31 DECEMBER 2008 AND 2007

(Amounts expressed in thousands of euro)

	Notes	31 Dec. 08	31 Dec. 07
Interest and similar income		3 089 636	2 412 572
Interest and similar expenses		(2 446 711)	(1 804 578)
Financial margin (narrow sense)	**4.33**	**642 925**	**607 994**
Gross margin on unit links	4.34	6 535	10 691
Income from equity instruments	4.35	5 582	22 291
Net commission relating to amortised cost	4.36	21 159	20 930
Financial margin		**676 201**	**661 906**
Technical result of insurance contracts	4.37	(12 183)	13 057
Commissions received		294 277	327 268
Commissions paid		(40 894)	(34 531)
Other income, net		52 138	49 866
Net commission income	**4.38**	**305 521**	**342 603**
Gain and loss on operations at fair value		41 903	13 645
Gain and loss on assets available for sale		(57 804)	123 302
Interest and financial gain and loss with pensions	4.25	36 556	60 593
Net income on financial operations	**4.39**	**20 655**	**197 540**
Operating income		211 823	20 026
Operating expenses		(15 418)	(15 576)
Other taxes		(4 826)	(4 028)
Net operating income	**4.40**	**191 579**	**422**
Operating income from banking activity		**1 181 773**	**1 215 528**
Personnel costs	4.41	(419 369)	(379 236)
General administrative costs	4.42	(225 865)	(228 641)
Depreciation and amortisation	4.9 / 4.10	(52 419)	(45 372)
Overhead costs		**(697 653)**	**(653 249)**
Recovery of loans, interest and expenses		25 878	20 852
Impairment losses and provisions for loans and guarantees, net	4.19	(143 673)	(112 265)
Impairment losses and other provisions, net	4.19	(146 637)	(18 330)
Net income before income tax		**219 688**	**452 536**
Income tax	4.43	(51 351)	(108 603)
Earnings of associated companies (equity method)	4.44	9 714	27 985
Global consolidated net income		**178 051**	**371 918**
Income attributable to minority interest	4.31	(27 746)	(16 807)
Consolidated net income of the BPI Group	**4.45**	**150 305**	**355 111**

Earnings per share (in euro)[1]		
Basic	0.178	0.454
Diluted	0.177	0.449

1) 2007 amounts adjusted for the capital increase carried out in 2008.

The accompanying notes form an integral part of these statements.

The Accountant

The Board of Directors

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

	Subscribed share capital	Share premium account	Other equity instruments	Revaluation reserves
Balances at 31 December 2006	**760 000**	**231 306**	**8 714**	**126 356**
Dividends distributed in 2007				
Appropriation of net income for 2006 to reserves				
Dividends paid on preference shares				
Costs with the issuance of preference shares				
Variable Remuneration Program (RVA)			2 108	
Sale / purchase of treasury shares				
Sale / purchase of preference shares				
Foreign exchange translation differences				(8 786)
Revaluation of financial assets available for sale				(62 595)
Revaluation of assets of associated companies				
Net income for 2007				
Others				
Balances at 31 December 2007	**760 000**	**231 306**	**10 822**	**54 975**
Dividends distributed in 2008				
Appropriation of net income for 2007 to reserves				
Subscribed share capital increase:				
Nominal value	140 000			
Share premium account		210 000		
Dividends paid on preference shares				
Variable Remuneration Program (RVA)			1 485	
Sale / purchase of treasury shares				
Sale / purchase of preference shares				
Foreign exchange translation differences				15 790
Revaluation of financial assets available for sale				(506 403)
Revaluation of assets of associated companies				
Sale of 49.9% of the share capital of Banco Fomento Angola, S.A.				
Net income for 2008				
Others				
Balances at 31 December 2008	**900 000**	**441 306**	**12 307**	**(435 638)**

The Accountant

(Amounts expressed in thousands of euro)

Other reserves and retained earnings	Treasury shares	Net income	Minority interest	Shareholders' equity
67 091	**(51 659)**	**308 758**	**276 737**	**1 727 303**
		(120 406)		(120 406)
188 352		(188 352)		
			(16 329)	(16 329)
			(1 291)	(1 291)
337	22 655			25 100
22	(1 209)			(1 187)
			(5 756)	(5 756)
				(8 786)
				(62 595)
(2 664)				(2 664)
		355 111	16 807	371 918
(6)			158	152
253 132	**(30 213)**	**355 111**	**270 326**	**1 905 459**
		(140 558)		(140 558)
214 553		(214 553)		
				140 000
				210 000
			(18 237)	(18 237)
(5 949)	6 987			2 523
(823)	540			(283)
			(6 017)	(6 017)
				15 790
				(506 403)
(10 183)				(10 183)
			189 609	189 609
		150 305	27 746	178 051
1 779				1 779
452 509	**(22 686)**	**150 305**	**463 427**	**1 961 530**

The accompanying notes form an integral part of these statements.

The Board of Directors

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

	31 Dec. 08	31 Dec. 07
Operating activities		
Interest, commissions and similar income received	4 239 199	3 682 856
Interest, commissions and similar expenses paid	(2 871 087)	(2 429 544)
Recovery of loans and interest in arrears	25 877	20 852
Payments to personnel and suppliers	(632 506)	(596 276)
Net cash flow from income and expenses	761 483	677 888
Decrease (increase) in:		
Financial assets held for trading and available for sale	1 261 692	(995 750)
Loans and advances to credit institutions	(1 930 275)	(628 653)
Loans and advances to Customers	(2 162 114)	(2 633 714)
Other assets	(144 988)	204 904
Net cash flow from operating assets	(2 975 685)	(4 053 213)
Increase (decrease) in:		
Resources of central banks and other credit institutions	(1 717 371)	(239 439)
Resources of Customers	4 385 202	4 274 796
Financial liabilities held for trading	(276 217)	332 822
Other liabilities	158 210	70 601
Net cash flow from operating liabilities	2 549 824	4 438 780
Contributions to the Pension Funds	(44 995)	(5 005)
Income tax paid	(107 450)	(54 112)
	183 177	**1 004 338**
Investing activities		
Sale of investments in subsidiaries and associated companies		
49.9% of the share capital of Banco de Fomento Angola, S.A.	153 967	
Viacer – Sociedade Gestora de Participações Sociais, Lda.		4 080
Purchase of other tangible and intangible assets	(65 825)	(96 700)
Sale of other tangible assets	1 890	2 351
Dividends received and other income	19 018	37 381
	109 050	**(52 888)**

The accompanying notes form an integral part of these statements.

The Accountant

The Board of Directors

(Amounts expressed in thousands of euro)

	31 Dec. 08	31 Dec. 07
Financing activities		
Liability for assets not derecognised	(942 852)	(360 026)
Issuance of debt securities and subordinated debt	4 388 273	1 712 937
Redemption of debt securities	(2 019 766)	(1 177 037)
Purchase and sale of own debt securities and subordinated debt	(1 679 344)	(240 460)
Purchase and sale of preference shares	(6 017)	(5 756)
Interest on debt securities and subordinated debt	(314 455)	(283 291)
Share capital increase		
Nominal value	140 000	
Share premium account	210 000	
Dividends paid on preference shares	(18 237)	(16 329)
Dividends distributed	(140 558)	(120 406)
Purchase and sale of treasury shares	(2 091)	17 077
	(385 047)	**(473 291)**
Net increase (decrease) in cash and equivalents	(92 820)	478 159
Cash and equivalents at the beginning of the year	1 407 100	928 941
Cash and equivalents at the end of the year	**1 314 280**	**1 407 100**

The accompanying notes form an integral part of these statements.

The Accountant

Alberto Pitôrra

The Board of Directors

Chairman Artur Santos Silva

Deputy-Chairmen Carlos da Câmara Pestana

Fernando Ulrich

Ruy Octávio Matos de Carvalho

Members Alfredo Rezende de Almeida

António Domingues

António Farinha Morais

António Lobo Xavier

Armando Leite de Pinho

Carlos Moreira da Silva

Edgar Alves Ferreira

Henri Penchas

Herbert Walter

Isidro Fainé Casas

José Pena do Amaral

Juan Nin Génova

Klaus Dührkop

Manuel Ferreira da Silva

Marcelino Armenter Vidal

Maria Celeste Hagatong

Pedro Barreto

Roberto Egydio Setúbal

Tomaz Jervell

This page was intentionally left blank.

Notes to the consolidated financial statements

Notes to the consolidated financial statements as of 31 December 2008 and 2007

(Unless otherwise indicated, all amounts are expressed in thousands of euro – th. euro)

1. THE FINANCIAL GROUP

Banco BPI is the central entity of a multi-specialised financial group dedicated to the banking activity, which provides a broad range of banking services and products to companies, institutional investors and private individuals. Banco BPI has been listed on the Stock Exchange since 1986.

The BPI Group started operating in 1981 with the foundation of SPI – Sociedade Portuguesa de Investimentos, S.A.R.L. By public deed dated December 1984, SPI – Sociedade Portuguesa de Investimentos, S.A.R.L. changed its corporate name to BPI – Banco Português de Investimento, S.A., which was the first private investment bank created after the re-opening, in 1984, of the Portuguese banking sector to private investment. On 30 November 1995 BPI – Banco Português de Investimento, S.A. (BPI Investimentos) was transformed into BPI – SGPS, S.A., which operated exclusively as the BPI Group's holding company, and BPI Investimentos was founded to act as the BPI Group's investment banking company. On 20 December 2002, BPI SGPS, S.A. incorporated, by merger, the net assets and operations of Banco BPI and changed its corporate name to Banco BPI, S.A.

At 31 December 2008 the Group's banking operations were carried out principally through Banco BPI in the commercial banking area and through BPI Investimentos in the investment banking area. The BPI Group is also the holder of a 50.1% participation in Banco de Fomento, S.A. which operates as a commercial bank in Angola.

In 2007 Banco Português de Investimento became holder of a 50% participation in the consortium of companies Ulissipair ACE.

During the second half of 2007 Banco BPI sold 1% of the share capital of Viacer, becoming a holder of 25% of that company.

In the first half of 2008 Sofinac, a company that was fully owned by Banco BPI, was merged into BPI Gestão de Activos. For accounting purposes, the merger became effective on 1 January 2008.

During the first half of 2008 Banco BPI dissolved and liquidated Eurolocação, a company that was fully owned by Banco BPI.

In December 2008 Banco BPI sold 49.9% of the share capital of Banco de Fomento Angola, thus BPI Group becoming a holder of 50.1% of that Bank.

The vehicles through which the Bank's securitisation of loans are carried out are recorded in the consolidated financial statements in accordance with the BPI Group's continuing involvement in these operations, based on the percentage held of the equity piece of the corresponding vehicles.

At 31 December 2008 the BPI Group was made up of the following companies:

	Head Office	Share-holders' equity	Total assets	Net income (loss) for the year	Direct participa-tion	Effective participa-tion	Consolidation / Recognition method
Banks							
Banco BPI, S.A.	Portugal	1 314 827	39 963 052	360 205			
Banco Português de Investimento, S.A.	Portugal	68 798	3 950 958	13 059	100.00%	100.00%	Full consolid.
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	60 222	673 470	14 952	29.55%	30.00%	Equity method
Banco de Fomento, S.A. (Angola)	Angola	398 711	4 513 666	158 647	50.08%	50.10%	Full consolid.
Banco BPI Cayman, Ltd.	Cayman Islands	130 070	875 086	(159)		100.00%	Full consolid.
Specialised loan companies							
BPI Rent – Comércio e Aluguer de Bens, Lda.	Portugal	14 247	15 494	2 648	100.00%	100.00%	Full consolid.
BPI Locação de Equipamentos, Lda.	Portugal	2 525	6 447	144	100.00%	100.00%	Full consolid.
Asset management companies and dealers							
BPI Dealer – Sociedade Financeira de Corretagem (Moçambique), S.A.R.L.	Mozambique	94	96	5	13.00%	92.70%	Full consolid.
BPI Gestão de Activos – Gestão de Fundos de Investimento Mobiliários, S.A.	Portugal	27 404	48 563	15 089	100.00%	100.00%	Full consolid.
BPI – Global Investment Fund Management Company, S.A.	Luxembourg	1 855	2 342	1 390	100.00%	100.00%	Full consolid.
BPI Pensões – Sociedade Gestora de Fundos de Pensões, S.A.	Portugal	7 688	9 184	3 384	100.00%	100.00%	Full consolid.
BPI (Suisse), S.A.[1]	Switzerland	423	2 838	94		99.90%	Full consolid.
Venture capital companies							
F. Turismo – Capital de Risco, S.A.	Portugal	5 493	5 621	170	25.00%	25.00%	Equity method
Inter-Risco – Sociedade de Capital de Risco, S.A.	Portugal	27 004	28 796	403	100.00%	100.00%	Full consolid.
Insurance companies							
BPI Vida – Companhia de Seguros de Vida, S.A.	Portugal	63 253	3 196 430	(110 251)	100.00%	100.00%	Full consolid.
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	40 731	97 359	(4 067)	50.00%	50.00%	Equity method
Companhia de Seguros Allianz Portugal, S.A.	Portugal	161 105	1 101 604	9 225	35.00%	35.00%	Equity method
Other							
BPI Capital Finance Ltd.[2]	Cayman Islands	551 360	551 366	31 010	100.00%	100.00%	Full consolid.
BPI, Inc.[3]	U.S.A.	1 071	1 077	(20)	100.00%	100.00%	Full consolid.
BPI Madeira, SGPS, Unipessoal, S.A.	Portugal	152 928	152 934	103	100.00%	100.00%	Full consolid.
Douro – Sociedade Gestora de Participações Sociais, S.A.[4]	Portugal	4 756	4 992	176	100.00%	100.00%	Full consolid.
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	Portugal	72 689	87 467	4 506	32.80%	32.80%	Equity method
Simofer – Sociedade de Empreendimentos Imobiliários e Construção Civil, Lda.	Portugal	(5 938)	1 069	(38)	100.00%	100.00%	Full consolid.
Ulissipair ACE	Portugal	1 902	2 554	2 212		50.00%	Prop. method
Viacer – Sociedade Gestora de Participações Sociais, Lda.	Portugal	80 116	80 128	10 207	25.00%	25.00%	Equity method

Note: Unless otherwise indicated, all amounts are as of 31 December 2008 (accounting balances before consolidation adjustments).

1) In 2008, BPI Fiduciaire was liquidated through merger merged into BPI Suisse (BPI Fiduciaire was fully owned by BPI Suisse).

2) The share capital is made up of 5 000 ordinary shares with a nominal value of 1 Euro each, and 550 000 000 non-voting preference shares with a nominal value of 1 euro each. The BPI Group's effective participation corresponds to 0.001% considering the preference shares.

3) Amounts as of 30 June 2008 translated using the US dollar exchange rate as of 31 December 2008.

4) The amounts refer to the consolidated financial statements with Sucessa – Sociedades de Investimentos e Construções Urbanas, S.A. and Douro Fundiários, S.A., wich are fully owned by Douro – Sociedade Gestora de Participações Sociais, S.A.

2. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

A) BASES OF PRESENTATION

The consolidated financial statements were prepared from the accounting records of Banco BPI and its subsidiary and associated companies in conformity with International Accounting Standards / International Financial Reporting Standards (IAS / IFRS), as adopted by the European Union in accordance with Regulation (EC) 1606 / 2002 of 19 July of the European Parliament and Council and incorporated into Portuguese legislation through Bank of Portugal Notice 1 / 2005 of 21 February.

Adoption of standards (new or revised) issued by the "International Accounting Standards Board" (IASB) and interpretations issued by the "International Financial Reporting Interpretation Committee" (IFRIC), as endorsed by the European Union

The standards revised in 2008, relevant to BPI Group that were reflected in its financial statements as of 31 December 2008, were as follows:

- IAS 39 – Financial Instruments: Recognition and Measurement: this standard was amended in October 2008, under the name "Reclassification of financial assets". This amendment permits an entity to reclassify: (i) in specific circumstances, non-derivative financial assets (other than those initially designated at fair value through profit or loss under the "Fair Value Option") out of the fair value through profit or loss category, and (ii) from the available for sale category to the loans and receivables category, financial assets that would have met the definition of loans or other receivables, provided that the entity has the intention and ability to hold the financial assets for the near future or until their maturity. The effective reference date for reclassifications made up to 1 November 2008 was 1 July 2008. Any reclassifications made on or after 1 November 2008 would impact only as from the reclassification date.

  Additional disclosures under IFRS 7 – "Financial Instruments: Disclosures" were adopted, as a result of the amendment to IAS 39.

  The impact of the implementation of these amendments on the Bank's financial statements is presented in note 4.47 Financial Risks.

- IFRIC 14 – Limit on the recognition of assets in defined benefit plans, minimum funding requirements and their interconnection: this interpretation clarifies the requirements for the recognition of an asset associated with defined benefit plans and the accounting impact associated with the recognition of the liabilities resulting from the minimum funding requirements of the plan. Application of this interpretation is mandatory for annual periods beginning on or after 1 January 2008. Application of these amendments had no impact on the financial statements presented.

At 31 December 2008 the following standards (new and revised) and interpretations were available for early adoption:

- IAS 1 – Presentation of financial statements: changes were made to the presentation requirements of certain transactions recorded in EQUITY captions and changes in terms of the name and presentation requirements of the financial statements. These amendments are of mandatory application for annual periods beginning on or after 1 January 2009.

- IAS 32 – Financial instruments: Presentation and IAS 27 – Consolidated and Separate financial statements: the revised text of these standards introduces changes in balance sheet classification of puttable financial instruments, namely financial instruments that comply with the definition of a financial liability will be classified as equity instruments as they represent the residual interest in the net assets of the entity. These amendments are of mandatory application for annual periods beginning on or after 1 January 2009.

- IFRS 2 – Share-based payment: the revised text of this standard clarifies that vesting conditions are service conditions and performance conditions only and that all cancellations under this standard, carried out by the entity or by third parties, must have the same accounting treatment. This amendment is of mandatory application for annual periods beginning on or after 1 January 2009.

- IFRS 8 – Operational segments: this standard defines the disclosure requirements relating to segment information, replacing IAS 14 – Segment Reporting. This amendment is of mandatory application for annual periods beginning on or after 1 January 2009.

At 31 December 2008 the following standards (new and revised) and interpretations, not yet endorsed by the European Union, were available for early adoption:

- IFRS 3 – Business Combinations and IAS 27 – Consolidated and Separate Financial Statements: the revised text of these standards introduces changes in the measurement and recognition of Goodwill, in the accounting treatment of acquisitions made in several stages, as well as in the recognition of transactions with subsidiaries' shares, with and without maintenance of control. These amendments are of mandatory application for annual periods beginning on or after 1 July 2009.

- IAS 39 – Financial Instruments: Recognition and Measurement: the amendments approved in July 2008 intend to clarify two issues relating to hedge accounting, namely, identification of inflation as a hedged risk and hedging through options. These amendments are of mandatory application for annual periods beginning on or after 1 January 2009.

At the date of approval of these financial statements, the following interpretations had not yet been endorsed by the European Union:

- IFRIC 16 – Hedges of a net investment in a foreign operation: this interpretation clarifies the requirements applicable to these hedge operations and what amounts should be reclassified to profit or loss when the hedged operation ends. This interpretation is of mandatory application for annual periods beginning on or after 1 October 2008.

- IFRIC 17 – Distributions of non-monetary assets: this interpretation clarifies the accounting treatment to be given to distributions of dividends in the form of non-monetary assets, namely, that the entity should recognize this dividend at the fair value of the net assets distributed. This interpretation is of mandatory application for annual periods beginning on or after 1 July 2008.

B) PRINCIPAL ACCOUNTING POLICIES

The following accounting policies are applicable to the consolidated financial statements of the BPI Group.

2.1. Consolidation of subsidiaries and recognition of associated companies (IAS 27, IAS 28 and IFRS 3)

Banco BPI has direct and indirect participations in subsidiary and associated companies. Subsidiary companies are entities over which the Bank has control or power to manage their financial and operating policies. Associated companies are entities over which Banco BPI has direct or indirect significant influence over their management and financial policies but over which it does not have control. As a general rule, it is presumed that significant influence exists when the participation exceeds 20%.

The financial statements of subsidiary companies are consolidated using the full consolidation method. Significant inter-group transactions and account balances were eliminated in the consolidation process. The amount of share capital, reserves and net results corresponding to third party participation in these subsidiaries is reflected in the caption MINORITY INTEREST. When necessary, adjustments are made to the subsidiary companies' financial statements to ensure their consistency with the BPI Group's accounting policies.

Goodwill arising from the difference between the cost of acquisitions (including expenses) and the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiary companies as of the date of the first consolidation are recorded as assets and are subject to impairment tests. When a subsidiary company is sold, net goodwill is included in determining the gain or loss on the sale.

The financial statements of companies under joint control of the BPI Group and other entities are consolidated using the proportional method, under which the assets, liabilities, costs and income of the entities are included in the consolidated financial statements in proportion to the BPI Group's participation in their share capital.

Associated companies are recorded in accordance with the equity method of accounting. In accordance with this method, the amount of the investment, which is initially recognised at cost, is adjusted by post-acquisition changes in the net asset value of the associated companies, in proportion to the Group's participation.

Goodwill relating to associated companies is included in the book value of the investment. The book value of associated companies (including goodwill) is subject to impairment tests in accordance with IAS 36 and IAS 39.

In accordance with IFRS 1 and the BPI Group's accounting policies up to the date of transition to IAS / IFRS, goodwill on investments acquired up to 1 January 2004 was deducted in full from shareholders' equity.

Negative goodwill arising from the difference between the cost of acquisition (including expenses) and the fair value of the identifiable assets, liabilities and contingent liabilities of subsidiary and associated companies as of the date of the first consolidation or the date the equity method is first applied is immediately recognised in the statement of income.

The financial statements of subsidiary or associated companies which are inactive or in liquidation were excluded from the consolidation and from application of the equity method. These participations are classified as financial assets available for sale.

Consolidated net income is the sum of the individual net result of Banco BPI and the percentage of the net results of subsidiary and associated companies, equivalent to Banco BPI's effective participation in them, considering the period the participations are held for, after elimination of income and expenses resulting from inter-group transactions.

Foreign currency subsidiary and associated companies (IAS 21 and IAS 29)

The foreign currency financial statements of subsidiary and associated companies were included in the consolidation after being translated to Euro at the exchange rates published by the Bank of Portugal:

- assets and liabilities expressed in foreign currencies are translated to Euro using the exchange rates in force at the balance sheet date;

- income and expenses expressed in foreign currencies are translated to Euro using the exchange rates in force in the months in which they are recognised;

- exchange differences resulting from the translation to Euro are recognised directly in the SHAREHOLDERS' EQUITY caption revaluation reserves, since the Bank does not have participations in subsidiaries and associated companies whose functional currency is that of a hyperinflationary economy.

2.2. Financial assets and liabilities (IAS 32 and IAS 39)

Financial assets and liabilities are recognised in the BPI Group's balance sheet on the trade or contracting date, unless there is an express contractual stipulation or applicable legal or regulation regime under which the transactions' inherent rights and obligations are transferred at a different date, in which case the latter date is applicable.

Financial assets and liabilities are initially recorded at fair value plus direct transaction costs, except for assets and liabilities that have been recognised at fair value through profit or loss, in which case the transaction costs are immediately recorded in the statement of income.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between equally knowledgeable, willing parties. On the date of contracting or starting an operation, fair value is generally the amount of the transaction.

Fair value is determined based on:

- the price in an active market, or

- valuation methods and techniques (when there is not an active market) supported by:

  – mathematical calculations based on recognised financial theories; or,

  – prices calculated based on similar assets or liabilities traded on active markets or based on statistical estimates or other quantitative methods.

A market is considered to be active, and therefore liquid, if it is traded on a regular basis. Generally, there are market prices for securities and derivatives (futures and options) that are traded on stock exchanges.

In markets which lack liquidity and in the absence of regular transactions, alternative methods of valuing assets are used, namely:

- assets valued based on the most recent Net Asset Value disclosed by their managers;

- assets valued based on prices disclosed by the entities involved with the structuring of transactions;

- assets valued based on third party bid prices considered to be reliable; or,

- assets for which impairment tests are made based on indicators of the performance of the underlying operations (degree of protection by subordination of the parts owned, rates of delinquency of the underlying assets, the evolution of the ratings).

2.2.1. Financial assets held for trading and at fair value through profit or loss and financial liabilities held for trading

These captions include:

- fixed income securities and variable-yield securities traded on active markets, including long (purchased securities) or short (short selling of securities) positions, and derivatives purchased by the BPI Group for sale or repurchase in a very short period of time;

- securities related to capitalisation insurance portfolios;

- fixed income securities and variable-yield securities traded on active markets, which the Bank has opted, on the recognition date, to record and value at fair value through profit or loss.

Such assets and liabilities are valued daily at fair value. The book value of bonds and other fixed income securities includes accrued interest.

Gains and losses resulting from changes in fair value are recognised in the statement of income.

2.2.2. Held to maturity investments

This caption includes non-derivative financial assets with fixed or determinable payments and defined maturities that the BPI Group has the intention and ability to hold until maturity.

These investments are measured at amortized cost, using the effective interest rate method and subject to impairment tests. If, in a subsequent period, the amount of an impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through the statement of income for the year.

2.2.3. Financial assets available for sale

This caption includes:

- fixed income securities which have not been classified in the trading, held to maturity or loan portfolios;

- variable yield securities available for sale;

- shareholders' loans and supplementary capital contributions in financial assets available for sale.

Assets classified as available for sale are valued at fair value, except for equity instruments that are not traded on active markets and for which their fair value cannot be reliably measured or estimated. In this case they remain recorded at cost.

Gains and losses resulting from changes in the fair value of financial assets available for sale are recognised directly in the shareholders' equity caption FAIR VALUE REVALUATION RESERVE, except for impairment losses and exchange gains and losses on monetary assets, until the asset is sold. At this time, the gain or loss previously recognised in shareholders' equity is transferred to the statement of income.

Interest accrued on bonds and other fixed income securities and differences between their cost and nominal value (premium or discount) are recorded in the statement of income using the effective interest rate method.

Income from variable-yield securities (dividends in the case of shares) is recorded as income when it is attributed or received. In accordance with this procedure, interim dividends are recorded as income in the period in which they are declared.

IAS 39 identifies some events that it regards as objective evidence of impairment of financial assets available for sale, namely:

- significant financial difficulty of the issuer;

- a breach of contract by the issuer in terms of repayment of principal or payment interest;

- probability of bankruptcy of the issuer;

- the disappearance of an active market for the financial asset because of financial difficulties of the issuer;

In addition to the events of impairment of debt instruments referred to above, the following specific events are also considered for equity instruments:

- significant changes with adverse impact on the technological, market, economic or legal environment in which the issuer operates indicating that the cost of the investment may not be fully recovered;

- a significant or prolonged decrease in the market value of the financial asset below its cost.

With reference to the date of preparation of the financial statements, the Bank assesses the existence of objective evidence of impairment which indicates that the cost of investments may not be recoverable in the medium term, considering the market situation and the available information about the issuers.

In the case of objective evidence of impairment the accumulated loss in the fair value revaluation reserve is removed from equity and recognized in the statement of income.

Impairment losses recorded on fixed income securities are reversed through the statement of income if there is a positive change in the fair value of the security resulting from an event which has occurred after determination of the impairment. Impairment losses on variable-yield securities cannot be reversed. In the case of securities for which impairment losses have been recognised, subsequent negative changes in fair value are always recognised in the statement of income.

Exchange differences on non monetary assets (equity instruments) classified in the available-for-sale portfolio are recognised in the exchange difference revaluation reserve. Exchange differences on other securities are recorded in the statement of income.

Assets available for sale, designated as hedged assets, are valued as explained in note 2.2.7. Hedge Accounting – derivatives and hedged instruments.

2.2.4. Loans and other receivables

Loans and other receivables include loans and advances made by the Bank to Customers and to credit institutions, including finance lease operations, factoring operations, participation in syndicated loans and securitised loans (commercial paper and bonds issued by companies) that are not traded on an active market and which are not intended to be sold.

Loans and securitised loans traded on active markets are included in the caption FINANCIAL ASSETS AVAILABLE FOR SALE.

At the inception date, loans and other receivables are recognised at fair value. In general, fair value at the inception date corresponds to the amount of the transaction and includes commission, taxes and other costs and income relating to credit operations.

Loans and other receivables are subsequently valued at amortised cost, using the effective interest rate method and are subject to impairment tests.

Interest income, commission, fees and other costs and income on credit operations are recognised on an accruals basis over the period of the operations, regardless of when they are received or paid. Commission received relating to credit commitments is deferred and recognised on a straight-line basis over the period of the commitment.

The Bank classifies as overdue credit, instalments of principal and interest overdue for more than 30 days. Credits under legal collection procedures include the full amount of the principal (both overdue and not yet due). Mortgage loans are considered to be under legal collection procedures when the petition to execute is delivered to the court, which is usually 150 days after the first default.

The BPI Group writes off loans on operations considered to be unrecoverable, for which provisions (in accordance with the Adjusted Accounting Standards (Normas de Contabilidade Ajustadas – NCA) established by Bank of Portugal Notice 1 / 2005) and impairment losses have been recorded for their full amount in the month preceding the write-off.

Loans designated as hedged assets are valued as explained in note 2.2.7. Hedge Accounting – derivatives and hedged instruments.

Finance leasing (IAS 17)

Lease operations in which the Bank transfers substantially all the risks and rewards of ownership of an asset to a Customer or to a third party, are reflected on the balance sheet, at the inception date, as loans granted, at the net amount paid to acquire the leased asset. Lease instalments are composed of an interest income component and a principal repayment component. The interest income component for each period reflects an effective interest rate of return on the outstanding amount of principal.

Factoring

Assets resulting from factoring operations with recourse are recorded on the balance sheet as loans granted, by the amount advanced on account under the terms of the corresponding contracts.

Assets resulting from factoring operations without recourse are recorded on the balance sheet as loans granted, by the amount of the credit taken, with a corresponding entry to the liability caption CREDITORS FOR FACTORING OPERATIONS. Amounts advanced under the contracts are debited to the caption CREDITORS FOR FACTORING OPERATIONS.

Invoices received under factoring contracts with recourse, in which amounts are not advanced, are recorded in the off-balance sheet caption, CONTRACTS WITH RECOURSE – INVOICES NOT FINANCED, by the amount of the invoices received. The balance of this caption is reduced as the invoices are settled.

Commitments resulting from unused credit lines negotiated with Customers are recorded as off-balance sheet items.

Securitised credit not derecognised

The Bank does not derecognise credits sold in securitisation operations, considering that:

- it retains control over the operations;
- it continues to receive a substantial part of the remuneration;
- it retains a substantial part of the risk on the credits transferred.

Credits sold that have not been derecognised are recorded in the caption LOANS AND ADVANCES TO CUSTOMERS and are subject to the accounting principles used for other credit operations. Interest, commission and fees relating to the securitised loan portfolio are accrued over the period of the credit operation.

Amounts received relating to securitisation operations are recorded under the caption FINANCIAL LIABILITIES RELATING TO TRANSFERRED ASSETS. The respective interest, commission and fees are accrued based on the remuneration ceded by the Bank, in accordance with the expected average life of the securitisation operation at the launching date.

The risks and / or benefits maintained are represented by the bonds with the highest degree of risk, issued by the securitisation vehicle. The amount recorded in assets and liabilities represents the proportion of risk / benefit held by the Bank (continuing involvement).

Bonds issued by securitization vehicles and held by BPI Group entities are eliminated in the consolidation process.

Securities under repurchase and resale agreements

Securities purchased with resale agreements are not recorded in the securities portfolio. Funds paid are recorded as loans at the settlement date, while interest is accrued.

Securities sold with repurchase agreements are maintained in their original securities portfolio. Funds received are recorded in the corresponding liability caption at the settlement date, while interest is accrued.

Guarantees given and irrevocable commitments

Guarantees given and irrevocable commitments are recorded in off-balance sheet accounts by the amount at risk, while interest, commission, fees and other income are recorded in the statement of income over the period of the operations. These operations are subject to impairment tests.

Impairment

Loans, other receivables and guarantees given are subject to monthly impairment tests. Impairment losses identified are recorded by corresponding charge to the statement of income for the year. If, in subsequent periods, there is a decrease in the estimated impairment loss, the impairment loss initially recorded is reversed by credit to the statement of income.

In accordance with IAS 39 a financial asset is considered to be impaired when there is evidence that one or more loss events have occurred after initial recognition of an asset, and such events have an impact on the estimated recoverable value of the future cash flows of the financial asset considered.

IAS 39 defines some events that may be considered as objective evidence of impairment (breach of contract, such as delay in the payment of principal or interest; probability that the borrower will become bankrupt, etc.). However, in certain circumstances determination of impairment loss requires professional judgement.

Objective evidence of impairment situations is assessed as of the date of the financial statements.

Impairment assessment is made based on individual credits where they are significant in amount and on an individual or collective basis where the credits are not significant in amount.

BPI's loan portfolio is segmented as follows for purposes of determining impairment:

- Corporate Banking;
- Private Individuals and Small Businesses;
- Specialised credit: housing loans, equipment leasing, real estate leasing, vehicle financing, consumer credit and credit cards;
- Commercial portfolio: discounts, credit with a plan, credit without a plan and overdrafts;
- Project Finance;
- Institutional Banking and the State Business Sector;
- others.

Impairment losses relating to the Corporate Banking, Project Finance, Institutional Banking and the State Business Sector segments are determined on an individual basis whenever the credits show signs of impairment or are in default. Credit operations in these segments that do not show signs of impairment, as well as operations of the other segments are subject to collective assessments to determine the amount of the related impairment.

Individual assessment

In the case of assets for which there is objective evidence of impairment on an individual basis, impairment is calculated operation by operation, based on the information included in the Bank's credit risk analysis models which consider, among others, the following factors:

- overall exposure of the Customer and nature of the liabilities contracted with the Bank: financial or non financial operations (namely, liabilities of a commercial nature or performance guarantees);

- notation of client risk determined based on a calculation system implemented by the BPI Group. The risk notation includes, among others, the following characteristics:

  - financial situation of the Customer;

  - risk of the business sector in which the Customer operates;

  - quality of management of the Customer, measured by the experience in the relationship with the BPI Group and the existence of incidents;

  - quality of the accounting information presented;

- nature and amount of the guarantees relating to the liabilities contracted with the Bank;

- non performing loans for a period exceeding 30 days.

In such situations the amount of the loss is calculated based on the estimated recoverable amount of the credit, after recovery costs, discounted at the effective rate of interest during the period from the date the impairment is calculated to the expected date of recovery.

The expected recoverable amount of the credit reflects the cash flows that can result from execution of the guarantees or collateral relating to the credit granted, less costs of the recovery process.

Assets valued individually, for which there are no objective signs of impairment, are included in a group of assets with similar credit risks, and impairment losses are assessed collectively.

Impairment for these groups of assets is assessed as explained in the following section – Collective assessment.

Assets assessed individually, for which an impairment loss is recognised, are excluded from the collective assessment.

Collective assessment

Future cash flows of groups of credit subject to collective impairment assessment are estimated based on the past experience of losses on assets with similar credit risk characteristics.

Collective assessment involves estimating the following risk factors:

- the possibility of a performing operation or Customer coming to show signs of impairment through delays arising during the emergence period (period between the occurrence of a loss event and identification of that event by the Bank).

  In accordance with IAS 39 these situations correspond to losses incurred but not reported, that is cases in which, for part of the credit portfolio, the loss event has already occurred, but the Bank has not yet identified it;

- the possibility of an operation or Customer that has already had delays, going into default (situations of legal collection) during the remaining period of the operation;

- financial loss on operations in default;

For purposes of determining the percentage of estimated loss on operations or Customers in default, the Bank considers payments by Customers after default, less direct costs of the recovery process. The flows considered are discounted at the interest rate of the operations and compared to the exposure at the time of default.

The inputs used for calculating collective impairment are determined based on statistical models for credit groups and revised regularly to approximate the estimated amounts to the actual amounts.

For exposures with objective evidence of impairment, the amount of the loss results from a comparison of the book value with the present value of the estimated future cash flows. The rate of interest of the operations at the date of each assessment is used to calculate the present value of the future cash flows.

2.2.5. Deposits and other resources

After initial recognition, deposits and other financial resources of Customers and credit institutions are valued at amortised cost, using the effective interest rate.

This category includes life capitalisation insurance without a discretionary participation feature.

Deposits designated as hedged liabilities are valued as explained in note 2.2.7 Hedge Accounting – derivatives and hedged instruments.

2.2.6. Debt securities issued by the Bank

Debt securities issued by the Bank are recorded under the captions SUBORDINATED DEBT and DEBT SECURITIES.

At the date of issue, debt securities are recorded at fair value (issue value), including transaction expenses, commissions and fees, and subsequently valued at amortised cost using the effective interest rate method.

Derivatives embedded in bonds are recorded separately and revalued at fair value through the statement of income.

Bonds designated as hedged liabilities are valued as explained in note 2.2.7. Hedge Accounting – derivatives and hedged instruments.

Bonds issued by the Bank can be listed, or not, on the Stock Exchange.

Secondary market transactions

The Bank guarantees the liquidity of bonds issued. Purchases and sales of these debt securities are included proportionately in the respective captions of DEBT ISSUED (principal, interest, commissions, fees and derivatives), and the differences between the amount liquidated and the decrease or increase in the amount of the liability are immediately recognised in the statement of income.

2.2.7. Hedge accounting – derivatives and hedged instruments

The BPI Group carries out derivative operations in the normal course of its business, managing its own positions based on the expected evolution of the markets (trading), to meet the specific needs of its Customers, or to hedge its exposure (hedging).

All derivative instruments are recorded at fair value, the changes in fair value being recognised in the statement of income.

Financial derivative transactions in the form of foreign exchange contracts, interest rate contracts, contracts on shares or share indices, inflation contracts or a combination of these, are carried out in over-the-counter (OTC) markets and in organised markets (especially stock exchanges). The majority of over-the-counter derivatives, swaps, fras, caps, floors and options are traded on active markets, and are valued based on generally accepted methods (discounting cash flows, Black-Scholes method, etc.) and market prices for similar assets. The amount obtained is adjusted based on liquidity and credit risk.

Derivatives are also recorded in off balance sheet accounts at their theoretical value (notional amount), except for futures, which are recorded in off balance sheet accounts at their daily adjusted market value.

Hedge accounting

The BPI Group carries out derivative operations to hedge interest rate and foreign exchange rate risk (fair value hedge operations) on financial assets and liabilities identified individually (bond portfolio, issuance of own debt securities and loans), and on groups of operations (term deposits and fixed rate loans).

The BPI Group has formal documentation of the hedge relationship identifying, at the inception of the transaction, the instrument (or part of the instrument, or part of the risk) that is being hedged, the strategy and type of risk being hedged and the methods used to demonstrate the effectiveness of the hedge.

Monthly, the Bank tests the effectiveness of the hedge by comparing changes in the fair value of the hedged instrument, attributable to the hedged risk, with variations in the fair value of the hedging derivative, the relationship between them being within the range of 80% to 125%.

Gains and losses resulting from the revaluation of hedging derivatives are recognised in the statement of income. Gains and losses resulting from changes in the fair value of hedged financial assets or liabilities, attributable to the hedged risk, are also recognised in the statement of income, by corresponding entry to the book value of the hedged asset or liability in the case of operations at amortised cost (loans, deposits and debt issued) or to the fair value revaluation reserve in case of assets available for sale (bonds portfolio).

A hedged asset or liability may have only one part or one component of its fair value hedged (interest rate risk, foreign exchange rate risk or credit risk), provided that the effectiveness of the hedge can be measured separately.

If the hedging relationship ceases to exist as a result of the relationship between the fair value changes of the derivatives and the hedged instruments being outside the 80% to 125% range, the derivatives are reclassified as trading instruments and the amount of the revaluation of the hedged instruments is recognised in the statement of income for the remaining period of the operation.

Hedging effectiveness tests are duly documented on a monthly basis, thus ensuring the existence of evidence during the period of the operation.

2.2.8. Foreign currency financial assets and liabilities

Foreign currency financial assets and liabilities are recorded in conformity with the multi-currency system that is in their original currencies.

Foreign currency assets and liabilities are translated to Euro at the official market rates published by the Bank of Portugal.

Foreign currency income and expenses are translated to Euro at the exchange rates in force on the dates they are recognised.

2.3. Tangible assets (IAS 16)

Tangible assets used by the Bank in its operations are stated at cost (including directly attributable costs) less accumulated depreciation and impairment losses.

Depreciation of tangible assets is recorded on a straight-line basis over their estimated useful lives, which corresponds to the period the assets are expected to be available for use:

	Useful life (years)
Property	20 to 50
Improvements in owned property	10 to 50
Non-recoverable expenditure capitalised on leasehold buildings	3 to 10
Equipment	3 to 12
Other tangible assets	3 to 10

Non-recoverable expenditure on improvements in leasehold buildings is depreciated in accordance with its estimated useful life or the remaining period of the lease contract.

As established in IFRS 1, tangible assets acquired by the BPI Group up to 1 January 2004 have been recorded at their book value at the date of transition to IAS / IFRS, which corresponds to cost adjusted for revaluations recorded in accordance with the legislation, based on price level indices. In accordance with current tax legislation, 40% of the additional depreciation charge resulting from such revaluations is not deductible for income tax purposes, the resulting deferred tax liability being recognised.

Tangible assets acquired under finance lease

Tangible assets acquired under finance lease operations, in which the Bank has all the risks and rewards of ownership, are depreciated in accordance with the procedures explained in the preceding section.

Lease instalments comprise an interest charge and a principal repayment component. The liability is reduced by the amount corresponding to the principal repayment component of each of the instalments and the interest is reflected in the statement of income over the term of the lease.

2.4. Tangible assets available for sale

Assets (property, equipment and other assets) received as settlement of loan operations are recorded in the caption OTHER ASSETS as they are not always in condition to be sold immediately and may be held for periods in excess of one year. Such assets are recorded at the amount stated in the settlement agreement, which is the lower of the amount of the outstanding debt or the appraised value as of the date of the agreement. Such property is subject to periodic appraisals, with impairment losses being recorded whenever the appraised value (net of costs to sell) is lower than its book value.

The caption OTHER ASSETS also includes the Bank's tangible assets retired from use (unused property and equipment) which are in the process of sale. Such assets are transferred from tangible assets at their book value in accordance with IAS 16 (cost less accumulated depreciation and impairment losses) when they become available for sale, and are subject to periodic appraisals with impairment losses being recorded whenever the appraised value (net of selling costs) is lower than their book value.

Unrealised gains on other assets are not recognised on the balance sheet.

2.5. Intangible assets (IAS 38)

The Bank recognises, in this caption, expenses relating to the development stage of projects implemented and to be implemented, as well as the cost of acquiring software, in both cases where the impact extends beyond the financial year in which the cost is incurred.

Intangible assets are amortised on a straight-line monthly basis over the estimated period of useful life of the assets which, in general, corresponds to a period of three years.

To date the Bank has not recognised any intangible assets generated internally.

2.6. Retirement and survivor pensions (IAS 19)

The majority of Employees of the BPI Group are not covered by the Portuguese Social Security system. The BPI Group companies that have adhered to the Collective Vertical Labour Agreement (Acordo Colectivo de Trabalho Vertical) for the Portuguese Banking Sector have assumed the commitment to pay their Employees or their families, pensions for retirement due to age or incapacity, pensions for early retirement or survivor pensions (defined benefit plan). The pensions consist of a percentage, which increases with the number of years of service of the Employees, applied to their salaries.

Annually, the BPI Group determines the amount of its past service liability by actuarial calculation using the "Projected Unit Credit" method in the case of retirement due to age, and the "Single Successive Premiums" method in the case of retirement due to incapacity and survivor benefits. The actuarial assumptions used (financial and demographic) are based on the expectations, as of the balance sheet date, regarding salary and pension increases, using mortality tables adapted to the Bank's population. The discount rate is determined based on market rates for high quality corporate bonds with similar terms to those of the related pension liability. The assumptions are mutually compatible. In 2007 and 2008 the BPI Group updated the actuarial assumptions as of 30 June and 31 December, this being reflected prospectively in pension costs and in determining and amortising the actuarial deviations that exceed the corridor. The amount of the liability includes, in addition to the retirement pension benefits, post-employment healthcare benefits (SAMS) and death subsidy during retirement.

The BPI Group recognises, under the caption OTHER ASSETS or OTHER LIABILITIES – ACTUARIAL DEVIATIONS, the net accumulated amount (after 1 January 2004) of actuarial gains and losses resulting from changes in the actuarial and financial assumptions, as well as differences between the actuarial and financial assumptions used and the actual amounts. A corridor has been established to absorb accumulated actuarial gains and losses of up to 10% of the higher of the present value of the past service liability or the amount of the pension fund. Amounts that exceed the corridor are amortised against the statement of income over the average period up to the expected retirement age of the Employees covered by the plan.

The increase in the past service liability resulting from early retirements is fully recognised as cost in the statement of income for the year.

Increases in the past service liability resulting from changes in the conditions of the Pension Plans are recognised in full as costs in the case of vested benefits, or amortised over the period up to the time the benefits become vested. The amount of the liabilities not yet recognised as cost is reflected in the caption OTHER ASSETS.

The past service liability (post employment benefits) is covered by Pension Funds. The value of the Pension Funds corresponds to the fair value of their assets at the balance sheet date.

The funding requirements of the Pension Fund are defined in Bank of Portugal Notice 4 / 2005, which establishes:

- the requirement to fully fund pensions under payment and a minimum of 95% of the past service liability for current personnel;

- the establishment of a transitory period to fund the increase in the liability resulting from application of IAS 19 at 31 December 2004.

At 31 December 2005 the Bank opted to fund the full amount of the liability for retirement pensions of its Employees and so is not applying the uniform amortisation plan allowed by the Bank of Portugal.

The past service liability for retirement pensions net of the amount of the pension fund is recorded in the BPI Group's financial statements under the caption OTHER LIABILITIES (insufficient coverage) or OTHER ASSETS (excess coverage).

The following costs relating to retirement and survivor pensions are included in the consolidated statement of income of the BPI Group:

- current service cost (cost for the year);
- interest cost on the total liability;
- expected income of the Pension Funds;
- cost relating to the increase in the past service liability due to early retirements;
- amortisation of the actuarial deviations or changes in assumptions outside the corridor;
- cost (or amortisation) resulting from changes in the conditions of the Pension Plan.

At the transition date, the BPI Group adopted the option, allowed under IFRS 1, of not recalculating actuarial gains and losses deferred since the inception of the pension plans (reset option). Consequently, deferred actuarial gains and losses reflected in the BPI Group's financial statements as of 31 December 2003 were reversed by corresponding entry to retained earnings at the transition date (1 January 2004).

2.7. Long service premiums (IAS 19)

The BPI Group companies that have adhered to the Collective Vertical Labour Agreement (Acordo Colectivo de Trabalho Vertical) for the Portuguese Banking Sector have assumed the commitment to pay current Employees that have fifteen, twenty five or thirty years of good service to the Group companies, a long service premium corresponding, respectively, to one, two or three months of their effective monthly remuneration (in the year the premium is attributed).

Annually, the BPI Group determines the present value of the liability for long service premiums by actuarial calculation using the "Projected Unit Credit" method. The actuarial assumptions used (financial and demographic) are based on the expectations, as of the balance sheet date, regarding salary increases, using mortality tables adapted to the Bank's population. The discount rate used is determined based on market rates for high quality corporate bonds with similar terms to those of payment of the liability. The assumptions are mutually compatible.

The liability for long service premiums is reflected under the caption OTHER LIABILITIES.

The following costs relating to the liability for long service premiums are included in the consolidated statement of income of the BPI Group:

- current service cost (cost for the year);

- interest cost;

- gain and loss resulting from actuarial deviations, changes in assumptions or changes in the conditions of the benefits.

2.8. Treasury shares (IAS 32)

Treasury shares are recorded at cost in equity captions and are not subject to revaluation. Realised gains and losses, as well as the resulting taxes, are recorded directly in shareholders' equity, not affecting net income for the year.

2.9. Share-based payments (Remuneração variável em acções – RVA) (IFRS 2)

The share-based payment program (Remuneração Variável em Acções – RVA) is a remuneration plan under which part of the variable remuneration of Executive Directors and Employees of the BPI Group with annual variable remuneration equal to or greater than 2 500 euro is paid in BPI shares and BPI share options. Remuneration under the RVA program varies from 10% to 50% of the total variable remuneration, the percentage increasing as the responsibility level of the Director or Employee increases.

The shares granted under the RVA program become available to the beneficiary on a gradual basis: 25% on the date they are granted and 25% in each of the three following years. As from 2002 ownership of the shares granted under the RVA program has been fully transferred on the date the shares are granted. Call options over the shares can be exercised between the first and the fifth year, as from the date they are granted. The shares become available (in the 3 years following the year in which they are granted) and the options become available (up to 2005, in the year following that in which they were granted, and as from 2005 in the 90 days following the grant date) subject to the beneficiaries remaining with the BPI Group.

Costs relating to the share-based payment program (RVA program) are accrued under the caption PERSONNEL COSTS with a corresponding entry to OTHER EQUITY INSTRUMENTS, as established by IFRS 2 for share-based payments. The cost of the shares and option premiums, as of the date they are granted, is accrued on a straight-line basis from the beginning of the year of the program (1 January) to the moment they become available to the Employees.

For the purpose of share-based payments, the Bank has created a portfolio of BPI shares transferring ownership of the shares to Employees on the grant date. However, for accounting purposes, the shares remain in the Bank's treasury share portfolio until the date they are made available. The shares are then derecognised by corresponding entry to the amounts accumulated under the caption OTHER EQUITY INSTRUMENTS.

For purposes of the share-based payment in options, the BPI Group has created a portfolio of BPI shares in order to hedge the liability resulting from issuing call options over the BPI shares, following a delta hedging strategy (determined using a model to evaluate the BPI share options, developed in-house based on Black-Scholes methodology).

This strategy corresponds to the creation of a portfolio with delta shares for each option granted, delta corresponding to the relationship between evolution of the price of an option and evolution of the price of the underlying shares. The treasury shares held to hedge the risk of variation in the value of the options sold are recorded under the caption TREASURY SHARES HEDGING THE SHARE-BASED PAYMENT PROGRAM, where they remain while they are held for that purpose.

When the options are exercised, the treasury shares are derecognised together with transmission of their ownership to the Employees. At that time the Bank recognises a gain or loss resulting from the difference between the exercise price and the average cost of the treasury share portfolio hedging each program, less the cost of the option premiums accumulated in the caption OTHER EQUITY INSTRUMENTS.

Realised gains and losses on treasury shares in the coverage and exercise of the options of the share-based payment program, as well as the related taxes, are recorded directly in shareholders' equity, not affecting net income for the year.

2.10. Technical provisions (IFRS 4)

The BPI Group sells capitalisation life insurance products through its subsidiary BPI Vida. Capitalisation insurance products without discretionary participation features are recorded in accordance with IAS 39 and included in the caption RESOURCES OF CUSTOMERS AND OTHER DEBTS. Capitalisation insurance products with discretionary participation features are recorded in accordance with IFRS 4, in the caption TECHNICAL PROVISIONS.

The technical provisions recorded for life insurance contracts represent, collectively, the liability to the insured Customers and include:

- mathematical provisions determined using prospective actuarial methods in accordance with the technical bases of each product.

  They also include a provision for rate commitments, which is recorded when the effective profitability rate of the assets which represent the mathematical provisions of a certain product is lower than the technical interest rate used to calculate the mathematical provisions;

- provision for participation in profits to be attributed to the contracts in force at the end of each year. The amount is calculated in accordance with the technical bases of each contract, duly approved by the Portuguese Insurance Institute (Instituto de Seguros de Portugal), using the profitability rates for investments covering the respective mathematical provisions;

- provision for claims to cover indemnities payable relating to claims incurred but not yet settled. Since the BPI Group does not commercialise risk insurance, no provision has been recorded for claims incurred but not yet reported (IBNR).

2.11. Provisions for other risks and charges (IAS 37)

This caption includes provisions to cover other specific risks, namely tax contingencies, legal processes and other losses arising from the operations of the BPI Group.

2.12. Income taxes (IAS 12)

All the Group companies are taxed individually.

Banco BPI and its subsidiary and associated companies with head offices in Portugal are subject to the tax regimes established in the Corporate Income Tax Code (Portuguese initials – CIRC) and in the Statute of Tax Benefits.

The Madeira and Santa Maria Off-shore Financial Branches of Banco BPI are exempt from corporate income tax up to 31 December 2011, in accordance with article 31 of the Statute of Tax Benefits. Under the provisions of Ministerial Order 555 / 2002 of 4 June, for the purpose of applying this exemption, at least 80% of the taxable income from Banco BPI's global operations is considered to result from activities outside the institutional scope of the Madeira and Santa Maria Free Trade Zones. This regime came into force on 1 January 2003.

Current taxes are calculated based on the legal tax rates in force in the countries in which the Bank operates during the reporting period.

Deferred tax assets and liabilities correspond to the tax recoverable and payable in future periods resulting from temporary differences between the carrying value of assets and liabilities and their respective tax bases. Tax losses carried forward and tax credits also give rise to the recognition of deferred tax assets.

Deferred tax assets are recognised only to the extent of the probable existence of sufficient expected future taxable income to absorb the deductible temporary differences.

Deferred tax assets and liabilities have been calculated using the tax rates decreed for the period in which the respective assets or liabilities are expected to be realised.

Current and deferred taxes are recognised in the statement of income, except for those relating to amounts recorded directly in shareholders' equity (namely gains and losses on treasury shares and securities available for sale).

The BPI Group does not record deferred tax assets and liabilities on temporary taxable differences relating to investments in subsidiary and associated companies, as these differences are not expected to revert in the foreseeable future, except for the following:

- deferred tax liabilities relating to the estimated dividends that Banco de Fomento Angola is expected to pay to the BPI Group companies in the next year out of net income for the year, are recognized;

- deferred tax liabilities relating to all distributable net income (including the undistributed part) of Banco Comercial e de Investimentos are recognized.

Net income distributed to Banco BPI by subsidiary and associated companies in Portugal are not taxed in Banco BPI as a result of application of the regime established in article 46 of the Corporate Income Tax Code, which provides for the elimination of double taxation of net income distributed.

2.13. Preference shares (IAS 32 and IAS 39)

Preference shares are classified as equity instruments when:

- there is no contractual obligation for the BPI Group to redeem the preference shares acquired by a holder (in cash or in another financial asset);

- remission or early redemption of the preference shares can only be made at the option of the BPI Group;

- dividends distributed by the BPI Group to the preference shareholders are discretionary.

The BPI Group classified the preference shares issued by BPI Capital Finance Ltd. as equity instruments. The payment of dividends and redemption of the shares are guaranteed by Banco BPI.

The preference shares classified as equity instruments, held by third parties, are presented in the consolidated financial statements in the caption MINORITY INTEREST.

2.14. Principal estimates and uncertainties regarding the application of the accounting standards

The BPI Group's financial statements have been prepared using estimates and expected future amounts in the following areas:

Retirement and survivor pensions

Retirement and survivor pension liabilities and Pension Fund income have been estimated based on actuarial tables and assumptions of the increase in pensions and salaries and future income of the Pension Funds. These assumptions are based on the BPI Group's expectations for the period during which the liabilities will be settled.

Loan impairment

Loan impairment has been determined based on expected future cash flows and estimated recoverable amounts. The estimates are made using assumptions based on the available historical information and assessment of the situation of the Customers. Possible differences between the assumptions used and the actual future behaviour of the loans and changes in the assumptions used by the BPI Group have an impact on the estimates.

Fair value of derivatives and unlisted financial assets

The fair value of derivatives and unlisted financial assets was estimated based on valuation methods and financial theories, the results of which depend on the assumptions used.

The environment of the financial markets, particularly in terms of liquidity, can influence the realisable value of these financial instruments in some specific situations, including their sale prior to maturity.

Income taxes

The Bank of Portugal has changed the accounting rules for preparing non-consolidated financial statements, which are those used for tax purposes. As from 1 January 2005 the non-consolidated financial statements of Banco BPI have been prepared in accordance with the Adjusted Accounting Standards (*Normas de Contabilidade Ajustadas* – NCA) established by Bank of Portugal Notice 1 / 2005. Consequently, current and deferred tax relating to the impact of some transition adjustments to the new accounting rules have been calculated based on assumptions that may or may not be confirmed by the tax authorities in the future.

Additionally, deferred tax assets are recognised based on the assumption of the existence of future taxable income.

Deferred tax assets and liabilities have been recognised based on the tax legislation currently in force for the BPI Group companies or on legislation already published for future application. Different interpretations of tax legislation can influence the amount of income taxes.

3. SEGMENT REPORTING

3.1. Geographical segments

Geographical segments are the main basis for segmentation of the consolidated financial statements, and coincide with the first level of management segmentation and of the Group's information.

The BPI Group's segment reporting is based on the location of the units, and is divided into two main segments:

Domestic operations

Domestic operations correspond to the commercial banking operations carried out by the Group entities with head offices in Portugal, the Rest of Europe (Spain, France and Switzerland) and the Rest of the World (Cayman, Macao and North America) relating to banking services provided to domestic Customers, including the emigrant community and subsidiaries of Portuguese companies.

International operations

International operations correspond to commercial banking operations carried out in Angola by Banco de Fomento, S.A. and in Mozambique by Banco Comercial e de Investimentos, S.A.R.L. and BPI Dealer – Sociedade Financeira de Corretagem, S.A.R.L.

The BPI Group's balance sheet as of 31 December 2008 and investments made in tangible and intangible assets during the year, by geographical segments, are as follows:

	Domestic operations				
	Portugal	Rest of Europe	Rest of the World	Inter segment operations	Total
ASSETS					
Cash and deposits at central banks	635 244	13 738	19		649 001
Loans and advances to other credit institutions repayable on demand	572 306	22 010	1 627	(378 168)	217 775
Financial assets held for trading and at fair value through profit or loss	1 804 648	12 920	260 549	(699 025)	1 379 092
Financial assets available for sale	2 668 717	830	75 677	(10 048)	2 735 176
Loans and advances to credit institutions	10 881 463	58 976	8 194 282	(15 687 027)	3 447 694
Loans and advances to Customers	24 562 352	3 102 481	399 087	(23 397)	28 040 523
Held to maturity investments	469 476			(61 822)	407 654
Hedging derivatives	600 125		243 706	(359 403)	484 428
Other tangible assets	232 293	4 245	530		237 068
Intangible assets	12 877	1 173	5		14 055
Investment in associated companies and jointly controlled entities	121 942				121 942
Tax assets	250 368				250 368
Other assets	1 187 005	12 492	8 295	(47 756)	1 160 036
Total assets	**43 998 816**	**3 228 865**	**9 183 777**	**(17 266 646)**	**39 144 812**
LIABILITIES					
Financial liabilities held for trading	630 851	12 710	4 044	(389 153)	258 452
Resources of other credit institutions	12 945 438	2 533 846	945 339	(13 909 725)	2 514 898
Resources of Customers and other debts	19 331 150	553 115	3 466 130	(1 611 835)	21 738 560
Debt securities	3 599 071		2 929 390	(110 653)	6 417 808
Financial liabilities relating to transferred assets	2 087 577			(16 798)	2 070 779
Hedging derivatives	774 380		153 542	(331 385)	596 537
Provisions	30 384	27 912	1 845	(1 319)	58 822
Technical provisions	2 246 427				2 246 427
Tax liabilities	36 269	1 135	2		37 406
Participating bonds	28 682				28 682
Subordinated debt	375 424	2 147	953 816	(563 759)	767 628
Other liabilities	860 066	35 922	288 121	(332 019)	852 090
Total liabilities	**42 945 719**	**3 166 787**	**8 742 229**	**(17 266 646)**	**37 588 089**
SHAREHOLDERS' EQUITY					
Shareholders' equity attributable to the shareholders of BPI	1 053 097	62 078	177 085		1 292 260
Minority interest			264 463		264 463
Total shareholders' equity	**1 053 097**	**62 078**	**441 548**		**1 556 723**
Total liabilities and shareholders' equity	**43 998 816**	**3 228 865**	**9 183 777**	**(17 266 646)**	**39 144 812**
Investments made in:					
Property	107		173		280
Equipment and other tangible assets	33 519	78	17		33 614
Intangible assets	7 025	2			7 027

International operations			Inter segment operations	BPI Group
Angola	Mozambique	Total		
439 338		439 338		1 088 339
50 913	37	50 950	(41 644)	227 081
1 474 449	38	1 474 487		2 853 579
527 427		527 427		3 262 603
558 924		558 924	(502 420)	3 504 198
1 234 659		1 234 659		29 275 182
				407 654
				484 428
94 586		94 586		331 654
1 309		1 309		15 364
	15 933	15 933		137 875
	7	7		250 375
4 560	14	4 574	457	1 165 067
4 386 165	**16 029**	**4 402 194**	**(543 607)**	**43 003 399**
				258 452
36 578		36 578	(544 064)	2 007 412
3 895 060		3 895 060		25 633 620
				6 417 808
				2 070 779
				596 537
18 743		18 743		77 565
				2 246 427
25 404	2	25 406		62 812
				28 682
				767 628
21 600		21 600	457	874 147
3 997 385	**2**	**3 997 387**	**(543 607)**	**41 041 869**
189 823	16 020	205 843		1 498 103
198 957	7	198 964		463 427
388 780	**16 027**	**404 807**		**1 961 530**
4 386 165	**16 029**	**4 402 194**	**(543 607)**	**43 003 399**
7 806		7 806		8 086
16 161		16 161		49 775
938		938		7 965

The BPI Group's income statement for the year ended 31 December 2008, by geographical segments, is as follows:

	Domestic operations				
	Portugal	Rest of Europe	Rest of the World	Inter segment operations	Total
Financial margin (narrow sense)	**392 034**	**37 261**	**40 906**	**178**	**470 379**
Gross margin on unit links	6 535				6 535
Income from equity instruments	5 545	36	1		5 582
Net commission relating to amortised cost	17 856	2 871	603	(171)	21 159
Financial margin	**421 970**	**40 168**	**41 510**	**7**	**503 655**
Technical result of insurance contracts	(12 183)				(12 183)
Commissions received	256 651	12 554	2 073	(1 769)	269 509
Commissions paid	(36 490)	(2 550)	(1 172)	1 432	(38 780)
Other income, net	25 043	40	2		25 085
Net commission income	**245 204**	**10 044**	**903**	**(337)**	**255 814**
Gain and loss on operations at fair value	(34 985)	(140)	36 214		1 089
Gain and loss on assets available for sale	(57 385)		(419)		(57 804)
Interest and financial gain and loss with pensions	36 556				36 556
Net income on financial operations	**(55 814)**	**(140)**	**35 795**		**(20 159)**
Operating income	208 001	496	1		208 498
Operating expenses	(12 735)	(78)	(10)		(12 823)
Other taxes	(3 734)	(337)	(127)		(4 198)
Net operating expenses	**191 532**	**81**	**(136)**		**191 477**
Operating income from banking activity	**790 709**	**50 153**	**78 072**	**(330)**	**918 604**
Personnel costs	(374 615)	(11 952)	(457)		(387 024)
General administrative costs	(190 196)	(5 734)	(403)	330	(196 003)
Depreciation and amortisation	(39 442)	(979)	(41)		(40 462)
Overhead costs	**(604 253)**	**(18 665)**	**(901)**	**330**	**(623 489)**
Recovery of loans, interest and expenses	25 465	278			25 743
Impairment losses and provisions for loans and guarantees, net	(113 469)		(20 430)		(133 899)
Impairment losses and other provisions, net	(144 214)	176	4 621		(139 417)
Net income before income tax	**(45 762)**	**31 942**	**61 362**		**47 542**
Income tax	(19 672)	(4 897)			(24 569)
Earnings of associated companies (equity method)	5 168				5 168
Global consolidated net income	**(60 266)**	**27 045**	**61 362**		**28 141**
Income attributable to minority interest			(18 398)		(18 398)
Consolidated net income of the BPI Group	**(60 266)**	**27 045**	**42 964**		**9 743**
Cash flow after taxes	236 859	27 848	58 814		323 521
Overheads as a % of operating income from banking	76%	37%	1%		68%

International operations			Inter segment operations	BPI Group
Angola	Mozambique	Total		
172 538	**8**	**172 546**		**642 925**
				6 535
				5 582
				21 159
172 538	**8**	**172 546**		**676 201**
				(12 183)
24 809	19	24 828	(60)	294 277
(3 345)	(19)	(3 364)	1 250	(40 894)
28 243		28 243	(1 190)	52 138
49 707		**49 707**		**305 521**
40 814		40 814		41 903
				(57 804)
				36 556
40 814		**40 814**		**20 655**
3 325		3 325		211 823
(2 594)	(1)	(2 595)		(15 418)
(627)	(1)	(628)		(4 826)
104	**(2)**	**102**		**191 579**
263 163	**6**	**263 169**		**1 181 773**
(32 345)		(32 345)		(419 369)
(29 862)		(29 862)		(225 865)
(11 957)		(11 957)		(52 419)
(74 164)		**(74 164)**		**(697 653)**
135		135		25 878
(9 774)		(9 774)		(143 673)
(7 220)		(7 220)		(146 637)
172 140	**6**	**172 146**		**219 688**
(26 393)	(389)	(26 782)		(51 351)
	4 546	4 546		9 714
145 747	**4 163**	**149 910**		**178 051**
(9 348)		(9 348)		(27 746)
136 399	**4 163**	**140 562**		**150 305**
165 350	4 163	169 513		493 034
28%		28%		59%

The BPI Group's balance sheet as of 31 December 2007 and investments made in tangible and intangible assets during the year, by geographical segments, are as follows:

	Domestic operations				
	Portugal	Rest of Europe	Rest of the World	Inter segment operations	Total
ASSETS					
Cash and deposits at central banks	828 663	16 725	8		845 396
Loans and advances to other credit institutions repayable on demand	593 350	21 990	7 215	(346 046)	276 509
Financial assets held for trading and at fair value through profit or loss	4 355 363	9 663	279 211	(529 633)	4 114 604
Financial assets available for sale	3 420 354	816	76 587	2 276	3 500 033
Loans and advances to credit institutions	7 513 544	96 019	9 601 940	(15 686 321)	1 525 182
Loans and advances to Customers	22 987 778	2 736 401	608 936	(63 750)	26 269 365
Hedging derivatives	460 930		94 656	(143 430)	412 156
Other tangible assets	233 995	3 923	180		238 098
Intangible assets	13 275	1 310	12		14 597
Investment in associated companies and jointly controlled entities	137 855				137 855
Tax assets	138 377	2 988			141 365
Other assets	859 898	17 976	293	(77 998)	800 169
Total assets	**41 543 382**	**2 907 811**	**10 669 038**	**(16 844 902)**	**38 275 329**
LIABILITIES					
Financial liabilities held for trading	516 103	8 341	27 131	(16 906)	534 669
Resources of other credit institutions	13 873 010	2 462 744	1 945 115	(14 508 308)	3 772 561
Resources of Customers and other debts	16 543 539	308 249	2 799 864	(1 006 991)	18 644 661
Debt securities	1 549 660		3 932 573	(140 378)	5 341 855
Financial liabilities relating to transferred assets	3 008 159				3 008 159
Hedging derivatives	622 828		99 007	(177 206)	544 629
Provisions	27 729	27 688	2 051		57 468
Technical provisions	2 774 587				2 774 587
Tax liabilities	89 089	6 213	2		95 304
Participating bonds	31 437		(2 843)	(1 325)	27 269
Subordinated debt	382 994	1 926	1 161 921	(616 007)	930 834
Other liabilities	946 942	38 443	301 326	(377 781)	908 930
Total liabilities	**40 366 077**	**2 853 604**	**10 266 147**	**(16 844 902)**	**36 640 926**
SHAREHOLDERS' EQUITY					
Shareholders' equity attributable to the shareholders of BPI	1 177 305	54 207	132 572		1 364 084
Minority interest			270 319		270 319
Total shareholders' equity	**1 177 305**	**54 207**	**402 891**		**1 634 403**
Total liabilities and shareholders' equity	**41 543 382**	**2 907 811**	**10 669 038**	**(16 844 902)**	**38 275 329**
Investments made in:					
Property	601				601
Equipment and other tangible assets	39 899	109	35		40 043
Intangible assets	11 147				11 147

International operations			Inter segment operations	BPI Group
Angola	Mozambique	Total		
281 000		281 000		1 126 396
16 372	34	16 406	(11 399)	281 516
476 756	51	476 807		4 591 411
425 367		425 367		3 925 400
95 134		95 134	(79 416)	1 540 900
961 148		961 148		27 230 513
				412 156
78 827		78 827		316 925
856		856		15 453
	13 105	13 105		150 960
	6	6		141 371
12 778	1	12 779		812 948
2 348 238	**13 197**	**2 361 435**	**(90 815)**	**40 545 949**
				534 669
50 200		50 200	(90 815)	3 731 946
1 977 205		1 977 205		20 621 866
				5 341 855
				3 008 159
				544 629
15 385		15 385		72 853
				2 774 587
29 975		29 975		125 279
				27 269
				930 834
17 614		17 614		926 544
2 090 379		**2 090 379**	**(90 815)**	**38 640 490**
257 859	13 190	271 049		1 635 133
	7	7		270 326
257 859	**13 197**	**271 056**		**1 905 459**
2 348 238	**13 197**	**2 361 435**	**(90 815)**	**40 545 949**
15 237		15 237		15 838
24 755		24 755		64 798
686		686		11 833

The BPI Group's income statement for the year ended 31 December 2007, by geographical segments, is as follows:

	Domestic operations				
	Portugal	Rest of Europe	Rest of the World	Inter segment operations	Total
Financial margin (narrow sense)	**403 206**	**30 313**	**43 133**	**178**	**476 830**
Gross margin on unit links	10 691				10 691
Income from equity instruments	22 291				22 291
Net commission relating to amortised cost	21 012		88	(170)	20 930
Financial margin	**457 200**	**30 313**	**43 221**	**8**	**530 742**
Technical result of insurance contracts	13 057				13 057
Commissions received	283 743	16 105	7 633	(1 629)	305 852
Commissions paid	(32 624)	(2 021)	(2)	1 300	(33 347)
Other income, net	25 974	33	2		26 009
Net commission income	**277 093**	**14 117**	**7 633**	**(329)**	**298 514**
Gain and loss on operations at fair value	396	37	(8 245)		(7 812)
Gain and loss on assets available for sale	119 069	4 682	(449)		123 302
Interest and financial gain and loss with pensions	60 593				60 593
Net income on financial operations	**180 058**	**4 719**	**(8 694)**		**176 083**
Operating income	18 846	544			19 390
Operating expenses	(14 988)	(123)	(5)		(15 116)
Other taxes	(2 872)	(332)	(140)		(3 344)
Net operating expenses	**986**	**89**	**(145)**		**930**
Operating income from banking activity	**928 394**	**49 238**	**42 015**	**(321)**	**1 019 326**
Personnel costs	(342 717)	(10 883)	(221)		(353 821)
General administrative costs	(197 358)	(5 681)	(304)	321	(203 022)
Depreciation and amortisation	(35 460)	(887)	(38)		(36 385)
Overhead costs	**(575 535)**	**(17 451)**	**(563)**	**321**	**(593 228)**
Recovery of loans, interest and expenses	20 269	492			20 761
Impairment losses and provisions for loans and guarantees, net	(64 369)		(19 596)		(83 965)
Impairment losses and other provisions, net	(8 028)	(186)	(6 628)		(14 842)
Net income before income tax	**300 731**	**32 093**	**15 228**		**348 052**
Income tax	(71 373)	(6 219)			(77 592)
Earnings of associated companies (equity method)	24 372				24 372
Global consolidated net income	**253 730**	**25 874**	**15 228**		**294 832**
Income attributable to minority interest			(16 806)		(16 806)
Consolidated net income of the BPI Group	**253 730**	**25 874**	**(1 578)**		**278 026**
Cash flow after taxes	361 587	26 947	24 684		413 218
Overheads as a % of operating income from banking	62%	35%	1%		58%

International operations			Inter segment operations	BPI Group
Angola	Mozambique	Total		
131 154	**10**	**131 164**		**607 994**
				10 691
				22 291
				20 930
131 154	**10**	**131 164**		**661 906**
				13 057
22 666		22 666	(1 250)	327 268
(2 434)		(2 434)	1 250	(34 531)
23 857		23 857		49 866
44 089		**44 089**		**342 603**
21 457		21 457		13 645
				123 302
				60 593
21 457		**21 457**		**197 540**
636		636		20 026
(459)	(1)	(460)		(15 576)
(684)		(684)		(4 028)
(507)	**(1)**	**(508)**		**422**
196 193	**9**	**196 202**		**1 215 528**
(25 415)		(25 415)		(379 236)
(25 619)		(25 619)		(228 641)
(8 987)		(8 987)		(45 372)
(60 021)		**(60 021)**		**(653 249)**
91		91		20 852
(28 300)		(28 300)		(112 265)
(3 488)		(3 488)		(18 330)
104 475	**9**	**104 484**		**452 536**
(30 703)	(308)	(31 011)		(108 603)
	3 613	3 613		27 985
73 772	**3 314**	**77 086**		**371 918**
	(1)	(1)		(16 807)
73 772	**3 313**	**77 085**		**355 111**
114 547	3 313	117 860		531 078
31%		31%		54%

3.2. Business segments

The BPI Group's business segment reporting is made up of three main segments:

Commercial banking

The BPI Group's operations are focused mainly on commercial banking. Commercial banking includes:

- ***Retail banking*** – Retail banking includes commercial operations with private clients, businesses and sole traders with turnover of up to 2.5 million euro through a multi-channel distribution network made up of commercial branches, investment centres, home banking services (BPI Net), telephone banking (BPI Directo), specialised branches and a network of external promoters.

- ***Corporate banking*** – Corporate banking includes commercial operations with private, public and municipal companies and public sector organisations (including the Central and Local Administration), as well as Foundations and Associations. Corporate banking also includes Project Finance and Public-Private Partnership operations in the commercial promotion area, structuring and organising financial operations and consultancy services relating to this area.

Investment banking

Investment banking covers the following business areas:

- ***Brokerage*** – includes brokerage (purchase and sale of securities) on account of Customers;

- ***Private Banking*** – Private Banking is responsible for implementing strategies and investment proposals presented to Customers and managing all or part of their financial assets under management mandates given to the Bank. In addition, Private Banking provides asset management, tax information and business consulting services.

- ***Corporate Finance*** – This includes rendering consultancy services relating to the analysis of investment projects and decisions, market privatisation operations and the structuring of merger and acquisition processes.

Equity investments and others

This segment includes essentially Financial Participations and Private Equity activities. The BPI Group Private Equity area invests essentially in unlisted companies with the following objectives: the development of new products and technologies, financing of investments in working capital, acquisitions and the strengthening of financial autonomy.

This segment also includes the Bank's residual activity, such segments representing individually less than 10% of total income, net profit and the Group's assets.

The BPI Group's balance sheet as of 31 December 2008 and investments made in tangible and intangible assets during the year, by business segment, are as follows:

	Domestic operations					International operations	Inter segment operations	BPI Group
	Commer-cial banking	**Investment banking**	**Equity investments and others**	**Inter segment operations**	**Total**			
ASSETS								
Cash and deposits at central banks	648 689	312			649 001	439 338		1 088 339
Loans and advances to other credit institutions repayable on demand	503 243	85 336	1 087	(371 891)	217 775	50 950	(41 644)	227 081
Financial assets held for trading and at fair value through profit or loss	1 642 884	431 510		(695 302)	1 379 092	1 474 487		2 853 579
Financial assets available for sale	2 512 592	105 722	126 910	(10 048)	2 735 176	527 427		3 262 603
Loans and advances to credit institutions	5 781 948	3 527 786	1 620	(5 863 660)	3 447 694	558 924	(502 420)	3 504 198
Loans and advances to Customers	27 958 047	96 734		(14 258)	28 040 523	1 234 659		29 275 182
Held to maturity investments	401 858	67 618		(61 822)	407 654			407 654
Hedging derivatives	569 846	346		(85 764)	484 428			484 428
Other tangible assets	233 917	3 151			237 068	94 586		331 654
Intangible assets	14 045	10			14 055	1 309		15 364
Investment in associated companies and jointly controlled entities	57 762		64 180		121 942	15 933		137 875
Tax assets	246 178	4 227	(37)		250 368	7		250 375
Other assets	1 142 897	55 370	1 080	(39 311)	1 160 036	4 574	457	1 165 067
Total assets	**41 713 906**	**4 378 122**	**194 840**	**(7 142 056)**	**39 144 812**	**4 402 194**	**(543 607)**	**43 003 399**
LIABILITIES								
Financial liabilities held for trading	422 844	221 038		(385 430)	258 452			258 452
Resources of other credit institutions	6 420 019	29 634	144 573	(4 079 328)	2 514 898	36 578	(544 064)	2 007 412
Resources of Customers and other debts	19 698 553	3 650 975	867	(1 611 835)	21 738 560	3 895 060		25 633 620
Debt securities	6 528 235	226		(110 653)	6 417 808			6 417 808
Financial liabilities relating to transferred assets	2 087 577			(16 798)	2 070 779			2 070 779
Hedging derivatives	653 918	365		(57 746)	596 537			596 537
Provisions	57 938	2 149	54	(1 319)	58 822	18 743		77 565
Technical provisions	1 922 876	323 551			2 246 427			2 246 427
Tax liabilities	36 803	1 949	(1 346)		37 406	25 406		62 812
Participating bonds	28 682				28 682			28 682
Subordinated debt	1 320 573	10 814		(563 759)	767 628			767 628
Other liabilities	1 116 116	50 292	870	(315 188)	852 090	21 600	457	874 147
Total liabilities	**40 294 134**	**4 290 993**	**145 018**	**(7 142 056)**	**37 588 089**	**3 997 387**	**(543 607)**	**41 041 869**
SHAREHOLDERS' EQUITY								
Shareholders' equity attributable to the shareholders of BPI	1 155 309	87 129	49 822		1 292 260	205 843		1 498 103
Minority interest	264 463				264 463	198 964		463 427
Total shareholders' equity	**1 419 772**	**87 129**	**49 822**		**1 556 723**	**404 807**		**1 961 530**
Total liabilities and shareholders' equity	**41 713 906**	**4 378 122**	**194 840**	**(7 142 056)**	**39 144 812**	**4 402 194**	**(543 607)**	**43 003 399**
Investments made in:								
Property	264	16			280	7 806		8 086
Equipment and other tangible assets	32 878	736			33 614	16 161		49 775
Intangible assets	7 025	2			7 027	938		7 965

The BPI Group's income statement for the year ended 31 December 2008, by business segment, is as follows:

	Domestic operations					International operations	Inter segment operations	BPI Group
	Commer-cial banking	Investment banking	Equity investments and others	Inter segment operations	Total			
Financial margin (narrow sense)	**482 526**	**5 216**	**(17 363)**		**470 379**	**172 546**		**642 925**
Gross margin on unit links	5 594	941			6 535			6 535
Income from equity instruments	5 281	101	200		5 582			5 582
Net commission relating to amortised cost	21 159				21 159			21 159
Financial margin	**514 560**	**6 258**	**(17 163)**		**503 655**	**172 546**		**676 201**
Technical result of insurance contracts	(10 428)	(1 755)			(12 183)			(12 183)
Commissions received	265 571	38 202	695	(34 959)	269 509	24 828	(60)	294 277
Commissions paid	(64 708)	(8 812)	(219)	34 959	(38 780)	(3 364)	1 250	(40 894)
Other income, net	23 853	1 232			25 085	28 243	(1 190)	52 138
Net commission income	**224 716**	**30 622**	**476**		**255 814**	**49 707**		**305 521**
Gain and loss on operations at fair value	(7 911)	9 000			1 089	40 814		41 903
Gain and loss on assets available for sale	(638)	(14)	(57 152)		(57 804)			(57 804)
Interest and financial gain and loss with pensions	36 600	(42)	(2)		36 556			36 556
Net income on financial operations	**28 051**	**8 944**	**(57 154)**		**(20 159)**	**40 814**		**20 655**
Operating income	31 730	127	176 641		208 498	3 325		211 823
Operating expenses	(12 506)	(304)	(13)		(12 823)	(2 595)		(15 418)
Other taxes	(3 340)	(827)	(31)		(4 198)	(628)		(4 826)
Net operating expenses	**15 884**	**(1 004)**	**176 597**		**191 477**	**102**		**191 579**
Operating income from banking activity	**772 783**	**43 065**	**102 756**		**918 604**	**263 169**		**1 181 773**
Personnel costs	(368 173)	(17 884)	(967)		(387 024)	(32 345)		(419 369)
General administrative costs	(182 439)	(10 553)	(3 011)		(196 003)	(29 862)		(225 865)
Depreciation and amortisation	(38 563)	(1 786)	(113)		(40 462)	(11 957)		(52 419)
Overhead costs	**(589 175)**	**(30 223)**	**(4 091)**		**(623 489)**	**(74 164)**		**(697 653)**
Recovery of loans, interest and expenses	25 743				25 743	135		25 878
Impairment losses and provisions for loans and guarantees, net	(134 515)	616			(133 899)	(9 774)		(143 673)
Impairment losses and other provisions, net	(10 478)	112	(129 051)		(139 417)	(7 220)		(146 637)
Net income before income tax	**64 358**	**13 570**	**(30 386)**		**47 542**	**172 146**		**219 688**
Income tax	(4 977)	(3 149)	(16 443)		(24 569)	(26 782)		(51 351)
Earnings of associated companies (equity method)	3 275		1 893		5 168	4 546		9 714
Global consolidated net income	**62 656**	**10 421**	**(44 936)**		**28 141**	**149 910**		**178 051**
Income attributable to minority interest	(18 398)				(18 398)	(9 348)		(27 746)
Consolidated net income of the BPI Group	**44 258**	**10 421**	**(44 936)**		**9 743**	**140 562**		**150 305**
Cash flow after taxes	227 814	11 479	84 228		323 521	169 513		493 034
Overheads as a % of operating income from banking	76%	70%	4%		68%	28%		59%

The BPI Group's balance sheet as of 31 December 2007 and investments made in tangible and intangible assets during the year, by business segment, are as follows:

	Domestic operations					International operations	Inter segment operations	BPI Group
	Commer-cial banking	Investment banking	Equity investments and others	Inter segment operations	Total			
ASSETS								
Cash and deposits at central banks	845 202	193	1		845 396	281 000		1 126 396
Loans and advances to other credit institutions repayable on demand	467 461	139 730	5 608	(336 290)	276 509	16 406	(11 399)	281 516
Financial assets held for trading and at fair value through profit or loss	3 578 447	1 061 971		(525 814)	4 114 604	476 807		4 591 411
Financial assets available for sale	2 314 750	55 695	1 127 312	2 276	3 500 033	425 367		3 925 400
Loans and advances to credit institutions	3 198 075	2 240 687		(3 913 580)	1 525 182	95 134	(79 416)	1 540 900
Loans and advances to Customers	26 166 224	145 809		(42 668)	26 269 365	961 148		27 230 513
Hedging derivatives	424 107	952		(12 903)	412 156			412 156
Other tangible assets	234 945	3 152	1		238 098	78 827		316 925
Intangible assets	14 579	18			14 597	856		15 453
Investment in associated companies and jointly controlled entities	69 319		68 536		137 855	13 105		150 960
Tax assets	145 403	1 553	(5 591)		141 365	6		141 371
Other assets	808 296	59 420	1 890	(69 437)	800 169	12 779		812 948
Total assets	**38 266 808**	**3 709 180**	**1 197 757**	**(4 898 416)**	**38 275 329**	**2 361 435**	**(90 815)**	**40 545 949**
LIABILITIES								
Financial liabilities held for trading	535 029	12 727		(13 087)	534 669			534 669
Resources of other credit institutions	5 504 841	55 725	937 657	(2 725 662)	3 772 561	50 200	(90 815)	3 731 946
Resources of Customers and other debts	17 030 064	2 620 721	867	(1 006 991)	18 644 661	1 977 205		20 621 866
Debt securities	5 481 931	302		(140 378)	5 341 855			5 341 855
Financial liabilities relating to transferred assets	3 008 159				3 008 159			3 008 159
Hedging derivatives	589 568	1 740		(46 679)	544 629			544 629
Provisions	56 154	1 080	234		57 468	15 385		72 853
Technical provisions	1 956 595	817 992			2 774 587			2 774 587
Tax liabilities	111 848	3 575	(20 119)		95 304	29 975		125 279
Participating bonds	28 595			(1 326)	27 269			27 269
Subordinated debt	1 527 158	19 683		(616 007)	930 834			930 834
Other liabilities	1 197 212	58 549	1 455	(348 286)	908 930	17 614		926 544
Total liabilities	**37 027 154**	**3 592 094**	**920 094**	**(4 898 416)**	**36 640 926**	**2 090 379**	**(90 815)**	**38 640 490**
SHAREHOLDERS' EQUITY								
Shareholders' equity attributable to the shareholders of BPI	969 335	117 086	277 663		1 364 084	271 049		1 635 133
Minority interest	270 319				270 319	7		270 326
Total shareholders' equity	**1 239 654**	**117 086**	**277 663**		**1 634 403**	**271 056**		**1 905 459**
Total liabilities and shareholders' equity	**38 266 808**	**3 709 180**	**1 197 757**	**(4 898 416)**	**38 275 329**	**2 361 435**	**(90 815)**	**40 545 949**
Investments made in:								
Property	599	2			601	15 237		15 838
Equipment and other tangible assets	39 841	201	1		40 043	24 755		64 798
Intangible assets	11 147				11 147	686		11 833

The BPI Group's income statement for the year ended 31 December 2007, by business segment, is as follows:

	Domestic operations					International operations	Inter segment operations	BPI Group
	Commercial banking	Investment banking	Equity investments and others	Inter segment operations	Total			
Financial margin (narrow sense)	**500 701**	**4 387**	**(28 258)**		**476 830**	**131 164**		**607 994**
Gross margin on unit links	7 539	3 152			10 691			10 691
Income from equity instruments	3 444	111	18 736		22 291			22 291
Net commission relating to amortised cost	20 930				20 930			20 930
Financial margin	**532 614**	**7 650**	**(9 522)**		**530 742**	**131 164**		**661 906**
Technical result of insurance contracts	9 207	3 850			13 057			13 057
Commissions received	300 254	54 629	1 331	(50 362)	305 852	22 666	(1 250)	327 268
Commissions paid	(72 120)	(11 584)	(5)	50 362	(33 347)	(2 434)	1 250	(34 531)
Other income, net	25 977	32			26 009	23 857		49 866
Net commission income	**254 111**	**43 077**	**1 326**		**298 514**	**44 089**		**342 603**
Gain and loss on operations at fair value	13 843	11 909	(33 564)		(7 812)	21 457		13 645
Gain and loss on assets available for sale	38 266	(27)	85 063		123 302			123 302
Interest and financial gain and loss with pensions	60 615	(21)	(1)		60 593			60 593
Net income on financial operations	**112 724**	**11 861**	**51 498**		**176 083**	**21 457**		**197 540**
Operating income	15 472	257	3 661		19 390	636		20 026
Operating expenses	(14 715)	(317)	(84)		(15 116)	(460)		(15 576)
Other taxes	(2 967)	(338)	(39)		(3 344)	(684)		(4 028)
Net operating expenses	**(2 210)**	**(398)**	**3 538**		**930**	**(508)**		**422**
Operating income from banking activity	**906 446**	**66 040**	**46 840**		**1 019 326**	**196 202**		**1 215 528**
Personnel costs	(333 154)	(19 575)	(1 092)		(353 821)	(25 415)		(379 236)
General administrative costs	(191 754)	(10 252)	(1 016)		(203 022)	(25 619)		(228 641)
Depreciation and amortisation	(34 342)	(1 930)	(113)		(36 385)	(8 987)		(45 372)
Overhead costs	**(559 250)**	**(31 757)**	**(2 221)**		**(593 228)**	**(60 021)**		**(653 249)**
Recovery of loans, interest and expenses	20 761				20 761	91		20 852
Impairment losses and provisions for loans and guarantees, net	(83 178)	(787)			(83 965)	(28 300)		(112 265)
Impairment losses and other provisions, net	(13 301)	(444)	(1 097)		(14 842)	(3 488)		(18 330)
Net income before income tax	**271 478**	**33 052**	**43 522**		**348 052**	**104 484**		**452 536**
Income tax	(67 482)	(8 115)	(1 995)		(77 592)	(31 011)		(108 603)
Earnings of associated companies (equity method)	13 215		11 157		24 372	3 613		27 985
Global consolidated net income	**217 211**	**24 937**	**52 684**		**294 832**	**77 086**		**371 918**
Income attributable to minority interest	(16 806)				(16 806)	(1)		(16 807)
Consolidated net income of the BPI Group	**200 405**	**24 937**	**52 684**		**278 026**	**77 085**		**355 111**
Cash flow after taxes	331 226	28 098	53 894		413 218	117 860		531 078
Overheads as a % of operating income from banking	62%	48%	5%		58%	31%		54%

4. NOTES

4.1. Cash and deposits at central banks

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Cash	310 648	252 969
Demand deposits at the Bank of Portugal	445 041	648 220
Demand deposits at foreign central banks	331 528	224 420
Accrued interest	1 122	787
	1 088 339	**1 126 396**

The caption DEMAND DEPOSITS AT THE BANK OF PORTUGAL includes deposits made to comply with the minimum cash reserve requirements of the European Central Bank System (ECBS). These deposits bear interest and correspond to 2% of the amount of Customers' deposits and debt securities maturing in up to 2 years, excluding deposits and debt securities of entities subject to the ECBS minimum cash reserves regime.

4.2. Loans and advances to credit institutions repayable on demand

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Domestic credit institutions		
Demand deposits	8 680	6 151
Cheques for collection	153 580	184 704
Other	2 801	2 493
Foreign credit institutions		
Demand deposits	57 098	81 994
Cheques for collection	4 904	6 149
Accrued interest	18	25
	227 081	**281 516**

Cheques for collection from domestic credit institutions correspond to cheques drawn by third parties against domestic credit institutions, which in general do not remain in this account for more than one business day.

4.3. Financial assets held for trading and at fair value through profit or loss

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
FINANCIAL ASSETS HELD FOR TRADING		
Debt instruments		
Listed Securities		
Bonds issued by Portuguese government entities	3 613	6 190
Bonds issued by foreign government entities	175 871	449 068
Bonds issued by other Portuguese entities		
Non-subordinated debt	15 711	35 455
Bonds issued by foreign financial entities	6 366	28 905
Bonds issued by other foreign entities		
Non-subordinated debt	124 542	555 497
Subordinated debt	11 252	35 402
Unlisted securities		
Bonds issued by foreign government entities	1 475 865	507 055
Bonds issued by other Portuguese entities		
Non-subordinated debt	26 883	121 342
Subordinated debt	3 855	5 550
Bonds issued by foreign financial entities		8 373
Bonds issued by other foreign entities		
Non-subordinated debt	306 571	1 001 906
Subordinated debt	14 470	201 808
	2 164 999	**2 956 551**
Equity instruments		
Listed securities		
Shares issued by Portuguese entities	99 335	400 369
Shares issued by foreign entities	105 891	404 318
	205 226	**804 687**
Other securities		
Listed securities		
Participating units	120 813	558 253
Unlisted securities		
Participating units	210	1 322
	121 023	**559 575**
	2 491 248	**4 320 813**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
Equity instruments		
Unlisted securities		
Shares issued by foreign entities	44 480	51 098
	44 480	**51 098**
DERIVATIVE INSTRUMENTS WITH POSITIVE FAIR VALUE (NOTE 4.4)	**317 851**	**219 500**
	2 853 579	**4 591 411**

This caption includes the following assets hedging capitalisation insurance products issued by BPI Vida:

	31 Dec. 08	31 Dec. 07
Debt Instruments		
Of public entities	179 539	59 856
Other entities	494 458	1 921 355
Equity Instruments	25 668	300 205
Other securities	120 180	557 612
Derivative instruments with positive fair value	45	2 105
	819 890	**2 841 133**

In 2008 the BPI Group reclassified bonds, at the prices at the date of reclassification, from financial assets held for trading to financial assets available for sale (note 4.5), loans and advances to Customers (note 4.7) and held to maturity investments (note 4.8), following the amendments to IAS 39 and IFRS 7 (notes 2 and 4.47).

4.4. Derivatives

The caption DERIVATIVE INSTRUMENTS HELD FOR TRADING (notes 4.3 and 4.14) is made up as follows:

	31 Dec. 08			31 Dec. 07		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts						
Futures	243 425	20	116	331 402	55	696
Options		1		550	4	
Exchange forwards and swaps	1 287 677	8 227	6 926	2 077 559	9 228	8 391
Interest rate contracts						
Futures	127 296	18	330	563 837	174	127
Options	1 098 287	5 933	5 718	775 273	3 915	476
Swaps	8 520 935	267 549	223 930	7 439 577	163 375	155 520
Contracts over shares						
Futures	87 885	260	1 124	203 805	2 557	414
Swaps	103 407	20 116	3 506	513 535	22 208	12 262
Options	8 240	230	239	254 100	1 716	1 710
Contracts over other underlying items						
Futures	170 205	18	26	2 164	45	24
Others						
Options[2]	486 461	15 479	16 337	639 798	16 223	18 350
Others				9 018		124
	12 133 818	**317 851**	**258 252**	**12 810 618**	**219 500**	**198 094**

1) In the case of swaps and forwards only the asset amounts were considered.
2) Parts of operations that are autonomous for accounting purposes, commonly referred as “embedded derivatives”.

The caption DERIVATIVE INSTRUMENTS HELD FOR HEDGING is made up as follows:

	31 Dec. 08			31 Dec. 07		
	Notional value[1]	Book value		Notional value[1]	Book value	
		Assets	Liabilities		Assets	Liabilities
Exchange rate contracts						
Exchange forwards and swaps	240 495	2 370	1 700	46 484	387	430
Interest rate contracts						
Swaps	12 136 505	285 909	321 670	8 366 692	118 634	135 367
Options				14 364	52	52
Contracts over shares						
Swaps	794 837	3 297	68 707	736 663	6 350	91 317
Options	333 458	5 268	5 485	325 748	8 448	3 142
Contracts over credit events						
Swaps	51 500	2 500	3 674	108 000	1 023	21 751
Contracts over other underlying items						
Swaps	397 900	3 484	26 959	742 903	5 305	35 556
Others						
Options[2]	4 027 874	181 600	168 342	4 805 071	271 957	257 014
	17 982 569	**484 428**	**596 537**	**15 145 925**	**412 156**	**544 629**

1) In the case of swaps and forwards only the asset amounts were considered.
2) Parts of operations that are autonomous for accounting purposes, commonly referred as “embedded derivatives”.

The BPI Group’s operations include carrying out derivative transactions to manage its own positions based on expectations regarding market evolution (trading), meet the needs of its Customers or hedge positions of a structural nature (hedging).

The BPI Group carries out financial derivative transactions in the form of contracts over exchange rates, interest rates, goods and metals futures price, shares or share indices (relating to inflation, shares, among others) or a combination of these. These transactions are realised in over-the-counter (OTC) markets and in organised markets (especially stock exchanges).

Derivatives traded on organised markets follow the standards and rules of these markets.

Derivatives traded on the over-the-counter (OTC) markets are normally based on a standard bilateral contract that covers the group of operations over derivatives between the parties. In the case of inter-professional relationships, there is an ISDA – International Swaps and Derivatives Association Master Agreement. In the case of relations with Customers there is a BPI contract.

These types of contract include offsetting responsibilities in the event of non compliance (the scope of the offsetting is established in the contract itself and is regulated by Portuguese legislation and, in the case of contracts with foreign counterparties or subject to foreign legislation, by the appropriate legislation).

Derivative contracts can also include an agreement to collateralise the credit risk generated by the transactions covered by them. Derivative contracts between two parties normally include all the derivative OTC transactions carried out between the two parties, irrespective of whether they are for hedging purposes or not.

In accordance with IAS 39, the parts of operations normally known as “embedded derivatives” are also treated separately and recorded as derivatives, in order to recognise, in net income, the fair value of these operations.

All derivatives (embedded or autonomous) are recorded at market value.

Notional value is the reference value for purposes of calculating the flow of payments and receipts resulting from the operation and is recognised in off balance sheet accounts.

Market value (fair value) corresponds to the value of the derivatives if they were traded on the market on the reference date. Changes in the market value of derivatives are recognised in the appropriate balance sheet accounts and have an immediate effect on net income.

In contrast to traditional mutual operations, where the market value is related directly to the amount of the principal loaned, in derivative operations the market value can be:

- determined based on market price (ex. futures);

- calculated based on the present value of future flows (cash flows), considering the relevant interest rates at the computing date (mark to market: ex. swaps) or;

- determined using models that have the objective of calculating the price based on statistical models in accordance with generally accepted principles in the market (mark to model: ex. options).

The amount of the exposure corresponds to the present value of the estimated loss, in the case of counterparty default. In the case of a derivative contract that establishes the compensation of responsibilities in the event of non-compliance, the amount of the exposure is the sum of the market values of the operations covered by the contract, when positive. In the case of operations for which the contract does not establish the compensation of responsibilities, the amount of the exposure is equal to the sum of the market values of each individual transaction, if positive. The scope of the compensation clauses, in the case of default, is considered by the BPI Group on a conservative perspective, considering that, in the case of doubt, compensation does not exist.

The potential loss in a group of derivative operations on a given date corresponds to the amount of the exposure on that date. In futures contracts, the stock markets being the counterparties for the BPI Group's operations, the credit risk is eliminated daily through financial settlement. For medium and long term derivatives, contracts usually provide for the netting of outstanding balances with the same counterparty, which eliminates or reduces the credit risk. Additionally, in order to control the credit risk in OTC derivatives, some agreements have also been signed under which the Bank receives from, or transfers to, the counterparty, assets (in cash or in securities) to guarantee fulfilment of the obligations.

At 31 December 2008 the notional value, by term remaining to maturity was as follows:

	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Over-the-counter market						
Exchange rate contracts	**1 416 528**	**67 965**	**43 679**			**1 528 172**
Forwards	913 220	15 953	25 629			954 802
Swaps	503 308	52 012	18 050			573 370
Interest rate contracts	**1 163 105**	**994 418**	**2 727 253**	**8 058 760**	**8 812 191**	**21 755 727**
Swaps	1 053 055	990 793	2 641 209	7 258 402	8 713 981	20 657 440
Options	110 050	3 625	86 044	800 358	98 210	1 098 287
Contracts over indexes and shares	**76 521**	**52 271**	**322 719**	**685 580**	**102 851**	**1 239 942**
Swaps	74 752	52 271	122 719	599 173	49 329	898 244
Options	1 769		200 000	86 407	53 522	341 698
Contracts over credit events				**51 500**		**51 500**
Swaps				51 500		51 500
Contracts over other underlying items	**19 367**	**14 334**	**90 274**	**257 040**	**16 885**	**397 900**
Swaps	19 367	14 334	90 274	257 040	16 885	397 900
Others	**45 700**	**144 500**	**563 315**	**2 880 857**	**879 963**	**4 514 335**
Options	45 700	144 500	563 315	2 880 857	879 963	4 514 335
	2 721 221	**1 273 488**	**3 747 240**	**11 933 737**	**9 811 890**	**29 487 576**
Listed instruments						
Exchange rate contracts	**243 425**					**243 425**
Futures	243 425					243 425
Interest rate contracts	**19 296**	**12 000**	**24 000**	**72 000**		**127 296**
Futures	19 296	12 000	24 000	72 000		127 296
Contracts over indexes and shares	**87 885**					**87 885**
Futures	87 885					87 885
Contracts over other underlying items	**169 974**	**231**				**170 205**
Futures	169 974	231				170 205
	520 580	**12 231**	**24 000**	**72 000**		**628 811**
	3 241 801	**1 285 719**	**3 771 240**	**12 005 737**	**9 811 890**	**30 116 387**

At 31 December 2007 the notional value, by term remaining to maturity was as follows:

	<= 3 months	> 3 months <= 6 months	> 6 months <= 1 year	> 1 year <= 5 years	> 5 years	Total
Over-the-counter market						
Exchange rate contracts	**1 688 680**	**421 555**	**12 985**	**823**		**2 124 043**
Forwards	1 284 621	297 767	12 985	823		1 596 196
Swaps	404 059	123 788				527 847
Interest rate contracts	**186 256**	**605 493**	**728 279**	**6 721 518**	**8 353 920**	**16 595 466**
Swaps	185 085	597 162	723 388	6 160 129	8 140 505	15 806 269
Options	1 171	8 331	4 891	561 389	213 415	789 197
Contracts over indexes and shares	**382 557**	**112 466**	**221 122**	**982 527**	**48 429**	**1 747 101**
Swaps	274 291	107 216	157 106	663 156	48 429	1 250 198
Options	108 266	5 250	64 016	319 371		496 903
Contracts over credit events				**108 000**		**108 000**
Swaps				108 000		108 000
Contracts over other underlying items	**917**	**205 529**	**327 691**	**176 966**	**31 800**	**742 903**
Swaps	917	205 529	327 691	176 966	31 800	742 903
Others	**17 364**	**512 412**	**786 991**	**2 904 622**	**1 232 498**	**5 453 887**
Options	17 364	512 412	777 973	2 904 622	1 232 498	5 444 869
Others			9 018			9 018
	2 275 774	**1 857 455**	**2 077 068**	**10 894 456**	**9 666 647**	**26 771 400**
Listed instruments						
Exchange rate contracts	**331 402**				**550**	**331 952**
Futures	331 402					331 402
Options					550	550
Interest rate contracts	**200 326**	**40 359**	**215 076**	**108 076**	**440**	**564 277**
Futures	200 326	40 359	215 076	108 076		563 837
Options					440	440
Contracts over indexes and shares	**241 805**			**1 681**	**43 264**	**286 750**
Futures	203 805					203 805
Options	38 000			1 681	43 264	82 945
Contracts over other underlying items	**2 164**					**2 164**
Futures	2 164					2 164
	775 697	**40 359**	**215 076**	**109 757**	**44 254**	**1 185 143**
	3 051 471	**1 897 814**	**2 292 144**	**11 004 213**	**9 710 901**	**27 956 543**

At 31 December 2008 the profile of derivative operations, by counterparty, was as follows:

	31 Dec. 08		
	Notional value[1]	**Net exposure[2]**	**% of notional value**
Over-the-counter market	**24 973 241**	**149 120**	**97.5%**
OTC with financial institutions	21 128 879	52 924	82.5%
OTC with local and administrative public sector	7 706	124	0.0%
OTC with investment / pension funds	223 820	3 742	0.9%
OTC with Companies	3 513 555	89 539	13.7%
OTC with Individuals	99 281	2 791	0.4%
Regulated markets	**628 811**		**2.5%**
Stock exchange	628 811		2.5%
	25 602 052	**149 120**	**100.0%**

1) Does not include embedded derivates in the amount of 4 514 335 th. euro.
2) Amount of exposure considering netting agreements and collaterals.

At 31 December 2007 the profile of derivative operations, by counterparty, was as follows:

	31 Dec. 07		
	Notional value[1]	**Net exposure[2]**	**% of notional value**
Over-the-counter market	**21 326 531**	**69 756**	**94.7%**
OTC with financial institutions	17 859 188	46 435	79.3%
OTC with local and administrative public sector	5 709	16	0.0%
OTC with investment / pension funds	197 288	150	0.9%
OTC with Companies	3 190 872	22 816	14.2%
OTC with Individuals	73 474	339	0.3%
Regulated markets	**1 185 143**	**2 298**	**5.3%**
Stock exchange	1 185 143	2 298	5.3%
	22 511 674	**72 054**	**100.0%**

1) Does not include embedded derivates in the amount of 5 444 869 th. euro.
2) Amount of exposure considering netting agreements and collaterals.

At 31 December 2008 the profile of derivative operations, by counterparty external rating, is as follows:

	31 Dec. 08			
	Notional value[1]	Gross exposure[2]	Exposure considering netting[3]	Net exposure[4]
Over-the-counter market (OTC)				
AAA	5 250			
AA+	1 801 294	19 931	2 109	2 109
AA	1 171 123	25 112	13 103	13 103
AA-	10 771 189	150 663	33 905	2 495
A+	3 708 318	165 399	95 677	22 736
A	538 420	4 424	3 821	3 821
BBB-	80 000	6 255	6 255	45
N.R.	6 897 647	119 745	117 873	104 811
	24 973 241	**491 529**	**272 743**	**149 120**
Traded on the stock exchange				
Futures[5]	628 811			
	628 811			
	25 602 052	**491 529**	**272 743**	**149 120**

Note: The amounts were accumulated by rating levels of the counterparties, considering the senior medium and long term debt ratings attributed by the Moody, Standard & Poor and Fitch agencies as of the reference date. The selection of a rating for a given counterparty follows the rules recommended by the Basel Committee in force on the reference date (where there are diverging ratings the second best was selected). The operations with entities without ratings (N.R.) correspond essentially to Customers subject to internal ratings.

1) Does not include embedded derivates in the amount of 4 514 335 th. euro.

2) Exposure without considering netting agreements and collateral.

3) Amount of exposure without considering collateral.

4) Exposure considering netting agreements and collateral

5) The exposure of the futures is nil, because they are traded on organised stock exchanges and there is daily financial settlement.

At 31 December 2007 the profile of derivative operations, by counterparty external rating, is as follows:

	31 Dec. 07			
	Notional value[1]	Gross exposure[2]	Exposure considering netting[3]	Net exposure[4]
Over-the-counter market (OTC)				
AAA	8 647	73		
AA+	4 582 750	47 260	20 573	9 783
AA	4 744 579	82 815	33 779	11 285
AA-	3 071 161	20 018	12 590	9 466
A+	2 260 907	33 265	11 807	3 632
A	276 603	16 783	15 647	12 664
N.R.	6 381 884	43 773	22 926	22 926
	21 326 531	**243 987**	**117 322**	**69 756**
Traded on the stock exchange				
Futures[5]	1 101 208			
Options	83 935	2 298	2 298	2 298
	1 185 143	**2 298**	**2 298**	**2 298**
	22 511 674	**246 285**	**119 620**	**72 054**

Note: The amounts were accumulated by rating levels of the counterparties, considering the senior medium and long term debt ratings attributed by the Moody, Standard & Poor and Fitch agencies as of the reference date. The selection of a rating for a given counterparty follows the rules recommended by the Basel Committee in force on the reference date (where there are diverging ratings the second best was selected). The operations with entities without ratings (N.R.) correspond essentially to Customers subject to internal ratings.

1) Does not include embedded derivates in the amount of 5 444 869 th. euro.

2) Exposure without considering netting agreements and collateral.

3) Amount of exposure without considering collateral.

4) Exposure considering netting agreements and collateral.

5) The exposure of the futures is nil, because they are traded on organised stock exchanges and there is daily financial settlement.

4.5. Financial assets available for sale

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Debt instruments		
Listed securities		
Bonds issued by Portuguese government entities	541 036	530 225
Bonds issued by foreign government entities	275 067	308 388
Bonds issued by other Portuguese entities		
Non-subordinated debt	353 429	45 061
Bonds issued by international financial organisations	516	507
Bonds issued by other foreign entities		
Non-subordinated debt	762 883	853 543
Subordinated debt	335 901	521 288
Unlisted securities		
Bonds issued by foreign government entities	527 193	424 874
Bonds issued by other Portuguese entities		
Non-subordinated debt	79 690	94 590
Bonds issued by other foreign entities		
Non-subordinated debt	214 674	4 099
Subordinated debt	2 213	
Impairment	(1 809)	(530)
	3 090 793	**2 782 045**
Equity instruments		
Listed securities		
Shares issued by Portuguese entities	40 851	1 054 615
Impairment	(34 040)	(25 493)
Unlisted securities		
Issued by Portuguese entities		
Shares	41 828	46 653
Impairment	(5 434)	(6 669)
Quotas	1	1
Shares issued by foreign entities	29 392	29 302
Impairment	(14 843)	(14 725)
	57 755	**1 083 684**
Other securities		
Listed securities		
Participating units	79 407	13 076
Unlisted securities		
Participating units	37 031	48 381
Impairment	(4 527)	(4 544)
	111 911	**56 913**
Loans and other receivables	26 772	28 461
Impairment	(24 628)	(25 703)
	2 144	**2 758**
	3 262 603	**3 925 400**

Banco BPI holds a portfolio of fixed rate bonds, issued by national and international entities, in which the interest rate risk is hedged by derivative instruments.

The caption LOANS AND OTHER RECEIVABLES corresponds to shareholders' loans to, and supplementary capital contributions in, companies classified as financial assets available for sale.

In the review made by the Bank, no impaired securities were identified, other than the amounts already recognized.

The changes in impairment losses and provisions in 2008 and 2007 are presented in note 4.19.

At 31 December 2008 this caption was made up as follows:

Nature and type of security	Quantity	Amounts per unit		Cost	Book value / fair value[1]	Gain[2]	Loss[2]	Impairment
		Nominal	Listing / Price					
SECURITIES								
Debt instruments								
Issued by Portuguese entities								
Portuguese public debt								
Treasury Bonds								
OT 3.2% April 2011	200 000		0.01	199	206	3		
OT 3.95% July 1999 / 2009	520 632	0.01	0.01	528	534	3		
OT 5% June 2002 / 2012	500 000 000	0.01	0.01	508 802	539 380		5 021	
OT 5.15% June 2001 / 2011	850 500	0.01	0.01	923	916	9		
				510 452	**541 036**	**15**	**5 021**	
Other residents								
Non-subordinated debt								
Bonds								
ADP – Aguas de Portugal, SGPS – TV – 20.06.2022	15 000 000	50 000.00	50 000.00	15 000	15 017			
Atlantes Mortgage – SR.1 – CL.A (17.1.2036)	2 115 663	42 313.25		1 845	2 056	185		
Banco Comercial Português – TV-28.05.2010	82 500 000	50 000.00	48 976.75	82 500	81 163		1 688	
Banco Espirito Santo – TV. – 14.05.2010	56 050 000	50 000.00	48 912.50	56 050	55 203		1 219	
Banco Itau Europa – TX. VAR. (22.06.2010)	22 030 000	1 000.00		21 907	20 075		1 854	
BANCO ITAU EUROPA – TV. (27.07.2011)	30 000 000	50 000.00		29 595	28 037		1 862	
BES – TV – 29.03.2010	8 000 000	100 000.00		8 000	7 797		204	
CGD – 3.875% – 12.12.2011	50 000 000	50 000.00	50 001.91	49 871	50 103	129		
CGD – TV – 21.05.2010	96 700 000	1 000.00	984.75	96 700	95 738		1 475	
JMR – Gestão Empresas Retalho – 2007 / 2012	15 000 000	50 000.00	50 000.00	15 000	15 226			
Mota Engil – Tx. Vr. (09.12.2010)	6 800 000	400.00	400.00	6 800	6 822			
Mota Engil – TX. VR. 2004-2011	8 000 000	5.00	5.00	8 000	8 002			
Portucel Tv. 27.10.2012	16 000 000	1 000.00	998.70	16 018	16 155		40	
REN – Redes Energ. Nac. – 6.375% (10.12.2013)	20 000 000	50 000.00		19 919	20 454	461		
Sagres STC S4 – 1 CL. 0 (25.09.12)	500 000	500 000.00		455	259		216	
Sagres STC S4 – 1 CL. M (25.09.12)	500 000	500 000.00		494	502		2	
Semapa / 2006 / 2016 2.ª	500 000	50 000.00		495	510	7		
Sonae Capital SGPS – 2007 / 2012 – 1.ª EMISSAO	10 000 000	50 000.00	50 000.00	10 000	10 000			
				438 649	**433 119**	**782**	**8 560**	
Issued by non residents								
By foreign public issuers								
Bonds								
Treasury Bonds (Angola)	217 507	941.67		229 720	213 940			
Treasury Bonds (Angola)	75 229	188.33		311 481	313 253			
Republic of Brasil – 7.375% (03.02.2015)	150 400 000	1 000.00	1 012.50	173 482	162 342		24 421	
Republic of Brasil – 8.5% (24.09.2012)	30 000 000	1 000.00	952.50	33 964	29 259		5 803	
Republic of Brasil – 11% (26.06.2017)	72 500 000	1.00	1.09	105 765	83 133		23 059	
Republic of Iraq – 5.8% (15.01.2028)	745 132	718.55	302.40	745	333		432	
				855 157	**802 260**		**53 715**	
International financial organisations								
Bonds								
BEI / 2004 – Tx. Vr. (08.06.2010)	515 000	1 000.00	1 000.00	505	516	5		
				505	**516**	**5**		
By other non residents issuers								
Non-subordinated debt								
Bonds								
Aleutian Inv LLC – TV. – 25.10.2012	4 311 274	71 854.57		3 922	3 018		1 041	
Alpha Credit Group – Tv. – 17.01.2012	1 450 000	1 000.00		1 437	1 249		208	
Alpha Credit Group – TV. (02.06.2011)	3 800 000	50 000.00		3 800	3 433		380	
Alpha Credit Group – TV. (21.06.2010)	3 800 000	1 000.00		3 800	3 575		228	

1) Net of impairment.
2) Amount recorded in revaluation reserves after recognizing the effect of the hedging operations in the statement of income (note 4.29).

Nature and type of security	Quantity	Amounts per unit		Cost	Book value / fair value[1]	Gain[2]	Loss[2]	Impairment
		Nominal	Listing / Price					
By other non residents issuers								
Non-subordinated debt								
Bonds (cont.)								
Alrosa Finance S.A. – 8.875% – 17.11.2014	9 341 094	718.55	427.41	10 781	5 655		5 943	
Altadis Emis. Finance – 4% (11.12.2015)	45 000 000	1 000.00	809.84	42 197	36 541		8 042	
AUTO ABS Compartment – C.A – T.V. (25.05.2014)	578 160	144 540.07		572	574			
Autostrade SPA – Tx. Vr. (09.06.2011)	12 000 000	100 000.00	91 100.00	11 726	10 814		946	
Avoca Clo BV – Sr. – II.X – CL – A1 (15.01.2020)	800 000	1 000.00		780	717		92	
Avoca Clo BV – Sr. – IV.X – CL-B – TV (18.02.2022)	800 000	100 000.00		746	378		391	
BANIF FINANCE (CAY) – TV – 03.11.2010	3 800 000	1 000.00		3 800	3 451		380	
Euro-Vip 1990	4 311 274	718.55		4 311	3 593			733
Banca Popolare Di Milano – Tv. – 31.01.2014	500 000	1 000.00	898.71	494	454		46	
Banco Sabadell – TV. – 23.04.2010	6 754 329	71 854.57		6 417	6 584		5	
Bank Of America Corp – 4.25% (21.10.2010)	5 000 000	1 000.00	979.41	4 866	4 938	20		
Bank Of America Corp – Tv. – 28.06.2011	10 000 000	1 000.00	914.40	9 718	9 146		636	
BAT HOLDINGS BV – 4.375% (15.9.2014)	5 000 000	1 000.00	966.90	5 006	4 863		168	
Bayer AG – Tx. Vr. (25.05.2009)	10 000 000	50 000.00	49 940.00	10 001	10 030		9	
BES Finance LTD – TV 08.02.2011	4 000 000	100 000.00		4 000	3 930		96	
BES Finance LTD – TV 13.11.2009	2 000 000	1 000.00		2 000	2 006		6	
BES Finance LTD – TV 18.07.2011	5 000 000	1 000.00		5 000	4 452		600	
BES Finance LTD – TV 21.04.2011	4 000 000	1 000.00		4 000	3 957		84	
Brazil Foreign Div.P.R.F – 5.5%(20.09.2011)	2 491 191	498.24	433.47	2 453	2 205		286	
Brazil Mer Vouch R – 5.911%(15.06.2011) S.144A	991 080	330.36	330.36	981	994	3		
C8 Capital SPV – 6.64% – Perpetua	46 705 468	718.55		46 509	23 002		30 992	
Caixa Eco Montepio Geral – Tv. – 03.05.2012	300 000	1 000.00		294	289		9	
Caixa Geral Depositos (PAR) – TV. – 07.11.2009	1 883 000	1 000.00		1 883	1 895		1	
Caja Madrid – 5.125% (11.04.2011)	5 000 000	50 000.00	49 846.00	4 943	5 170	38		
Caja Salamanca & Soria – 6.625% – 30.06.2010	11 000 000	50 000.00		11 000	11 770	406		
Casino Guichard Perrachon – 6% (27.02.2012)	17 500 000	1 000.00	961.34	18 606	17 707		1 786	
Caterpillar Intl Fin – TX. VR. (02.02.2009)	25 000 000	50 000.00		24 963	25 111		66	
Celf Loan Part. BV – Sr. 2005 – 1x CL.A 2021	800 000	1 000.00		773	650		170	
CEMG (Cay) – Tv – (30.09.2010)	5 306 000	1 000.00		5 305	5 138		168	
CEMG (CAY) – TV – (04.11.2009)	150 000	1 000.00		150	142		9	
CEMG (CAY) – TV – (19.09.2011)	1 500 000	50 000.00		1 500	1 127		375	
CEMG (CAY) – TV – (31.01.2011)	16 250 000	50 000.00		16 250	15 885		503	
CHESTER ASS. REC. DEAL. – TX. VR. (15.07.2011)	5 000 000	10 000.00		4 893	4 933	12		
Cibeles FTYPME – Sr. III – Cl. BSAn	276 345	69 086.17		273	253		22	
CIMPOR FINANCIAL OPERTNS – 4.5% (27.5.2011)	60 950 000	2 000.00	1 807.43	59 672	56 720		6 024	
CLARIS MILLESIME CDO – SR. 1 – CL.2 (10.06.24)	500 000	500 000.00		450	267		188	
CLOVERIE 2004-72 – TX. VR. (17.11.2024)	500 000	500 000.00		475	20		458	
CM BANCAJA FTA – SR. 1 CL.A TV. (22.12.2036)	750 412	37 520.61		643	639		5	
Corsair Fin Ire – Tv – 20.06.2012	6 500 000	50 000.00		6 500	5 009		1 500	
Cosan Finance Ltd. – 7% – 01.02.2017	14 370 913	718.55	460.59	14 042	9 628		9 106	
Cosipa Commercial – 8.25% (14.06.2016)	7 544 729	718.55	674.53	8 462	7 110		2 613	
COUNTRYWIDE FIN CORP – TV. (23.11.2010)	750 000	1 000.00	884.31	683	667		46	
CREDIT AGRICOLE – TX. VAR. (15.11.2010)	5 750 000	1 000.00		5 750	5 635		144	
CREDIT SUISSE LONDON(CH) – 5.125% – 04.04.11	5 000 000	1 000.00	1 003.67	4 977	5 209	40		
CREDITO EMILIANO – TV. (05.08.2010)	800 000	50 000.00		796	788		16	
Csn Islands VIII Corp – 9.75% (16.12.2013)	14 370 913	718.55	731.12	16 266	14 681		4 135	
Csn Islands IX Corp – 10% (15.01.2015)	9 341 094	718.55	713.61	11 066	9 726		2 853	
Danske Bank A/S – 5.875% – 23.06.2011	5 000 000	1 000.00	1 018.44	5 015	5 246	78		

1) Net of impairment.

2) Amount recorded in revaluation reserves after recognizing the effect of the hedging operations in the statement of income (note 4.29).

Nature and type of security	Quantity	Amounts per unit		Cost	Book value / fair value[1]	Gain[2]	Loss[2]	Impairment
		Nominal	Listing / Price					
By other non residents issuers								
Non-subordinated debt								
Bonds (cont.)								
DELPHINUS BV – CL.B – TX. VR. (25.01.2091)	500 000	500 000.00		496	503		2	
Deutsche Telekom Int. F – Tv. (08.12.2009)	5 000 000	1 000.00	983.20	5 010	4 929		86	
Deutsche Telekom Int Fin-6.625(11.07.11)	5 000 000	1 000.00	1 042.91	5 188	5 372	34		
DIAGEO FINANCE PLC – TV. – 22.05.2012	250 000	1 000.00		249	224		26	
DNB NORBANK ASA – 4.75% – 28.03.2011	5 000 000	1 000.00	1 000.65	4 928	5 184	71		
Dollar Divers Rl. F – 6.55% (16.12.2013) – REG	2 726 992	545.40	545.40	2 969	2 734		147	
DONG A/S – 5.5% (29.06.3005)	65 000 000	1.00	0.78	65 129	52 618		20 435	
Dresdner Bank / 1998-2013 – PTE – C. Zero	5 125 148	498.80		8 967	9 853	575		
DUCHESS – SR.V – X CL.B – TV. 25.05.2021	800 000	1 000.00		742	366		385	
Edison SPA – Tx. Vr. (19.07.2011)	5 000 000	1 000.00	972.10	5 079	4 917		179	
EDP Finance BV (14.06.2010)	5 000 000	1 000.00	958.60	4 995	4 801		205	
EIRLES TWO LIMITED – TV. PERP.	800 000	100 000.00		794	493		320	
Electricite De France – 5.625% – 23.01.2013	5 000 000	50 000.00	52 715.00	4 997	5 298	274		
Eletrobras – C. E. Brasil – 7.75% (30.11.2015)	23 352 734	718.55	705.07	25 318	23 066		6 412	
Etab Econ Casino – 4.875% – 10.04.2014	2 500 000	50 000.00	41 169.86	2 482	2 147		539	
Evraz Securities – 10.875% – 03.08.2009	4 670 547	71 854.57	68 710.93	5 073	4 674		413	
France Telekom – Tx. Vr. (09.06.2010)	5 000 000	50 000.00	49 060.00	5 006	4 918		96	
FTA SANTANDER EMP – SR.1 – CL.A2 (04.11.38)	2 310 684	57 767.09	56 183.10	2 205	2 265	42		
Gaz Capital (Gazprom) – 6.212% (22.11.2016)	23 352 734	718.55	467.00	23 272	15 331		13 071	
GLITNIR BANKI HF – TV – 24.05.2011	500 000	1 000.00		487				487
GRANITE MORTG. – TV (20.3.2044) – SR.04 – 1 / 2C	500 000	100 000.00		499	76		425	
GRANITE MORTG. – TV (20.3.2044) – SR.04 – 1 / 2M	500 000	100 000.00		499	105		395	
GRANITE MORTG. – TV (20.9.2044) – SR.04 – 3 / 2C	153 488	383.72		152	8		145	
HARBOURMASTER CLO – S.4X – CL.A3 (11.10.2019)	500 000	1.00		491	273		225	
HARVEST CLO SA – SR.IX – CL.B2 (29.3.2017)	750 000	250 000.00		745	657		105	
HARVEST CLO – SR.II – X CL.A (21.05.2020)	530 000	10 000.00		513	434		89	
HOLLAND EURO – DENOM. MTG BACKED – 2037 – CL.B7	500 000	500 000.00		493	469		31	
HSBC FINANCE CORP – TV. (05.04.2013)	500 000	1 000.00	741.20	494	377		125	
Iberdrola Finanzas SAU – 6.375% – 25-11-2011	15 000 000	50 000.00	52 732.00	15 056	15 914	766		
ING BANK NV – TX. VR. (16.5.2012)	800 000	10 000.00		788	735		61	
INTL LEASE FINANCE CORP – TX. VR. 15.8.2011	900 000	50 000.00		891	572		327	
INTL LEASE FINANCE CORP – TX. VR. (6.7.2010)	200 000	50 000.00		200	143		60	
Intergas finance BV – 6.875% – 04.11.2011	14 011 640	718.55	571.94	14 409	11 303		4 599	
Intern. Divers. Pay. Rig. CO – 6.75% (20.8.10)	1 396 223	279.24	282.94	1 496	1 425		8	
JP Morgan Chase & CO – 4.625% – 31.01.2011	5 000 000	50 000.00	49 355.52	4 948	5 147		16	
KAUPTHING BANK HF – TX. VAR. (25.05.2010)	600 000	1 000.00		589				589
Kazakhstan Temir Zholy – 6.5% (11.05.2011)	18 322 914	718.55	482.88	18 575	12 473		7 840	
KION MORTGAGE FIN SR. 06 – 1 CL.A – 15.07.51	294 892	4 607.69		292	256		40	
KOMMUNALKREDIT – TX. VR. (13.2.2009)	500 000	10 000.00		495	508			
Koninklijke KPN NV – Tx. Vr. (21.07.2009)	5 000 000	1 000.00	988.80	5 002	4 997		57	
Koninklijke KPN NV – Tx. Vr. (22.06.2015)	19 000 000	1 000.00	882.28	17 793	17 163		2 095	
LA DEFENSE PLC – SR.III – CL.C1 (9.4.2014)	244 540	9 405.38		242	236		10	
LAFARGE – 4.25% (23.03.2016)	30 000 000	1 000.00	695.46	28 721	21 852		9 300	
LAFARGE – 6.5% (15.07.2016)	6 466 911	718.55		6 650	4 420		3 722	
LOCAT SEC. VEHICLE (12.12.2024) C.A-S2004-2	1 157 054	19 284.23		1 098	1 079		22	
LUSITANO MTGE – SR.1 – CL.D – TV (15.12.2035)	200 000	100 000.00		198	178		22	
MADISON AVENUE C. LTD (24.3.14) – O. HIP – CL. A	1 938 148	193 814.75		1 775	1 377		462	
MADRID RMBS FTA – SR. 06-1 CL.A2 – 22.06.2049	400 000	100 000.00	77 032.91	393	310		85	

1) Net of impairment.
2) Amount recorded in revaluation reserves after recognizing the effect of the hedging operations in the statement of income (note 4.29).

Nature and type of security	Quantity	Amounts per unit		Cost	Book value / fair value[1]	Gain[2]	Loss[2]	Impairment
		Nominal	Listing / Price					
By other non residents issuers								
Non-subordinated debt								
Bonds (cont.)								
MAGRITTE FINANCE NV – SR. 2004 – CL.A (1.6.32)	1 391 492	139 149.17		1 330	1 303		32	
MARLIN BV – SR. 1 – CL. B (23.12.2012)	37 497	37 496.68		37	34		3	
MBS BANCAJA FTA – SR.1 – CL.A – TV (17.11.2035)	836 628	30 986.21		739	734		10	
Megafon (OJSC) – 8% (10.12.2009)	9 341 094	718.55	690.32	9 715	9 016		748	
Metro AG – TV (07.10.2009)	5 000 000	1 000.00	971.80	5 029	4 927		148	
MIDGAARD FINANCE – SR.1 – CL. A2 (23.4.2029)	500 000	500 000.00		493	419		81	
Monte Dei Paschi Siena – 6% (20.06.2011)	5 000 000	50 000.00	51 501.92	5 078	5 310	77		
Mobile Telesystems – 8.375% – (14.10.2010)	9 341 094	718.55	636.65	9 912	8 442		1 895	
Norilsk Nickel Fin Lux – 7.125 (30.09.2009)	18 682 187	718.55	680.52	19 193	18 026		1 585	
NOSTRUM CONSUMER FIN. – 1 / A (26.11.2015)	545 428	10 488.99		535	536		1	
OPERA FINANCE(DE) – SR. GER3 CL.B – 25.1.2022	1 000 000	50 000.00		937	638		314	
OTE PLC – 4.625% (20.05.2016)	25 000 000	50 000.00	42 212.35	24 888	21 819		4 472	
PELICAN MORTGAGES – 2 / B (15.9.2036)	290 000	10 000.00		286	236		52	
PEMEX PROJ. FDG MAST. TR – 6.375% – 2016	28 000 000	1 000.00		30 841	23 936		8 123	
PERMANENT FIN – SR. 5 – CL. 3A – 10.06.2034	5 748 365	718.55		5 695	5 660		44	
PORT. TELECOM INT.FIN.-3.75% (26.03.2012)	23 000 000	1 000.00	899.91	21 875	21 359		2 194	
PORT. TELECOM INT. FIN. – 4.375% (24.03.2017)	24 000 000	1 000.00	777.04	22 013	19 460		5 137	
PROMISE PLC – TV. (05.10.2019) – SR. CARA – CL. B	600 000	100 000.00		597	605			
PROVIDE PLC – SR. A04 – 1 / B (27.11.2045)	650 000	50 000.00		644	647		6	
PROVIDE PLC – SR. A05 – 1 CL.B TV. 25.08.2048	500 000	100 000.00		490	430		72	
RCI BANQUE SA – TV – 24.01.2012	100 000	50 000.00		98	96		4	
RESIDENTIAL MORTG. SEC – 17X – M1C (13.05.37)	54 204	9 034.00		54	44		11	
RHODIUM BV – SR. 1X – CL. C (27.5.2084)	800 000	100 000.00		785	522		271	
SANPAOLO IMI BK IRELAND – TV – 09.11.2009	4 900 000	50 000.00	49 284.00	4 900	4 862		70	
Santander Intl Debt – 5.625% (14.02.2012)	5 000 000	50 000.00	51 065.94	5 023	5 214	85		
SANTANDER INTL DEBT – TV. – 10.11.2010	3 000 000	1 000.00		3 000	2 898		122	
SIENA MORTGAGES – TX. VR. (16.12.2038) CL. B	360 000	10 000.00		353	306		50	
SNS BANK NEDERLAND – TV (7.5.2009)	870 000	10 000.00		857	872		2	
SNS BANK NEDERLAND – TV (6.10.2011)	3 000 000	10 000.00		3 000	2 770		270	
TELECOM ITALIA SPA. (06.12.2012)	5 000 000	50 000.00	39 340.00	4 999	3 948		1 065	
TELECOM ITALIA SPA – 4.5% (28.1.2011)	3 700 000	100 000.00	94 343.00	3 700	3 644		209	
TELECOM ITALIA SPA – TV – 07.06.2010	6 400 000	50 000.00	44 956.00	6 400	5 770		646	
TELECOM ITALIA SPA. – 4.75% (19.05.2014)	62 500 000	50 000.00	43 016.97	62 005	55 609		10 738	
Telefonica Emisiones – 3.75% (02.02.2011)	5 000 000	1 000.00	971.54	4 844	5 028	7		
Tengizchevroil Fin – 6.124 (15.11.2014)	21 559 636	615.99	406.71	21 370	14 400		9 816	
TNK – BP Finance – 6.875% (18.07.2011)	23 352 734	718.55	486.23	24 027	16 525		10 012	
UBS Ag London (CH) – 5.375% – 11.04.2011	5 000 000	1 000.00	996.40	4 991	5 176		9	
UBS Luxem (Vimpelcom) – 8% (11.02.2010)	9 341 094	718.55	646.69	9 782	8 696		1 411	
UCI – SR. 8 – CL.A – TX. VR. (18.12.2033)	970 267	19 405.34		891	817		75	
Vale Overseas Lim (CAY) – 6.25% (11.01.2016)	17 963 642	718.55	686.64	17 798	17 693		4 333	
VATTENFALL TREASURY AB – TV. PERP.	65 000 000	1 000.00	833.89	64 194	55 933		16 379	
VIVENDI – TV. – 3.10.2011	6 000 000	50 000.00	43 500.00	6 000	5 306		780	
Yapi Kredi DPR Fin – Sr. 2006 – 1Cl.B – 2014	3 592 728	718.55		3 409	2 928		520	
				1 124 637	**975 748**	**2 528**	**235 068**	**1 809**
Subordinated debt								
Bonds								
AGF – Assurances Gen Fr – 4.625% – Perp.	20 000 000	1 000.00	616.20	19 371	12 841		8 201	
Allianz Finance BV – 4.375% Perp.	135 000 000	1 000.00	593.21	128 393	85 215		55 388	

1) Net of impairment.

2) Amount recorded in revaluation reserves after recognizing the effect of the hedging operations in the statement of income (note 4.29).

Nature and type of security	Quantity	Amounts per unit		Cost	Book value / fair value[1]	Gain[2]	Loss[2]	Impairment
		Nominal	Listing / Price					
Subordinated debt								
Bonds (cont.)								
Axa S.A. – 5.777% Perp / Sub	100 000 000	1 000.00	467.12	104 579	49 529		60 863	
Bayer AG – 5% (29.07.2105)	75 000 000	1 000.00	744.65	71 100	57 441		19 093	
ELM BV (Swiss Rein Co) – TV – Perpetua	48 000 000	50 000.00	15 357.50	48 364	14 992		35 817	
Generali Finance BV – 5.479% – Perpétuas	75 000 000	50 000.00	31 289.11	76 049	50 605		32 480	
Granite Master – Sr. 2006-1A – CIA5 – 20.12.54	2 241 455	407.54		2 213	1 351		869	
Henkel KGAA – T. V. (25.11.2104)	5 000 000	1 000.00	727.40	4 913	3 663		1 514	
Old Mutual PLC – Ob. Perpetua	25 000 000	1 000.00	271.34	24 324	6 979		18 770	
Siemens Financieringsmat – 5.25% (14.09.2066)	50 000 000	1 000.00	746.91	50 966	38 122		15 332	
Vinci – 6.25% Perpetuas	25 000 000	50 000.00	32 615.03	25 096	16 513		9 672	
Xenon Capital PLC 55 Tx. Vr. (04.01.2009)	850 000	10 000.00		854	863			
				556 222	**338 114**		**257 999**	
Equity instruments								
Issued by residents								
Shares								
Agrogarante, S.A.	500	1.00	1.00	1	1			
Alberto Gaspar, S.A.	60 000	5.00		141				141
Alar – Emp. Ibérica de Material Aeronautico, S.A.	2 200	4.99		20	20			
Ambelis – Agência p/ Modernização Economica de Lisboa, S.A.	400	6.85		20				20
Apis – Soc. Ind. Parquetes Azarujense	65 000	4.99						
Apor – Agência p/ Modernização do Porto – Cl. B	2 877	5.00		12	12			
Boavista Futebol Clube	21 900	5.00		110	110			
Bombardier Transportation Portugal	31	5.00						
Buciqueira – SGPS – Cap. Red. – Em. 2001	8	5.00		1	1			
Caderno Verde – Comunicação (C)	134 230	1.00		967				967
Caravela Gest, SGPS, S.A.	272 775	5.00		1 895	698			1 198
Carmo & Braz	65 000	4.99						
CIMPOR – CIM. DE PORTUGAL – SGPS	3 565	1.00	3.48	7	12	6		
Coimbravita – Agência Desenvolvimento Regional	15 000	4.99		75	75			
Cold Land SGPS S.A.	4 000 000			4 000	4 000			
Companhia Águas da Fonte Santa de Monfortinho, S.A.	10	5.00						
Companhia Aurifícia, S.A. (Valor Nominal 7 EUR)	1 186	7.00	1 111.30	25	1 318	1 293		
Companhia de Diamantes de Angola	166 716	2.49						
Companhia de Diamantes de Angola – P (II)	1 000	2.49						
Companhia de Fiação e Tecidos de Fafe, S.A.	240	4.99						
Companhia Portuguesa do Cobre – Imobiliária, S.A.	57 200	4.99		4	4			
Companhia Prestamista Portugueza	10	1.00						
Comundo – Consórcio Mundial de Import. e Export., S.A.	3 269	0.50		6	2			4
Conduril – Construtora Duriense, S.A.	184 262	5.00		806	10 036	9 231		
Corticeira Amorim – SGPS	127 419	1.00	0.81	315	103			212
Digitmarket – Sistemas de Informação, S.A.	4 950	1.00		743				743
EIA – Ensino, Investigação e Administração, S.A.	10 000	4.99		50	34			16
Empresa Cinematográfica S. Pedro – Águeda	100	4.99						
Empresa O Comércio do Porto, S.A.	50	2.49		1	1			
Esence – Soc. Nac. Corticeira – Nom.	54 545	4.99						
Estamparia Império – Emp.Industriais e Imobiliários, S.A.	170	4.99		1	1			
Eurodel – Ind. Metalurgicas e Participações	23	5.00						
Eurofil – Ind. de Petróleos, Plástico e Filamentos, S.A.	11 280	4.99		25	25			
Fábricas Vasco da Gama – Ind. Transformadoras, S.A.	33	4.99		1	1			
Fit – Fomento e Industria do Tomate, S.A.	148	4.99		3	3			
Futebol Clube do Porto	105 000	5.00	1.40	539	147			392

1) Net of impairment.

2) Amount recorded in revaluation reserves after recognizing the effect of the hedging operations in the statement of income (note 4.29).

Nature and type of security	Quantity	Amounts per unit		Cost	Book value / fair value[1]	Gain[2]	Loss[2]	Impairment
		Nominal	Listing / Price					
Equity instruments								
Issued by residents								
Shares (cont.)								
Gap – Gestão Agro-Pecuária, SGPS, S.A.	548	4.99		3	3			
Garval – Sociedade de Garantia Mutua	2 496 000	1.00	1.00	2 496	2 496			
GEIE – Gestão de Espaços de Incub. Empres. S.A.	12 500	1.00		13				13
Gestinsua – Aq. Al. Patrimonio	430	5.00		2				2
Gregório & Ca.	1 510	4.99		4	4			
Impresa – SGPS	6 200 000	0.50	0.84	22 791	5 208			17 583
Incal – Indústria e Comércio de Alimentação, S.A.	2 514	1.13		2	2			
Inovcapital – Soc. de Capital de Risco S.A.	241 527	5.00	5.70	1 205	1 376	171		
Intersis, S.A.	42 147	4.99		1 307				1 307
J. Soares Correia – Armazéns de Ferro, S.A.	84	5.00		2	2			
Jotocar – João Tomás Cardoso, S.A.	3 020	4.99		8	8			
Lisgarante – Soc. de Garantia Mútua	2 056 290	1.00	1.00	2 056	2 056			
Lisnave – Est. Navais	180	5.00		1	1			
Margueira – Sociedade Gestora de Fundos Investimento Imobiliário, S.A.	3 511	5.00		18	18			
Matur – Sociedade de Empreend. Tur. da Madeira, S.A.	13 435	5.00		146				146
Matur – Sociedade de Empreend. Tur. da Madeira, S.A.	4	5.00						
Maxstor	8 190	4.99		41				41
Metalurgia Casal, S.A.	128	4.99		1	1			
Mimalha, S.A.	40 557	5.00		336				336
NET – Novas Empresas e Tecnologias, S.A.	10 539	5.00	4.22	25	44	19		
Norgarante – Soc. de garantia Mútua	1 080 370	1.00	1.00	1 080	1 080			
Nutroton – Indústrias da Avicultura	11 395	5.00	4.38	50	50			(1)
Oficina da Inovação	10 000	5.00	5.14	50	51	11		10
Plastrade – Comércio Intern. Plásticos – N	19 200	5.00	5.00	96	96			
Porto de Cavaleiros, SGPS	2	4.99						
Primus – Prom. e Desenvolvimento Regional, S.A.	8 000	4.99		40	16			24
Salvor – Soc. Investimentos Hoteleiros, S.A.	10	5.00						
Sanjimo – Sociedade Imobiliária	1 620	4.99		8				8
Saphety Level – Trusted Services	5 069	1.00		98				98
SDEM – Soc. de Desenv. Empr. Madeira, SGPS – N	937 500	1.00	0.73	938	686	4		256
Secca – Construções Metálicas – Ac. Ord. Em.92	3 627	4.99		18				18
Secca – Pref. S/ Voto – Em. 92	3 627	4.99		18				18
Senal – Soc. Nacional de Promoção de Empresas, S.A.	450	0.50						
SIBS – Sociedade Interbancária de Serviços, S.A.	738 455	5.00		3 115	3 115			
Soc. Port. Inovação, Consul. Empres. Fom. Inovação, S.A.	1 500	5.00		7	7			
Sociedade de Construções ERG	50	4.99						
Sociedade de Construções ERG (Em. 93) – IR C	6	4.99						
Sociedade Industrial Aliança, S.A.	1	2.49						
Sociedade dos Vinhos Borges – P	50	5.00		1	1			
Sodimul – Soc.de Comércio e Turismo	25	14.96		2	2			
Sofid – Soc. P/ Fin. Des. – Inst. Fin. Credito, S.A.	1 000 000	1.00		1 250	1 250			
Somotel – Soc. Portuguesa de Moteis, S.A.	1 420	2.50						
Sonae SGPS	36 868	1.00	0.44	69	16	2		55
Sonae Capital SGPS	6 483	1.00	0.44	12	3		9	
Sonae Industria SGPS	3 516	5.00	1.53	23	5		18	
Sopeal – Soc. Promoção Educacional Alcacerense, S.A.	100	4.99						
SPGM – Sociedade de Investimento – N	665 150	1.00	1.00	664	665	1		
Spidouro – Sociedade Promoção e Investimento Douro e Trás-os-Montes	15 000	4.99		75	21			54

1) Net of impairment.

2) Amount recorded in revaluation reserves after recognizing the effect of the hedging operations in the statement of income (note 4.29).

Nature and type of security	Quantity	Amounts per unit		Cost	Book value / fair value[1]	Gain[2]	Loss[2]	Impairment
		Nominal	Listing / Price					
Equity instruments								
Issued by residents								
Shares (cont.)								
Sport Lisboa e Benfica (Pub.Geral)	16 010	5.00	2.10	80	34		46	
Star – Turismo, S.A.	533	4.99		3	3			
SVB, SGPS, S.A.	1 250	5.00		6				6
Tagusparque – Sociedade de Promoção e Desenvolvimento do Parque, S.A.	480 000	5.00		2 394	2 394			
Telecine Moro, S.A.	170	4.99		1				1
Terologos – Tecnologias de Manutenção – P	7 960	4.99		40	40			
Textil Lopes da Costa, S.A.	4 900	4.99		8				8
Turopa – Operadores Turisticos, S.A.	5	4.99						
Unicer – Bebidas de Portugal	1 002	1.00	8.07	8	8			
Unicre – Cartão Internacional de Crédito	352 076	5.00		1 057	1 057			
VAA – Vista Alegre Atlantis SGPS	25 020 533	0.20	0.05	16 829	1 282	251		15 798
ViaLitoral – Conc. Rodoviária da Madeira	4 750	161.25	736.84	792	3 500	2 709		
Xelb Cork – Co. e Ind. Cortiça	87	4.99						
				69 057	**43 205**	**13 698**	**73**	**39 474**
Quotas								
Propaço – Soc.Imob. de Paço D' Arcos		1.00		1	1			
				1	**1**			
Rights over equity operations								
Atlântis – Pref. S/ Voto – Dir. Inc./ Em. 97	1	1.00						
Cimpor – Cim.Portugal – SGPS – Dir. Inc. – Em – 99	1	1.00						
Corticeira Amorim – SGPS – Dir. Inc. Em. 00	1	1.00						
Fabricas Triunfo – Dir. reduçao Em. 2001	8	1.00						
Oliva – Ind. Metalurgicas – Direitos de redução	100	1.00						
Portugal Telecom, SGPS – D. Inc. – Em. 2001	8	1.00						
Sicel – Soc. Industr. Cereais – Di/ EM. 94	0	1.00						
Soc. Construções Erg / 93	3	1.00						
Sonae – SGPS – D. Cisão 2005	7	1.00						
Sonae Industria – SGPS – D. I./ Em. 97-2.ª	4	1.00						
Sonae – SGPS – D. Cisão 2008	2	1.00						
Others								
Participating Units								
BPI Liquidez	6 632 159	4.99	7.27	48 425	48 220		205	
BPI Selecção (Gestão de Activos)	200 000	5.00	3.43	1 000	685		315	
BPI Taxa Variável (Gestão de Activos)	4 287 222	4.99	6.92	33 233	29 660		3 574	
Citeve – Cent. Tec. Ind. Tex. Vest. Portugal	20	498.80		10	10			
EGP – University Of Porto Bus. School ASS.	2	4.99		70	70			
FCR – Turismo Capital (TC TUR. CAP. SCR)	164	24 939.89	18 993.74	3 568	3 115	60		513
Frie – PME Capital	115	24 939.89	14 113.57	2 868	1 623	77		1 322
Frie – PME Capital – Retex	40	24 939.89	21 427.08	998	857	12		152
Frie Inter-Risco	120	24 939.89	4 837.03	2 993	580	120		2 533
Fun. Cap. Risco P/ Invest. Qual. FCR – F. FIQ – F. Turismo								
Fun. Cap. Risco AICEP Capital Global – FIEP	7 098	1 000.00	1 051.89	7 098	7 466	368		
Fun. Cap. Risco AICEP Capital Global II	40	4 987.98	5 651.03	200	226	34		7
Fun. Cap. Risco F – Hitec (Es Ventures)	10	50 000.00		500	500			
Fundo BPI – América	200 000	0.01	3.31	998	661		337	
Fundo Caravela	3 000	5 000.00		11 833	17 912	6 080		
Inegi Instituto de Engenharia Mecanica	5 000	1.00		25	25			
				113 819	**111 610**	**6 751**	**4 431**	**4 527**

1) Net of impairment.

2) Amount recorded in revaluation reserves after recognizing the effect of the hedging operations in the statement of income (note 4.29).

Nature and type of security	Quantity	Amounts per unit		Cost	Book value / fair value[1]	Gain[2]	Loss[2]	Impairment
		Nominal	Listing / Price					
Equity instruments								
Issued by non residents								
Shares								
Altitude Software	5 984 560	0.04		13 810				13 810
Amsco – African Management Services Com	1 807	718.55		719				719
Arco Bodegas Unidas	63 382			4 399	2 776		1 623	
Club Financiero Vigo	1	15 626.31		18	12			6
European Investment Fund	9	1 000 000.00		9 410	10 385	976		
Growela Cabo Verde	19 000	9.07		172				172
International Factors Group, S.C.	12	50.00		1				
Nasdaq Europe SA / VN	100	49.96		25	4			21
Parque Industrial da Matola – MZM	1 920 000	0.03		54				54
Swift – Society for Worldwide Inf. Dev	63	125.00		79	79			
Tharwa Finance (dirhams)	20 895	8.89		186	186			
Unirisco Galicia	80	1 202.02		96	82	13		26
Visa Europe Limited	1	10.00						
Visa Inc – Class C	32 134	0.72			787	787		
CLD – Credit Logement Developpment	100	15.25			2			
Emis – Empresa Interbancária de Serviços				262	227			35
IMC – Instituto de Mercado de Capitais				7	7			
Sofaris	13	107.89		2	2			
				29 240	**14 549**	**1 776**	**1 623**	**14 843**
Others								
Participating Units								
Fundo BPI – Europa (Luxemburgo)	23 405	0.01	7.72	171	181	9		
PORTUGAL VENTURE CAPITAL INITIATIVE – PVCI	120 000	1.00		120	120			
				291	**301**	**9**		
Loans and other receivables								
Loans and shareholders' loans								
GEIE								23
Intersis								50
Maxstor								973
Propaço – Imob. Paços d' Arcos					1 334			3 788
Saphety Level – Trusted Services, S.A.								153
SVB					456			1 845
Digitmarket								628
Petrocer					200			
Plastrade					154			
Vista Alegre Atlantis SGPS								17 168
					2 144			**24 628**
				3 698 030	**3 262 603**	**25 564**	**566 490**	**85 281**

1) Net of impairment.

2) Amount recorded in revaluation reserves after recognizing the effect of the hedging operations in the statement of income (note 4.29).

At 31 December 2008 this caption included the following securities reclassified from the caption FINANCIAL ASSETS HELD FOR TRADING, during 2008, under the amendments to IAS 39 and IFRS 7 (notes 2 and 4.47).

Nature and type of security	Quantity	Book value / fair value
Debt instruments		
Other residents		
Non-subordinated debt		
Bonds		
Banco Itau Europa – TX. VAR. (22.06.2010)	4 000 000	3 645
BANCO ITAU EUROPA – TV. (27.07.2011)	30 000 000	28 037
By other non resident issuers		
Non-subordinated debt		
Bonds		
Brazil Foreign Div. P. R. F – 5.5%(20.09.2011)	2 491 191	2 205
Brazil Mer Vouch R – 5.911% (15.06.2011) S.144A	991 080	994
Dollar Divers RI. F – 6.55% (16.12.2013) – REG	2 726 992	2 734
Dresdner Bank / 1998-2013 – PTE – C. Zero	124 699	240
Intern. Divers. Pay. Rig. CO – 6.75% (20.8.10)	1 396 223	1 425
MADISON AVENUE C. LTD (24.3.14) – O. HIP – CL. A	1 938 148	1 377
		40 657

4.6. Loans and advances to credit institutions

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Loans and advances to the Bank of Portugal	140 300	500 000
Loans and advances to other Portuguese credit institutions		
Very short term loans and advances	200 000	78 119
Deposits	451 725	12 038
Loans	132 215	101 762
Other loans and advances	9 647	3 364
Accrued interest	7 349	1 116
	800 936	**196 399**
Loans and advances to other foreign credit institutions		
Very short term loans and advances	105 662	98 861
Deposits	2 236 917	351 532
Loans		790
Securities purchased with resale agreements		338 459
Other loans and advances	189 482	51 106
Accrued interest	30 657	4 095
	2 562 718	**844 843**
Correction of the amount of hedged assets	381	22
Commission relating to amortised cost (net)	(123)	(742)
	258	**(720)**
	3 504 212	**1 540 522**
Overdue loans and interest		387
Impairment	(14)	(9)
	3 504 198	**1 540 900**

The changes in impairment losses and provisions during 2008 and 2007 are presented in note 4.19.

4.7. Loans and advances to Customers

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Loans		
Domestic loans		
Companies		
Discount	341 127	426 519
Loans	4 652 350	4 721 871
Commercial lines of credit	1 830 736	1 819 674
Demand deposits – overdrafts	474 903	396 567
Invoices received – factoring	740 260	701 323
Finance leasing	747 342	778 774
Real estate leasing	698 468	720 688
Other loans	38 170	51 374
Loans to individuals		
Housing	10 532 967	9 466 356
Consumer	1 117 073	972 711
Other loans	686 467	847 943
Foreign loans		
Companies		
Discount	7 655	8 649
Loans	3 768 741	3 717 626
Commercial lines of credit	241 085	259 250
Demand deposits – overdrafts	11 010	13 553
Invoices received – factoring	45	204
Other loans	490 962	191 844
Loans to individuals		
Housing	352 591	229 439
Consumer	14 239	15 886
Other loans	54 326	52 430
Accrued interest	142 384	135 583
	26 942 901	**25 528 264**
Securities		
Issued by Portuguese entities		
Non subordinated debt securities		
Bonds	314 813	348 820
Commercial paper	1 775 571	1 299 239
Subordinated debt securities		9 476
Issued by foreign entities		
Non subordinated debt securities		
Bonds	181 839	128 906
Commercial paper	7 185	6 793
Subordinated debt securities	11 192	3 397
Accrued interest	16 347	12 647
	2 306 947	**1 809 278**
Correction of the amount of hedged assets	20 022	(5 087)
Commission relating to amortised cost (net)	(6 930)	(25 682)
	29 262 940	**27 306 773**
Overdue loans and interest	460 817	296 452
Loan impairment	(448 575)	(372 712)
	29 275 182	**27 230 513**

The caption LOANS TO CUSTOMERS includes the following non-derecognised securitised assets:

	31 Dec. 08	31 Dec. 07
Non-derecognised securitised assets		
Loans		
Loans to SME's	355 862	476 965
Housing	4 309 783	3 607 742
Ceded risk / benefit	(984 245)	(1 262 710)
Accrued interest	10 269	8 016
	3 691 669	**2 830 013**

These loans were not derecognised in the BPI Group's balance sheet and are recorded in the caption LOANS. The amounts received by Banco BPI under these operations are recorded in the caption LIABILITIES RELATING TO ASSETS NOT DERECOGNISED IN SECURITISATION OPERATIONS (notes 2.2.3 and 4.18). In 2007, Banco BPI carried out a securitisation operation over housing loans totalling 1 500 million euro. In December 2007 the Bank sold to the Banco BPI Pension Fund a portion of the risk / benefit relating to the housing loan securitisation operations with an impact on the LOANS TO CUSTOMERS caption of 1 266 428 th. euro (of which: 1 262 710 th. euro of performing loans). The assets and liabilities relating to these operations were derecognised in the percentage sold, and the difference to the product of the sale was recognised in the income statement. In December 2008, Banco BPI started a securitisation operation over housing loans totalling 1 500 million euro with settlement date in January 2009.

The caption LOANS TO CUSTOMERS also includes operations allocated to the Cover Pool given as collateral for the Covered Bonds issued by Banco BPI (note 4.17), namely:

- 2 634 949 th. euro allocated as collateral to mortgage bonds,
- 262 938 th. euro allocated as collateral to public sector bonds.

The changes in impairment losses in 2008 and 2007 are presented in note 4.19.

The BPI Group's portfolio of loans and advances to Customers and guarantees given at 31 December 2008, by business sector, is made up as follows:

	Loans[1]		Guarantees given[2]	
	Amount	**%**	**Amount**	**%**
Residents:				
Agriculture, animal production and hunting	205 524	0.7	5 283	0.2
Forestry and forest operations	10 975		1 798	0.1
Fishing	13 636	0.1	7 662	0.2
Mining	37 239	0.1	8 616	0.3
Manufacturing industries				
Beverage, tobacco and food	454 884	1.6	26 951	0.8
Textiles and clothing	152 445	0.5	19 432	0.6
Leather and related products	23 758	0.1	1 309	
Wood and cork	136 941	0.5	14 030	0.4
Pulp, paper and cardboard and graphic arts	281 948	1.0	9 191	0.3
Coke, oil products and nuclear fuel	475		16 753	0.5
Chemical and synthetic or artificial fibres	66 091	0.2	11 782	0.4
Rubber and plastic materials	66 880	0.2	11 929	0.4
Other mineral non-metallic products	336 077	1.2	51 290	1.5
Metalworking industries	224 001	0.8	65 739	2.0
Manufacturing of machinery and equipment	89 009	0.3	31 987	1.0
Manufacturing of electrical and optical equipment	45 366	0.2	28 878	0.9
Manufacturing of transport material	41 311	0.1	37 723	1.1
Other manufacturing industries	96 372	0.3	15 311	0.5
Electricity, gas and water	586 858	2.0	299 699	8.9
Construction	862 381	3.0	933 264	27.8
Wholesale and retail trading	1 988 142	6.8	306 530	9.1
Restaurants and hotels	350 438	1.2	45 205	1.3
Transport, warehousing and communications	1 088 024	3.7	328 120	9.8
Banks	11 480		62 470	1.9
Other credit institutions			44 533	1.3
Other financial institutions and insurance companies	65 614	0.2	3 794	0.1
Investment holding companies	844 472	2.9	91 137	2.7
Real estate, rental and services provided to companies	1 495 968	5.1	185 967	5.5
Public administration, defence and mandatory social security	1 301 898	4.5	33 130	1.0
Education	47 098	0.2	807	
Healthcare and welfare	294 599	1.0	39 793	1.2
Leisure, cultural and sports activities	254 783	0.9	57 072	1.7
Other service companies	43 698	0.2	8 299	0.2
Individuals				
Housing loans	10 532 967	36.2		
Others	1 803 540	6.2	60 290	1.8
Multinational financial institutions	29 459	0.1	31	
Other sectors	65 896	0.2	6	
Non-residents:				
Financial and credit institutions	40 586	0.1	58 081	1.7
Multinational financial institutions	1 328		411	
Administrative public sector	7			
Non-financial companies	4 677 793	16.1	420 699	12.5
Individuals	421 156	1.5	10 544	0.3
	29 091 117	**100.0**	**3 355 546**	**100.0**

1) Excluding overdue loans, securities and interest, accrued interest, correction of the amount of hedged assets and commission relating to amortised cost.
2) Includes guarantees and sureties, stand-by letters of credit, open documentary credits and surety bonds and indemnities.

The BPI Group's portfolio of loans and advances to Customers and guarantees given at 31 December 2007, by business sector, is made up as follows:

	Loans[1]		Guarantees given[2]	
	Amount	%	Amount	%
Residents:				
Agriculture, animal production and hunting	148 304	0.5	8 517	0.2
Forestry and forest operations	9 979	0.0	1 544	0.0
Fishing	8 561	0.0	8 293	0.2
Mining	41 211	0.2	5 170	0.1
Manufacturing industries				
Beverage, tobacco and food	431 317	1.6	35 296	1.0
Textiles and clothing	176 610	0.6	25 098	0.7
Leather and related products	31 428	0.1	1 557	0.0
Wood and cork	147 472	0.5	14 737	0.4
Pulp, paper and cardboard and graphic arts	242 794	0.9	12 365	0.3
Coke, oil products and nuclear fuel	1 321	0.0	5 104	0.1
Chemical and synthetic or artificial fibres	98 457	0.4	12 772	0.4
Rubber and plastic materials	61 056	0.2	9 946	0.3
Other mineral non-metallic products	360 978	1.3	47 698	1.3
Metalworking industries	210 818	0.8	53 621	1.5
Manufacturing of machinery and equipment	75 312	0.3	35 585	1.0
Manufacturing of electrical and optical equipment	52 546	0.2	44 127	1.2
Manufacturing of transport material	48 656	0.2	70 419	1.9
Other manufacturing industries	96 179	0.4	15 623	0.4
Electricity, gas and water	505 285	1.9	286 417	7.9
Construction	898 719	3.3	979 019	27.1
Wholesale and retail trading	1 993 261	7.3	316 289	8.8
Restaurants and hotels	322 088	1.2	44 658	1.2
Transport, warehousing and communications	1 128 438	4.2	367 930	10.2
Banks	3 861	0.0	12 426	0.3
Other credit institutions			23 685	0.7
Other financial institutions and insurance companies	89 881	0.3	6 137	0.2
Investment holding companies	733 887	2.7	154 333	4.3
Real estate, rental and services provided to companies	1 355 763	5.0	226 263	6.3
Public administration, defence and mandatory social security	1 205 605	4.4	37 043	1.0
Education	41 189	0.2	819	0.0
Healthcare and welfare	293 753	1.1	57 292	1.6
Leisure, cultural and sports activities	277 739	1.0	54 601	1.5
Other service companies	79 330	0.3	8 433	0.2
Individuals				
Housing loans	9 466 356	34.8		
Others	1 820 654	6.7	70 852	2.0
Multinational financial institutions	30 175	0.1	4 099	0.1
Other sectors	72 352	0.3	216	0.0
Non-residents:				
Central banks				
Financial and credit institutions	5 472	0.0	58 378	1.6
Multinational financial institutions	121 630	0.4	388	0.0
Administrative public sector	15	0.0		
Non-financial companies	4 203 105	15.5	496 184	13.7
Individuals	297 755	1.1	811	0.0
	27 189 312	**100.0**	**3 613 745**	**100.0**

1) Excluding overdue loans, securities and interest, accrued interest, correction of the amount of hedged assets and commission relating to amortised cost.
2) Includes guarantees and sureties, stand-by letters of credit, open documentary credits and surety bonds and indemnities.

The caption LOANS-SECURITIES at 31 December 2008 is made up as follows:

Nature and type of security	Quantity	Cost	Gross book value	Impairment[1]
Issued by Portuguese Entities				
Non-subordinated debt				
Bonds				
ADP – Aguas de Portugal,SGPS-TV-20.06.2022	35 000 000	35 000	35 000	
Banif – Tax.Var. (30.12.2015)[2]	11 800 000	11 474	11 476	
Celbi Celulose Beira Ind. – TV. (08.02.2015)	75 000 000	75 000	75 000	
EDIA SA – TV – 30.01.2027	16 180 000	16 180	16 180	
Grupo Visabeira SGPS – TV – 13.07.2014	5 000 000	5 000	5 000	
Jeronimo Martins – JM2011 – TV – 28.03.2011	17 500 000	17 500	17 500	
Jeronimo Martins – JM2012 – TV – 28.03.2012	17 500 000	17 500	17 500	
JMR – Gestão Empresas Retalho – 2007 / 2012	35 000 000	35 000	35 000	
Mota Engil – TX. VR. (09.12.2010)	200 000	200	200	
Mota Engil – TX. VR. 2004-2011	7 000 000	7 000	7 000	
Polimaia / 1989 – SR.C (AC. CRED.)	206			
Portucel – Emp. Celu. Papel – TV. (27.10.2012)[2]	4 904 000	4 903	4 957	
Semapa – 2006 / 2016 2.ª	50 000 000	50 000	50 000	
Sonae Distribuição Setembro – 2007 / 2015	40 000 000	40 000	40 000	
		314 757	**314 813**	
Commercial paper		**1 775 571**	**1 775 571**	**8 903**
Issued by non residents				
Non-subordinated debt				
Bonds				
Structured Investment Vehicles (SIV's)				
CENTAURI CORPORATION (CAY) – TV – 09-09-2011	10 000 000	2 150	2 150	2 150
DORADA CORPORATION – TV – 15.05.2017	10 000 000	4 729	4 729	4 729
FIVE FINANCE CORP – TV. (10.02.2014)	3 592 728	507	507	507
FIVE FINANCE CORP – G4 – SR4 – TR1 (2015.11.10)	2 500 000	353	353	353
K2 CORPORATION – TX. VR. (28.02.2013)	1 796 364	445	445	445
Links Finance Corp – TV – 15.06.2017	2 874 183	2 874	2 874	2 874
NIGHTINGALE FIN LTD – TV – 06.06.2017	3 592 728	3 593	3 593	3 593
SEDNA FINANCE CORP – TV. (05.01.2011)	3 592 728	937	937	937
SEDNA FINANCE CORP – TX. VAR. (16.04.2012)	5 000 000	1 305	1 305	1 305
Zela Finance Corporation TV. (15.08.2016)	5 000 000	1 585	1 585	1 585
		18 478	**18 478**	**18 478**
Asset Backed Securities (ABS's)				
Alfa Bank Sr. 1x Cl. A – TV (15.03.2011)	1 701 768	1 701	1 702	
Alfa Div Pymt Rt Fin – TV – 15.12.2011	2 850 000	2 850	2 850	
Alliance DPR CO – TV 15.11.2013	1 283 117	1 283	1 283	
ARTS – SR. 2005 – AA – CL.A – 15.06.2012	13 014 658	12 504	12 610	
Bosphorus Finantial Serv. TV (15.02.2012)	2 919 092	2 919	2 919	
Dali Capital – Sr. 2006 – 1Cl.A (25.12.2046)	4 572 179	4 572	4 572	
Dali Capital – Sr. 2006 – 1Cl.A (25.12.2046)[2]	1 469 629	1 339	1 339	
Dutch Mor. Port. Loans (15.9.34) – O. HIP – CL. B	4 000 000	4 000	4 000	
HSBC BRAZIL – SR. 2006 – A – 15.04.2016	13 293 095	12 492	12 579	
Garanti Diversified – Sr. 06A – CL.1 – 04.2011	9 750 000	9 336	9 450	
Garanti Diversified – Sr. 2005 – A – CL.1 – 2013	4 850 183	4 679	4 709	
Gazprombank Mort – Sr. 07 – 1 CLA1 – 25.06.2047	2 270 871	2 271	2 271	
Preps Limited Part. Sr. 06 – 1 Cl. 1A 2015[2]	2 293 930	2 104	2 162	
Preps Limited Partners. Sr. 2005 – 2 Cl. A1 8.12.14[2]	1 847 412	1 685	1 690	
Red & Black Prime Rus – S07 – 1 CA – 01.19.35	2 369 432	2 369	2 369	
Saratoga CLO I Ltd. – Sr. 2006 – 1X – Cl – A2 – 2019	7 185 457	7 185	7 185	

1) Additionally, the Bank recognised collective impairment of 450 th. euro on bonds issued by residents

2) Securities reclassified from the caption FINANCIAL ASSETS HELD FOR TRADING, in 2008, under the amendments to IAS 39 and IFRS 7 (notes 2 and 4.47).

Nature and type of security	Quantity	Cost	Gross book value	Impairment[1]
Issued by non residents (cont.)				
Non-subordinated debt (cont.)				
Bonds (cont.)				
Asset Backed Securities (ABS's) (cont.)				
Saratoga CLO I Ltd. – Sr. 2006 – 1X – Cl – B – 2019	2 155 637	2 156	2 156	
Stichting Eurostar CDO (10/03/2013) O. H – Cl – A1	786 800	785	786	
MDM DPR FIN CO – SR. 07 – 1X – CL. A – 15.06.2012	3 017 892	3 018	3 018	
MDM DPR FIN COMPANY – TV – 15.12.2011	3 000 000	3 000	3 000	
Russian Car Loans Sr. 1 CL. A – TV – 16.10.17	5 500 000	5 500	5 500	
Russian Car Loans Sr. 1 CL. B – TV 16.10.17	1 500 000	1 500	1 500	
Russian Consumer FIN – SR1 CL. A1 14.1.2012	1 500 000	1 500	1 500	
TIB Diversified – SR. 05 – DX CL. D – 15.08.2012	6 287 275	6 290	6 289	
UBB DIV PAY RIG – Sr. 2002 – 1X CL1 12.1.2016	3 592 728	3 593	3 593	
Ukraine Mort – Sr. 2007 – 1 CL. A – 15.12.2031	1 352 753	1 353	1 353	
VB DPR FIN CO – SR. 2006 – 1A – CL. A – 15.03.2013	5 748 365	5 335	5 401	
VB DPR FIN CO – SR. 2006 – 1A – CL. B – 15.06.2014	6 466 911	6 139	6 183	
Kazakh Mortgage – S. 07 – 1 – C. A – 15.02.2029	1 264 281	1 264	1 264	
Roof Russia – TV – (25.07.2017)	3 592 728	3 593	3 593	
VB DPR FIN. COMP. – SR. 2006 – 1X – CL. E – 2013	3 592 728	3 593	3 593	
Yapi Kredi DPR FIN – SR. 06 – 1 – CL. D – 11.2014	6 000 000	5 648	5 693	
Yapi Kredi DPR FIN – SR. 2006 – 1 – CL. B – 2014	6 466 911	6 080	6 128	
Yapi Kredi DPR FIN – SR. 2007 – 1 – CL. B – 2015	7 904 002	6 821	6 926	
		140 457	**141 166**	
Other bonds				
Banco Finantia Intl. Ltd. Cay. Tv. (04.05.2015)[2]	3 500 000	3 507	3 541	
Banco Finantia Intl. Ltd. Tv. (26.07.2017)[2]	8 500 000	8 500	8 595	
Banco Finantia Intl. Ltd. Tv. (28.07.2016)[2]	4 000 000	3 997	4 042	
Banif Finance (Cay) – Tv. 29.12.2014[2]	4 220 000	4 206	4 206	
Banif Finance (Cay) – Tv. Perp.[2]	2 000 000	1 809	1 811	
		22 019	**22 195**	
		180 954	**181 839**	**18 478**
Commercial paper		**7 185**	**7 185**	
Subordinated debt				
Bonds				
Banif finance Ltd. – Tv. Perp.[2]	7 900 000	6 895	6 904	
Espirito Santo Invst. PLC – TV (20.12.2015)[2]	4 500 000	4 284	4 288	
		11 179	**11 192**	
Accrued interest			**16 347**	
		2 289 646	**2 306 947**	**27 381**

1) Additionally, the Bank recognised collective impairment of 450 th. euro on bonds issued by residents.
2) Securities reclassified from the caption FINANCIAL ASSETS HELD FOR TRADING, in 2008, under the amendments to IAS 39 and IFRS 7 (notes 2 and 4.47).

The impairment losses recorded in the Structured Investment Vehicles (SIVs) portfolio mentioned above were calculated based on a nil Net Asset Value.

Signs of impairment of the Asset Backed Securities (ABSs) portfolio are determined through regular monitoring of the performance indicators of the underlying transactions, which do not show impairment in any securities at 31 December 2008. A significant number of securities in this portfolio do not have market reference values. However, the losses identified in the cases in which indicative prices of securities could be obtained do not show evidence of impairment.

4.8. Held to maturity investments

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Debt instruments		
Unlisted securities		
Bonds issued by other Portuguese entities		
Non-subordinated debt	60 053	
Bonds issued by other foreign entities		
Non-subordinated debt	331 497	
Subordinated debt	16 104	
	407 654	

The securities recorded in this caption were reclassified from the caption FINANCIAL ASSETS HELD FOR TRADING, in 2008, under the amendments to IAS 39 and IFRS 7 (notes 2 and 4.47).

At 31 December 2008 this caption was made up as follows:

Nature and type of security	Quantity	Amounts per unit Listing / Price	Cost	Book Value
SECURITIES				
Debt instruments				
Other residents				
Non-subordinated debt				
Bonds				
Banco Comercial Portugues – TV – 28.05.2010	18 500 000	99.84	18 470	18 549
Banco Espirito Santo – TV – 14.05.2010	12 500 000	99.86	12 483	12 566
Banco Itau Europa – TX. VAR. (22.06.2010)	1 000 000	98.32	983	984
BES – TV – 29.03.2010	2 000 000	99.11	1 982	1 983
CGD – TV – 21.05.2010	22 300 000	99.96	22 291	22 409
Portucel – Emp. Cel. Pap. – TV. (29.03.2010)	3 500 000	100.15	3 505	3 562
			59 714	**60 053**
Issued by non residents				
Non-subordinated debt				
Bonds				
ABN Amro Bank NV – TX. VAR. (08.06.2015)	5 500 000	95.89	5 274	5 288
Alfa Div Pymt Rights FIN – TV. 15.03.2012	2 112 500	95.23	2 012	2 017
Alfa Div Pymt RT FIN – TV – 15.12.2011	960 000	95.29	915	917
Alpha Credit Group PLC – TV – 07.09.2009	4 000 000	99.54	3 982	3 992
Alpha Credit Group – TV. (02.06.2011)	300 000	97.83	293	294
Alpha Credit Group – TV. (21.06.2010)	200 000	98.97	198	198
Anglo Irish Bank Corp – TV. (10.02.2010)	2 000 000	97.28	1 946	1 959
Anglo Irish Bank Corp – TV. (21.06.2016)	4 850 000	85.46	4 145	4 149
Banif Finance (CAY) – TV – 05.08.2009	6 500 000	99.53	6 470	6 522
BCP Finance Bank – TV – 20.10.2009	45 900 000	99.51	45 676	46 153
BCP Finance Bank – TX. VAR. (03.02.2011)	3 000 000	98.18	2 945	2 969
BES Finance LTD – TV (12.2.2009)	11 837 000	99.97	11 833	11 906
BES Finance LTD – TV 13.11.2009	31 950 000	99.48	31 784	31 973
BES Finance LTD – TV. (08.02.2011)	1 000 000	98.50	985	992
BES Finance LTD – TX. VAR. (09.02.2010)	35 000 000	98.62	34 519	34 754
Caixa Eco Montepio Geral – TV. (03.05.2012)	11 900 000	95.41	11 354	11 451
Caixanova – TV – 02.03.2012	10 000 000	96.30	9 630	9 662

Nature and type of security	Quantity	Amounts per unit Listing / Price	Cost	Book Value
Issued by non residents (cont.)				
Non-subordinated debt (cont.)				
Bonds (cont.)				
Caja Ahorros de Galicia – TV – 10.01.2010	10 000 000	99.91	9 991	10 141
Caja Salamanca & Soria – 6.625% – 30.06.2010	3 000 000	99.92	2 998	3 098
CEMG (CAY) – TV – (19.09.2011)	3 300 000	97.52	3 218	3 222
CIT GROUP INC – TV. (20.06.2013)	6 000 000	77.23	4 634	4 639
Credito Emiliano – TV. (04.05.2012)	1 545 000	98.28	1 518	1 531
Cx Montepio Geral (CAY) – TV. (31.01.2011)	2 000 000	97.33	1 947	1 964
Daimlerchrysler Na HLDG – 4.375% – 16.3.2010	6 000 000	98.21	5 893	6 101
Gie Suez Alliance – 5.5% (20.2.2009)	1 567 000	100.02	1 567	1 642
Goldman Sachs Group INC. – TV. (04.02.2013)	1 600 000	95.59	1 529	1 542
Hsbc Finance Corp – TV. (05.04.2013)	3 400 000	94.67	3 219	3 264
Ibercaja (Ca. Zaragoza A.R.) TV – 20.04.2018	6 000 000	92.46	5 548	5 613
Ibercaja (Ca. Zaragoza A.R.) TV – 25.04.2019	8 400 000	89.27	7 499	7 579
Ing Groep NV – TV. (11.04.2016)	3 900 000	93.18	3 634	3 682
Ing Verzekeringen NV – TV (18.09.2013)	4 000 000	95.87	3 835	3 840
Irish Nationwide Bldg – TX. VR. (12.10.2009)	5 000 000	95.23	4 762	4 823
Koninklijke KPN NV – 4.5% (21.07.2011)	9 375 000	96.20	9 018	9 207
Macquarie Bank LTD – TV – 06.12.2016	6 000 000	87.76	5 266	5 281
Montepio Geral (CAY) – TV. (30.09.2010)	1 194 000	98.37	1 175	1 175
Montepio Geral – CAY – TX. VR (4.11.2009)	27 000 000	99.37	26 831	27 045
Morgan Stanley – TV – 29.11.2013	2 500 000	89.94	2 249	2 258
National Grid PLC – TV. 25.09.2009	3 850 000	99.11	3 816	3 816
Port. Telecom Int. Fin. – 3.75% (26.03.2012	10 767 000	91.46	9 848	10 157
Portugal Telecom Int. Finan. – 4.625% (2009)	4 700 000	99.71	4 686	4 846
Public Power Corp – 4.5% – 12/3/2009	2 760 000	99.79	2 754	2 854
Raiffeisen Zentralb. Oest. – TV – (22.06.16)	5 000 000	94.95	4 748	4 752
Sanpaolo Imi BK Ireland – TV – 09.11.2009	1 000 000	99.57	996	1 002
SNS Bank Nederland – TV (7.5.2009)	3 500 000	99.53	3 483	3 507
TDC AS – 6.5% (19.04.2012)	1 000 000	96.69	967	1 012
Telecom Italia SPA – 4.5% (28.1.2011)	1 300 000	96.88	1 259	1 313
Telecom Italia SPA – TV – 07.06.2010	1 600 000	98.53	1 576	1 580
Telecom Italia SPA – TV. (06.12.2012)	2 400 000	96.12	2 307	2 313
Telefonica Emisiones – TV. (25.01.2010)	5 500 000	99.46	5 470	5 523
Vivendi – TV. 3.10.2011	3 000 000	98.13	2 944	2 987
VTB Bank (VNESHTORGBK) – TV – 13.03.2009	3 000 000	99.57	2 987	2 992
			328 133	**331 497**
Non-subordinated debt				
Bonds				
Anglo Irish Bank Corp – TV – 19.06.2017	10 417 000	81.25	8 464	8 476
Standard Chartered Bank – TV – 28.03.2018	8 500 000	89.72	7 627	7 628
			16 091	**16 104**
			403 938	**407 654**

4.9. Other tangible assets

The changes in other tangible assets in 2008 were as follows:

	Gross					
	Balance at 31 Dec. 07	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec. 08
Property						
Property for own use	235 126	5 131	(795)	6 526	1 883	247 871
Other property	2 976		(1 919)		13	1 070
Leasehold improvements	106 178	2 955	(2 422)	4 884	812	112 407
	344 280	**8 086**	**(5 136)**	**11 410**	**2 708**	**361 348**
Equipment						
Furniture and fixtures	45 207	2 033	(476)	559	110	47 433
Machinery and tools	13 365	904	(638)	305	(216)	13 720
Computer hardware	154 937	13 156	(5 499)	5 980	333	168 907
Interior installations	128 817	562	(737)	29 136	121	157 899
Vehicles	6 563	453	(602)	281	143	6 838
Security equipment	22 875	2 543	(337)	227	129	25 437
Other equipment	248	11	(1)		1	259
	372 012	**19 662**	**(8 290)**	**36 488**	**621**	**420 493**
Tangible assets in progress	32 535	30 067		(48 420)	1 011	15 193
Other tangible assets	13 567	46	(288)	948	19	14 292
	46 102	**30 113**	**(288)**	**(47 472)**	**1 030**	**29 485**
	762 394	**57 861**	**(13 714)**	**426**	**4 359**	**811 326**

In 2008, property with a net book value of 1 424 th. euro was sold to the Banco BPI Pension Fund. The selling price was 11 000 th. euro (note 4.40).

The changes in other tangible assets in 2007 were as follows:

	Gross					
	Balance at 31 Dec. 06	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec. 07
Property						
Property for own use	223 430	9 618	(3 605)	8 553	(2 870)	235 126
Other property	3 457		(481)			2 976
Leasehold improvements	101 341	6 220	(4 093)	3 531	(821)	106 178
	328 228	**15 838**	**(8 179)**	**12 084**	**(3 691)**	**344 280**
Equipment						
Furniture and fixtures	42 418	2 458	(233)	685	(121)	45 207
Machinery and tools	13 148	743	(601)	72	3	13 365
Computer hardware	144 779	8 952	(2 238)	3 562	(118)	154 937
Interior installations	115 282	856	(1 887)	14 631	(65)	128 817
Vehicles	7 202	1 065	(1 983)	333	(54)	6 563
Security equipment	20 720	2 194	(278)	520	(281)	22 875
Other equipment	301	1	(54)			248
	343 850	**16 269**	**(7 274)**	**19 803**	**(636)**	**372 012**
Equipment under finance lease	44		(44)			
Tangible assets in progress	20 904	48 522		(35 969)	(922)	32 535
Other tangible assets	13 274	7	(230)	516		13 567
	34 222	**48 529**	**(274)**	**(35 453)**	**(922)**	**46 102**
	706 300	**80 636**	**(15 727)**	**(3 566)**	**(5 249)**	**762 394**

Depreciation						Net	
Balance at 31 Dec. 07	Depreciation for the year	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec. 08	Balance at 31 Dec. 08	Balance at 31 Dec. 07
76 948	4 472	(241)		138	81 317	166 554	158 178
848	16	(496)		1	369	701	2 128
80 591	9 514	(2 256)	(27)	696	88 518	23 889	25 587
158 387	**14 002**	**(2 993)**	**(27)**	**835**	**170 204**	**191 144**	**185 893**
35 869	2 302	(467)	14	(38)	37 680	9 753	9 338
11 091	860	(635)		(204)	11 112	2 608	2 274
134 188	14 875	(5 491)		255	143 827	25 080	20 749
73 482	9 836	(672)		61	82 707	75 192	55 335
4 804	965	(583)	10	108	5 304	1 534	1 759
17 736	1 490	(331)		12	18 907	6 530	5 139
225	5	(1)			229	30	23
277 395	**30 333**	**(8 180)**	**24**	**194**	**299 766**	**120 727**	**94 617**
						15 193	32 535
9 687	301	(286)			9 702	4 590	3 880
9 687	**301**	**(286)**			**9 702**	**19 783**	**36 415**
445 469	**44 636**	**(11 459)**	**(3)**	**1 029**	**479 672**	**331 654**	**316 925**

Depreciation						Net	
Balance at 31 Dec. 06	Depreciation for the year	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec. 07	Balance at 31 Dec. 07	Balance at 31 Dec. 06
73 910	4 259	(1 223)		2	76 948	158 178	149 520
924	45	(121)			848	2 128	2 533
75 847	8 330	(3 529)	(86)	29	80 591	25 587	25 494
150 681	**12 634**	**(4 873)**	**(86)**	**31**	**158 387**	**185 893**	**177 547**
33 508	2 685	(230)	(93)	(1)	35 869	9 338	8 910
10 904	755	(570)	1	1	11 091	2 274	2 244
124 027	12 424	(2 229)	(39)	5	134 188	20 749	20 752
66 320	8 313	(1 263)	114	(2)	73 482	55 335	48 962
5 648	1 083	(1 977)	71	(21)	4 804	1 759	1 554
16 561	1 477	(265)		(37)	17 736	5 139	4 159
274	5	(54)			225	23	27
257 242	**26 742**	**(6 588)**	**54**	**(55)**	**277 395**	**94 617**	**86 608**
41	3	(44)					3
						32 535	20 904
9 028	877	(218)			9 687	3 880	4 246
9 069	**880**	**(262)**			**9 687**	**36 415**	**25 153**
416 992	**40 256**	**(11 723)**	**(32)**	**(24)**	**445 469**	**316 925**	**289 308**

4.10. Intangible assets

The changes in intangible assets in 2008 were as follows:

	Gross					
	Balance at 31 Dec. 07	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec. 08
Software	52 251	1 852		1 357	2	55 462
Other intangible assets	26 604	5 283	(292)	438	72	32 105
	78 855	**7 135**	**(292)**	**1 795**	**74**	**87 567**
Intangible assets in progress	1 978	830		(2 051)		757
	80 833	**7 965**	**(292)**	**(256)**	**74**	**88 324**

The caption OTHER INTANGIBLE ASSETS at 31 December 2008 includes 9 298 th. euro relating to the net amount of rights to lease property for the installation of branches.

The changes in intangible assets in 2007 were as follows:

	Gross					
	Balance at 31 Dec. 06	Purchases	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec. 07
Software	50 861	1 230	(1 066)	1 263	(37)	52 251
Other intangible assets	18 622	7 486	(818)	1 381	(67)	26 604
	69 483	**8 716**	**(1 884)**	**2 644**	**(104)**	**78 855**
Intangible assets in progress	1 540	3 117		(2 679)		1 978
	71 023	**11 833**	**(1 884)**	**(35)**	**(104)**	**80 833**

The caption OTHER INTANGIBLE ASSETS at 31 December 2007 includes 8 795 th. euro relating to the net amount of rights to lease property for the installation of branches.

4.11. Investments in associated companies and jointly controlled entities

Investments in associated companies and jointly controlled entities, recorded in accordance with the equity method, are as follows:

	Effective participation (%)		Book value	
	31 Dec. 08	31 Dec. 07	31 Dec. 08	31 Dec. 07
Banco Comercial e de Investimentos, S.A.R.L.	30.0	30.0	15 933	13 106
Companhia de Seguros Allianz Portugal, S.A.	35.0	35.0	56 387	67 957
Cosec – Companhia de Seguros de Crédito, S.A.	50.0	50.0	20 366	25 430
F. Turismo – Capital de Risco, S.A.	25.0	25.0	1 374	1 361
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	32.8	32.8	23 786	22 411
Viacer – Sociedade Gestora de Participações Sociais, Lda.	25.0	25.0	20 029	20 695
			137 875	**150 960**

In 2007 Banco BPI sold 1% of the share capital of Viacer and now has a participation of 25% in that company.

Depreciation					Net	
Balance at 31 Dec. 07	Amortisation for the year	Sales and write-offs	Foreign exchange differences	Balance at 31 Dec. 08	Balance at 31 Dec. 08	Balance at 31 Dec. 07
48 852	2 496		32	51 380	4 082	3 399
16 528	5 287	(292)	57	21 580	10 525	10 076
65 380	**7 783**	**(292)**	**89**	**72 960**	**14 607**	**13 475**
					757	1 978
65 380	**7 783**	**(292)**	**89**	**72 960**	**15 364**	**15 453**

Depreciation						Net	
Balance at 31 Dec. 06	Amortisation for the year	Sales and write-offs	Transfers and others	Foreign exchange differences	Balance at 31 Dec. 07	Balance at 31 Dec. 07	Balance at 31 Dec. 06
47 818	2 126	(1 066)		(26)	48 852	3 399	3 043
14 402	2 990	(818)	2	(48)	16 528	10 076	4 220
62 220	**5 116**	**(1 884)**	**2**	**(74)**	**65 380**	**13 475**	**7 263**
						1 978	1 540
62 220	**5 116**	**(1 884)**	**2**	**(74)**	**65 380**	**15 453**	**8 803**

4.12. Tax assets

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Current tax assets		
Corporate income tax recoverable	3 693	5 089
Others	381	455
	4 074	**5 544**
Deferred tax assets		
Due to temporary differences	238 245	135 827
Due to tax losses carried forward	8 056	
	246 301	**135 827**
	250 375	**141 371**

Details of deferred tax assets are presented in note 4.43.

4.13. Other assets

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Debtors, other applications and other assets		
Debtors for future operations	42 365	36 785
Collateral accounts	3 321	5 315
Other aplications	1 223	1 267
VAT recoverable	21	14 693
Debtors for loan interest subsidy receivable	18 187	14 623
Other debtors	223 050	28 774
Overdue debtors and other applications	1 175	1 128
Impairment	(1 504)	(1 553)
Other assets		
Gold	162	345
Other available funds and other assets	898	1 032
	288 898	**102 409**
Tangible assets available for sale	72 233	58 775
Impairment	(21 034)	(15 913)
	51 199	**42 862**
Accrued income		
For irrevocable commitments assumed in relation to third parties	117	125
For banking services rendered to third parties	5 058	8 883
Other accrued income	22 491	20 016
	27 666	**29 024**
Deferred expenses		
Insurance	126	93
Rent	3 174	3 088
Other deferred expenses	3 983	3 608
	7 283	**6 789**
Liability for pensions and other benefits (note 4.25)		
Net assets of the pension fund		
Pensioners and Employees		2 798 494
Directors		23 372
Past service liabilities		
Pensioners and Employees		(2 445 429)
Directors		(23 388)
Others		(224)
Actuarial deviations		
Employees	501 846	
Directors	430	
Changes in the Pension Plan conditions to be amortised		
Employees	207	277
Directors	404	524
	502 887	**353 626**
Other accounts		
Stock exchange transactions pending settlement	607	
Non stock exchange transactions pending settlement		945
Operations on assets pending settlement	286 527	277 293
	287 134	**278 238**
	1 165 067	**812 948**

At 31 December 2007 the caption VAT RECOVERABLE was made up essentially of taxes recoverable in finance lease contracts.

At 31 December 2008 the caption OTHER DEBTORS included 197 600 th. euro relating to the amount receivable in instalments from the sale of 49.9% of the share capital of Banco de Fomento (Angola). The selling price was 365 671 th. euro and part of the proceeds of the sale will be paid in eight annual instalments plus compensation due to monetary correction (note 4.40).

The changes in tangible assets available for sale in 2008 were as follows:

	Balance at 31 Dec. 07			Acquisitions	Sales		Increase / Reversals of impairment	Balance at 31 Dec. 08		
	Gross	Impairment	Net		Gross	Impairment		Gross	Impairment	Net
Assets received in settlement of defaulting loans										
Real estate	51 518	(11 373)	40 145	32 433	(18 938)	677	(5 751)	65 013	(16 447)	48 566
Equipment	5 009	(3 606)	1 403	3 280	(3 318)		(99)	4 971	(3 705)	1 266
Others	61	(60)	1					61	(60)	1
Other tangible assets										
Real estate	396	(143)	253	12			50	408	(93)	315
Others	1 791	(731)	1 060		(11)		2	1 780	(729)	1 051
	58 775	**(15 913)**	**42 862**	**35 725**	**(22 267)**	**677**	**(5 798)**	**72 233**	**(21 034)**	**51 199**

In 2008 real estate received in settlement of defaulting loans with book value of 10 249 th. euro was sold to the Banco BPI Pension Fund. The selling price was 18 750 th. euro (note 4.40).

The changes in tangible assets available for sale in 2007 were as follows:

	Balance at 31 Dec. 06			Acquisitions	Sales		Increase / Reversals of impairment	Transfers	Balance at 31 Dec. 07		
	Gross	Impairment	Net		Gross	Impairment			Gross	Impairment	Net
Assets received in settlement of defaulting loans											
Real estate	49 461	(8 360)	41 101	15 066	(13 009)	2 097	(5 110)		51 518	(11 373)	40 145
Equipment	5 332	(4 002)	1 330	1 919	(2 242)		536	(140)	5 009	(3 606)	1 403
Others	61	(60)	1						61	(60)	1
Other tangible assets											
Real estate	2 575	(813)	1 762		(2 179)	665	5		396	(143)	253
Others	1 787		1 787	4			(731)		1 791	(731)	1 060
	59 216	**(13 235)**	**45 981**	**16 989**	**(17 430)**	**2 762**	**(5 300)**	**(140)**	**58 775**	**(15 913)**	**42 862**

The caption OTHER ACCRUED INCOME at 31 December 2008 and 2007 includes 15 156 th. euro and 13 369 th. euro, respectively, relating to accrued variable commission for participating in the profits of Allianz' insurance contracts.

The caption PAST SERVICE LIABILITIES – OTHERS corresponds to the liabilities of Banco de Fomento Angola in accordance with Law 18 / 90 of Angola, regarding the Angola Social Security system, which defines the granting of retirement pensions to all the Angolan Employees enrolled in Social Security.

The caption STOCK EXCHANGE TRANSACTIONS PENDING SETTLEMENT refers to the selling of securities settled in the following month.

The caption OPERATIONS ON ASSETS PENDING SETTLEMENT at 31 December 2008 and 2007 includes 16 761 th. euro relating to taxes to be settled, of which 12 529 th. euro relates to taxes in litigation which were paid under the provisions of Decree-Law 248-A / 02 of 14 November.

This caption at 31 December 2008 and 2007 also includes 111 916 th. euro and 214 165 th. euro, respectively, relating to securitisation operations carried out by the BPI Group (notes 4.7 and 4.18), resulting from timing differences between the settlement of the loans (securitised assets not derecognised) and settlement of the liability for assets not derecognised.

The caption OPERATIONS ON ASSETS PENDING SETTLEMENT at 31 December 2008 also includes 4 936 th. euro relating to housing loans pending settlement (10 612 th. euro at 31 December 2007) and 120 807 th. euro relating to the corresponding entry to the contributions due to the Pension Fund (notes 4.24 and 4.25).

The changes in impairment losses and provisions in 2008 and 2007 are presented in note 4.19.

4.14. Financial liabilities held for trading

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Short selling of securities		
Debt instruments		
Bonds issued by foreign government entities		336 539
Equity instruments	200	36
Derivative instruments with negative fair value (note 4.4)	258 252	198 094
	258 452	**534 669**

4.15. Resources of other credit institutions

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Resources of Portuguese credit institutions		
Very short term resources	5 000	78 120
Deposits	266 011	500 071
Other resources	120	390
Accrued interest	3 669	4 225
	274 800	**582 806**
Resources of foreign credit institutions		
Deposits of international financial organisations	345 197	353 000
Very short term resources	3 360	49 331
Deposits	1 236 255	2 315 504
Debt securities sold with repurchase agreements	39 848	329 997
Other resources	87 055	80 158
Accrued interest	16 646	24 182
	1 728 361	**3 152 172**
Correction of the amount of hedged liabilities	4 374	(1 980)
Commission relating to amortised cost	(123)	(1 052)
	2 007 412	**3 731 946**

The balance of the caption RESOURCES OF FOREIGN CREDIT INSTITUTIONS at 31 December 2008 and 2007 includes 50 119 th. euro and 335 372 th. euro, respectively, relating to operations carried out by the Madrid branch on the inter-bank market.

The balance of the caption DEBT SECURITIES SOLD WITH REPURCHASE AGREEMENTS is made up essentially of repurchase operations to hedge the bond portfolio.

4.16. Resources of Customers and other debts

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Demand deposits	7 372 260	6 505 137
Term deposits	14 712 000	11 220 117
Savings deposits	570 324	622 689
Compulsory deposits	12 108	11 732
Cheques and orders payable	66 727	56 951
Debt securities sold with repurchase agreements	1 735 732	578 531
Other resources of Customers	63 634	64 205
Capitalisation insurance products – Unit links	521 384	1 277 389
Capitalisation insurance products – guaranteed rate	292 557	147 319
Accrued interest	242 276	144 077
	25 589 002	**20 628 147**
Correction of the amount of hedged liabilities	44 785	(5 922)
Commission relating to amortised cost (net)	(167)	(359)
	25 633 620	**20 621 866**

This caption at 31 December 2008 includes 314 979 th. euro and 519 493 th. euro, respectively, relating to deposits of investment funds and pension funds managed by the BPI Group (639 864 th. euro and 238 026 th. euro, respectively, at 31 December 2007).

4.17. Debt securities

This caption is made up as follows:

	31 Dec. 08				31 Dec. 07			
	Issued	Repurchased	Balance	Average interest rate	Issued	Repurchased	Balance	Average interest rate
Deposit certificates								
EUR	185		185	3.9%	257		257	3.8%
	185		**185**		**257**		**257**	
Commercial paper								
EUR	234 201		234 201	4.2%				
	234 201		**234 201**					
Covered bonds								
EUR	2 550 000	(1 420 000)	1 130 000	5.0%				
	2 550 000	**(1 420 000)**	**1 130 000**					
Fixed rate cash bonds								
EUR	684 957	(42 048)	642 909	4.1%	403 142	(28 850)	374 292	3.5%
CZK	18 605		18 605	3.7%	18 777		18 777	3.7%
USD	36 026	(840)	35 186	4.2%	37 229	(1 396)	35 833	4.6%
GBP	41 995		41 995	5.5%	54 544		54 544	5.5%
JPY	31 711		31 711	2.5%	24 253		24 253	2.5%
	813 294	**(42 888)**	**770 406**		**537 945**	**(30 246)**	**507 699**	
Variable rate cash bonds								
EUR	3 239 383	(244 114)	2 995 269	4.8%	3 287 493	(130 131)	3 157 362	4.8%
CZK					37 554		37 554	3.8%
CAD	9 413		9 413	2.7%	11 073		11 073	5.1%
	3 248 796	**(244 114)**	**3 004 682**		**3 336 120**	**(130 131)**	**3 205 989**	
Variable income cash bonds								
EUR	1 853 409	(712 520)	1 140 889		2 105 225	(570 022)	1 535 203	
USD	146 008	(95 092)	50 916		224 207	(59 446)	164 761	
	1 999 417	**(807 612)**	**1 191 805**		**2 329 432**	**(629 468)**	**1 699 964**	
	8 845 893	**(2 514 614)**	**6 331 279**		**6 203 754**	**(789 845)**	**5 413 909**	
Accrued interest			69 436				44 810	
Correction of the amount of hedged liabilities			89 342				(25 939)	
Premiums and commissions (net)			(72 249)				(90 925)	
			86 529				**(72 054)**	
			6 417 808				**5 341 855**	

The average interest rates mentioned in the preceding table were calculated based on the interest rate of each issue in relation to the nominal value of the bonds. It is not possible to calculate the rate for the variable income bonds as the income is only known when it is due.

As part of its medium and long term funding plan, the BPI Group issues cash bonds under the Euro Medium Term Notes (EMTN) program, the maximum of which is 10 000 000 000 euros.

Cash bonds can only be issued by institutions under the Bank of Portugal's supervision. They are an instrument currently used by the BPI Group to provide investment solutions for its Customers, as an alternative to term deposits.

Cash bonds can be issued in different currencies.

In 2008 the BPI Group started issuing commercial paper, diversifying the way of obtaining liquidity in the market. These issues were made under a Euro Commercial Paper program, the maximum amount of which is 5 000 000 000 euros.

In 2008, the BPI Group issued two covered bond programs (mortgage bonds and public sector bonds) under Decree-Law 59 / 2006.

In accordance with this law, the covered bondholders benefit from a special credit privilege over the autonomous assets, which consists of a guarantee of the debt to which the bondholders have access in the event of the issuer's insolvency.

The mortgage bonds program was constituted for up to a maximum of 7 000 000 000 euros.

The mortgage bonds are secured by a portfolio of mortgage loans and other assets that together constitute an autonomous cover pool.

Assets allocated to the cover pool include mortgage loans for housing or commercial purposes located in a EU Member State and other eligible assets, such as deposits at the Bank of Portugal, deposits with financial institutions with ratings equal to or greater than " A-" and other low risk and highly liquid assets. The total value of other assets cannot exceed 20% of the cover pool. The amount of the allocated mortgage loans cannot exceed 80% of the value of the mortgaged property in the case of residential property, or 60% of the value of the mortgaged property, in the case of commercial property.

The legislation applicable to mortgage bonds imposes prudential limits, which must be met during the period of the bonds:

- the total nominal amount of the outstanding mortgage bonds cannot exceed 95% of the total amount of mortgage loans and other assets assigned to the bonds;

- the average maturity of the outstanding mortgage bonds cannot exceed, at any time, the average maturity of the mortgage loans and other assets assigned to the bonds;

- the total amount of interest payable to the holders of mortgage bonds cannot exceed, at any time, the amount of interest receivable related to the mortgage loans and other assets assigned to the bonds;

- the net present value of the liabilities arising from the outstanding mortgage bonds cannot exceed, at any time, the net present value of the cover pool given as collateral of these bonds, after consideration of any financial derivative instruments. This ratio must be maintained when considering a 200 basis points parallel up or down shift of the yield curve;

- credit institutions' risk exposure, except for positions with residual maturity less than or equal to 100 days, cannot exceed 15% of the total nominal amount of the outstanding mortgage bonds.

At 31 December 2008 the amount of mortgage bonds issued by the BPI Group was 2 400 000 000 euros, split into 3 issues as follows:

Mortgage bonds	**Series 1**	**Series 2**	**Series 3**
Issue date	05-08-2008	19-08-2008	09-12-2008
Nominal amount	EUR 1 000 000 000	EUR 400 000 000	EUR 1 000 000 000
ISIN	PTBBQO1E0024	PTBISN1E0001	PTBBR7OE0028
Maturity date	05-08-2010	19-08-2016	09-12-2013
Rating (Moody's / S&P / Fitch)	Aaa / AAA / AAA	Aaa / - / -	Aaa / - / -
Reimbursement	Full at maturity date	Full at maturity date	Full at maturity date
Interest payment frequency	Annual	Semi-annual	Semi-annual
Coupon	5.75%	Euribor 6 m + 0.50%	Euribor 6 m + 0.50%

At 31 December 2008 the cover pool allocated to the mortgage bonds amounted to 2 710 376 th. euro, of which 2 634 949 th. euro was in loans (note 4.7).

The Series 2 and 3 of the mortgage bonds were issued in order to be included in the portfolio of assets eligible for possible funding from the European Central Bank.

The bond program over the public sector was constituted for up to a maximum of 2 000 000 000 euros.

The bonds over the public sector are secured by a portfolio of public sector loans and other assets that together constitute the cover pool.

Loans granted to central public administrations, regional or local authorities of any EU Member State as well as loans with a specific guarantee from these entities may be allocated to the cover pool.

The prudential limits applicable to public sector bonds are similar to those applicable to the mortgage bonds, except for the limit on the maximum nominal amount of outstanding bonds in relation to the loans and other assets allocated to the cover pool, which in the case of bonds over the public sector is 100%.

At 31 December 2008, the amount of bonds over the public sector issued by the BPI Group was 150 000 000 euros, as follows:

Public sector bonds	**Series 1**
Issue date	17-07-2008
Nominal amount	EUR 150 000 000
ISIN	PTBP14OE0006
Maturity date	15-06-2016
Rating (Moody's / S&P / Fitch)	AAA
Reimbursement	Full at maturity date
Interest payment frequency	Quarterly
Coupon	Euribor 3 m – 0.004%

At 31 December 2008, the cover pool allocated to bonds over the public sector amounted to 311 492 th. euro, of which 262 938 th. euro was in loans (note 4.7).

The BPI Group issues bonds on a regular basis, with different remuneration conditions:

- fixed rate – bonds issued on which the BPI Group commits itself to pay a previously defined rate of income, calculated based on a fixed interest rate from the time of issue to maturity;

- variable rate – bonds issued on which the BPI Group commits itself to pay income calculated based on a specified interest rate index published by an outside source (market);

- variable income – bonds issued for which the remuneration is not known, or certain, at the issue date, and can be subjected to changes depending on the evolution of certain underlying assets (indices or indexing rates) announced at the date of issue. Such bonds have embedded derivatives which are recorded in specific accounts as required by IAS 39 (note 4.4.). In addition, the BPI Group has options to hedge the risks of change in the cost incurred with these bonds.

The changes in the bonds issued by the BPI Group in 2008 were as follows:

	Deposit certificates	Commercial paper	Covered bonds	Fixed rate bonds	Variable rate bonds	Variable income bonds	Total
Balance at 31 December 2007	257			507 699	3 205 989	1 699 964	5 413 909
Bonds issued during the year		234 201	2 550 000	447 496	455 036	701 540	4 388 273
Bonds redeemed	(72)			(167 982)	(540 700)	(1 031 012)	(1 739 766)
Repurchases (net of resales)			(1 420 000)	(12 613)	(113 983)	(176 467)	(1 723 063)
Reclassification (note 4.23)						(4 200)	(4 200)
Exchange difference				(4 194)	(1 660)	1 980	(3 874)
Balance at 31 December 2008	**185**	**234 201**	**1 130 000**	**770 406**	**3 004 682**	**1 191 805**	**6 331 279**

The changes in the bonds issued by the BPI Group in 2007 were as follows:

	Deposit certificates	Fixed rate bonds	Variable rate bonds	Variable income bonds	Total
Balance at 31 December 2006	309	543 101	3 479 475	1 495 902	5 518 787
Bonds issued during the year		50 679	261 737	940 521	1 252 937
Bonds redeemed	(52)	(71 869)	(588 834)	(441 462)	(1 102 217)
Repurchases (net of resales)		(6 286)	51 839	(279 726)	(234 173)
Exchange difference		(7 926)	1 772	(15 271)	(21 425)
Balance at 31 December 2007	**257**	**507 699**	**3 205 989**	**1 699 964**	**5 413 909**

Bonds issued by the BPI Group at 31 December 2008, by maturity date, are as follows:

	Maturity						
	2009	**2010**	**2011**	**2012**	**2013-2016**	**> 2016**	**Total**
Deposit certificates							
EUR	44	43	40	39	19		185
	44	**43**	**40**	**39**	**19**		**185**
Commercial paper							
EUR	234 201						234 201
	234 201						**234 201**
Covered bonds							
EUR		980 000			150 000		1 130 000
		980 000			**150 000**		**1 130 000**
Fixed rate bonds							
EUR	118 491	42 905	420 532	9 048	9 631	42 302	642 909
CZK			18 605				18 605
USD	6 436	12 820	15 930				35 186
GBP	41 995						41 995
JPY						31 711	31 711
	166 922	**55 725**	**455 067**	**9 048**	**9 631**	**74 013**	**770 406**
Variable rate bonds							
EUR	990 912	1 238 427	615 930		150 000		2 995 269
CAD	9 413						9 413
	1 000 325	**1 238 427**	**615 930**		**150 000**		**3 004 682**
Variable income bonds							
EUR	222 536	404 994	369 900	60 628	67 261	15 570	1 140 889
USD	11 484	17 310	3 233	18 889			50 916
	234 020	**422 304**	**373 133**	**79 517**	**67 261**	**15 570**	**1 191 805**
Total	**1 635 512**	**2 696 499**	**1 444 170**	**88 604**	**376 911**	**89 583**	**6 331 279**

Bonds issued by the BPI Group at 31 December 2007, by maturity date, are as follows:

	Maturity							
	2008	2009	2010	2011	2012	2013-2016	> 2016	Total
Deposit Certificates								
EUR	51	49	48	45	43	21		257
	51	**49**	**48**	**45**	**43**	**21**		**257**
Fixed rate bonds								
EUR	144 862	124 710	45 180	8 065	9 555	1 000	40 920	374 292
CZK				18 777				18 777
USD	17 320	6 197	12 316					35 833
GBP		54 544						54 544
JPY							24 253	24 253
	162 182	**185 451**	**57 496**	**26 842**	**9 555**	**1 000**	**65 173**	**507 699**
Variable rate bonds								
EUR	481 339	1 053 883	1 220 640	286 500		115 000		3 157 362
CZK	37 554							37 554
CAD		11 073						11 073
	518 893	**1 064 956**	**1 220 640**	**286 500**		**115 000**		**3 205 989**
Variable income bonds								
EUR	550 408	240 982	407 975	165 987	100 472	53 649	15 730	1 535 203
USD	59 952	50 274	29 398		25 137			164 761
	610 360	**291 256**	**437 373**	**165 987**	**125 609**	**53 649**	**15 730**	**1 699 964**
Total	**1 291 486**	**1 541 712**	**1 715 557**	**479 374**	**135 207**	**169 670**	**80 903**	**5 413 909**

4.18. Financial liabilities relating to transferred assets

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Liabilities relating to assets not derecognised in securitisation operations (note 4.7)		
Loans		
Housing loans	4 396 261	3 841 797
Loans to SME's	377 579	497 044
Liabilities held by the BPI Group[1]	(1 712 385)	
Risk / benefit on housing loans ceded	(1 013 691)	(1 344 629)
Accrued costs	12 930	16 483
Correction of the amount of hedged liabilities[2]	3 597	
Premiums / discounts relating to liabilities held by the BPI Group	8 658	
Commission relating to amortised cost (net)	(2 170)	(2 536)
	2 070 779	**3 008 159**

1) At 31 December 2007 bonds issued by securitisation vehicles held by BPI Group entities were included in the financial assets available for sale portfolio.

2) At 31 December 2007 the amount 1 477 th. euro relating to corrections of the amount of hedged liabilities was included in note 4.14 Resources of other credit institutions.

Banco BPI launched securitisation operations, the main features of which are summarised in the tables below. These issuances were made through Sagres – Sociedade de Titularização de Créditos S.A.

At 31 December 2008, bonds issued by securitisation vehicles and held by BPI Group entities were eliminated in the consolidation process.

In December 2007 the Bank sold part of the highest risk bonds issued under the housing loan securitisation operations, usually referred to as equity pieces, having thus ceded part of the benefits and risks of these transactions. The impact of this operation on liabilities is shown in the table above. The assets and liabilities relating to these operations were derecognised by the percentage ceded, and the difference to the product of the sale was recognised in the statement of income.

On 6 April 2005 Banco BPI launched its first securitisation operation, in the amount of 500 000 th. euro, under the name Douro SME Series 1. The operation was issued in 4 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Guarantee	Spread
■ Class A Notes	325 518	1.39	AAA	Without	0.10%
■ Class B Notes	26 000	4.59	AAA	European Investment Fund	0.08%
■ Class C Notes	24 000	4.59		Credit Securitisation Guarantee Fund	1.00%
■ Class D Notes	5 010	4.59		Without Guarantee	2.00%
Total of the issues	**380 528**				
Reserve Fund	(2 500)				
Liabilities held by BPI Group	(77 289)				
Other funds	(449)				
Total	**300 290**				

On 24 November 2005 Banco BPI launched its first housing loan securitisation operation, in the amount of 1 500 000 th. euro, under the name DOURO Mortgages No. 1. The operation was issued in 5 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread[1]
■ Class A Notes	673 192	3.61	Aaa / AAA / AAA	0.14%
■ Class B Notes	14 245	3.61	Aa2 / AA / AA	0.17%
■ Class C Notes	12 950	3.61	A1 / BBB / A+	0.27%
■ Class D Notes	10 791	3.61	Baa1 / BBB / A-	0.47%
■ Class E Notes	9 000	3.61		Residual Interest
Total of the issues	**720 178**			
Reserve Fund	(12 000)			
Other funds	3			
Liabilities held by BPI Group	(14 810)			
Risk / benefit ceded	(247 863)			
Total	**445 508**			

1) Until the date of the call option (September 2014); after this date, if the option is not exercised, the spread doubles.

On 28 September 2006 Banco BPI launched its second housing loan securitisation operation in the amount of 1 500 000 th. euro under the name DOURO Mortgages No. 2. The operation was issued in 6 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread[1]
■ Class A1 Notes	8 620	0.21	Aaa / AAA / AAA	0.05%
■ Class A2 Notes	871 286	6.21	Aaa / AAA / AAA	0.14%
■ Class B Notes	21 492	6.28	Aa3 / AA / AA	0.17%
■ Class C Notes	13 941	6.28	A2 / A- / A+	0.23%
■ Class D Notes	11 036	6.28	Baa2 / BBB / BBB+	0.48%
■ Class E Notes	9 000	6.28		Residual Interest
Total of the issues	**935 375**			
Reserve Fund	(12 000)			
Liabilities held by BPI Group	(74 469)			
Risk / benefit ceded	(323 181)			
Total	**525 725**			

1) Until the date of the call option (April 2015); after this date, if the option is not exercised, the spread doubles.

On 31 July 2007 Banco BPI launched its third housing loan securitisation operation in the amount of 1 500 000 th. euro under the name DOURO Mortgages No. 3.The operation was issued in 6 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread[1]
■ Class A Notes	1 207 770	6.28	Aaa / AAA / AAA	0.16%
■ Class B Notes	27 750	8.19	nr / AA / AA	0.17%
■ Class C Notes	16 500	8.50	nr / A / A	0.23%
■ Class D Notes	14 250	8.87	nr / BBB/ BBB	0.48%
■ Class E Notes	9 238	N.A.	nr / BBB- / BBB-	0.50%
■ Class F Notes	1 251	N.A.		Residual Interest
Total of the issues	**1 276 759**			
Reserve fund	(12 000)			
Other funds	(54)			
Liabilities held by BPI Group	(45 817)			
Risk / benefit ceded	(442 647)			
Total	**776 241**			

1) Until the date of the call option (August 2016); after this date, if the option is not exercised, the spread is multiplied by 1.5.

In December 2008 Banco BPI launched a new series of housing loan securitisation operations in the amount of 1 500 000 th. euro under the name DOURO Mortgages No. 4, which were only settled in January 2009. The operation was issued in 4 lots, their main characteristics being as follows:

Description	Amount	Estimated residual average life (years)	Rating (Moody's, S&P, Fitch)	Spread[1]
■ Class A Notes	1 275 000	8.50	AAA	0.15%
■ Class B Notes	180 000	20.10	nr	0.20%
■ Class C Notes	45 000	20.80	nr	0.25%
■ Class D Notes	22 500	N.A.	nr	Residual Interest
Total of the issues	**1 522 500**			
Reserve fund	(22 500)			
Liabilities held by BPI Group	(1 500 000)			
Total	**0**			

This issue was made in order to be eligible for possible funding from the European Central Bank.

4.19. Provisions and impairment losses

The changes in provisions and impairment losses of the Group in 2008 were as follows:

	Balance at 31 Dec. 07	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at 31 Dec. 08
Impairment losses on loans and advances to credit institutions (note 4.6)	9	5				14
Impairment losses on loans and advances to Customers (note 4.7)	372 712	149 433	(2 395)	(74 013)	2 838	448 575
Impairment losses on financial assets available for sale (note 4.5)						
Debt instruments	530	1 279				1 809
Equity instruments	46 887	130 526		(123 135)	39	54 317
Other securities	4 544			(17)		4 527
Loans and other receivables	25 703	44	(1 119)			24 628
Impairment losses on other assets (note 4.13)						
Tangible assets held for sale	15 913	8 203	(2 405)	(677)		21 034
Debtors, other applications and other assets	1 553	30	(66)	(13)		1 504
Impairment losses and provisions for guarantees and commitments	37 939	310	(3 675)		(124)	34 450
Other provisions	34 914	14 705	(4 565)	(1 794)	(145)	43 115
	540 704	**304 535**	**(14 225)**	**(199 649)**	**2 608**	**633 973**

Utilisation of impairment losses on loans and advances to Customers corresponds essentially to write-offs recorded in 2008.

The increase in impairment losses on equity instruments available for sale in 2008, includes 120 645 th. euro relating to impairment recorded in Banco Comercial Português shares. Utilisation of impairment includes an equal amount due to the sale of the full investment of BPI Group in the share capital of Banco Comercial Português.

The changes in provisions and impairment losses of the Group in 2007 were as follows:

	Balance at 31 Dec. 06	Increases	Decreases and reversals	Utilisation	Exchange differences and others	Balance at 31 Dec. 07
Impairment losses on loans and advances to credit institutions (note 4.6)	13		(4)			9
Impairment losses on loans and advances to Customers (note 4.7)	311 294	113 451	(10 207)	(37 369)	(4 457)	372 712
Impairment losses on financial assets available for sale (note 4.5)						
Debt instruments	439	162	(71)			530
Equity instruments	55 189	588		(8 814)	(76)	46 887
Other securities	4 439	105				4 544
Loans and other receivables	25 579	209	(76)	(3)	(6)	25 703
Impairment losses on other assets (note 4.13)						
Tangible assets held for sale	13 235	7 117	(1 817)	(2 762)	140	15 913
Debtors, other applications and other assets	1 620	162	(187)	(42)		1 553
Impairment losses and provisions for guarantees and commitments	29 662	12 611	(3 590)		(744)	37 939
Other provisions	25 207	13 498	(1 356)	(1 757)	(678)	34 914
	466 677	**147 903**	**(17 308)**	**(50 747)**	**(5 821)**	**540 704**

Utilisation of impairment losses on loans and advances to Customers corresponds to write-offs recorded in 2007.

The caption OTHER PROVISIONS at 31 December 2008 and 2007 includes provisions for tax contingencies and litigation in process.

4.20. Technical provisions

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Immediate Life Annuity / Individual	6	6
Immediate Life Annuity / Group	49	52
Family Savings	483	469
BPI New Family Savings	1 599 999	2 063 944
BPI Retirement Guaranteed	7 286	69 145
BPI Retirement Savings	507 046	447 378
BPI Non Resident Savings	118 341	193 593
Planor	5 687	
PPR BBI Life	5 871	
Savings Investment Plan / Youths	1 529	
South PPR	130	
	2 246 427	**2 774 587**

The technical provisions were computed on a prospective actuarial basis, contract by contract, in accordance with the technical bases of the products:

Immediate income		
Individual	Interest rate	6%
	Mortality table	PF 60 / 64
Group	Interest rate	6%
	Mortality table	PF 60 / 64
Deferred capital with Counterinsurance with Participation in Results		
Group	Interest rate	4% e 0%
	Mortality table	PF 60 / 64, TV 73-77 and GRF 80

The technical provisions also include a provision for rate commitments, which is recorded when the effective profitability of the assets that represent the mathematical provisions of a determined product is lower than the technical interest rate used to calculate the mathematical provisions.

The BPI New Family Savings, BPI Retirement Savings PPR and BPI Non Resident Savings are capitalisation products with guaranteed capital and participation in the results.

4.21. Tax liabilities

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Current tax liability		
Corporate income tax payable	38 064	71 026
Other	2	2
	38 066	**71 028**
Deferred tax liability		
On temporary differences	24 746	54 251
	24 746	**54 251**
	62 812	**125 279**

Details of the deferred tax liability are presented in note 4. 43.

4.22. Participating bonds

This caption is made up as follows:

	31 Dec. 08				31 Dec. 07			
	Issued	Repurchased	Balance	Average interest rate	Issued	Repurchased	Balance	Average interest rate
Participating bonds								
EUR	28 081	(3)	28 078	5.7%	28 081	(1 294)	26 787	4.9%
	28 081	**(3)**	**28 078**		**28 081**	**(1 294)**	**26 787**	
Accrued interest			604				482	
			28 682				**27 269**	

The changes in debt issued by the BPI Group in 2008 were as follows:

	Participating bonds
Balance at 31 December 2007	26 787
Repurchases (net of resales)	1 291
Balance at 31 December 2008	28 078

The changes in debt issued by the BPI Group in 2007 were as follows:

	Participating bonds
Balance at 31 December 2006	26 841
Repurchases (net of resales)	(54)
Balance at 31 December 2007	26 787

The participating bonds can be redeemed at par at the request of the participants with the approval of the Bank or at the initiative of the Bank with six months notice.

4.23. Subordinated debt

This caption is made up as follows

	31 Dec. 08				31 Dec. 07			
	Issued	Repurchased	Balance	Average interest rate	Issued	Repurchased	Balance	Average interest rate
Perpetual bonds								
EUR	720 000	(660 000)	60 000	4.4%	720 000	(660 000)	60 000	5.5%
JPY	59 458		59 458	4.0%	45 474		45 474	4.0%
	779 458	**(660 000)**	**119 458**		**765 474**	**(660 000)**	**105 474**	
Other bonds								
EUR	494 200	(23 076)	471 124	5.0%	770 000	(65 504)	704 496	5.7%
JPY	138 735		138 735	2.8%	106 105		106 105	2.8%
	632 935	**(23 076)**	**609 859**		**876 105**	**(65 504)**	**810 601**	
	1 412 393	**(683 076)**	**729 317**		**1 641 579**	**(725 504)**	**916 075**	
Accrued costs			5 778				8 415	
Correction of the amount of hedged liabilities			33 693				8 143	
Premiums (net)			(1 160)				(1 799)	
			38 311				**14 759**	
			767 628				**930 834**	

The changes in debt issued by the BPI Group in 2008 were as follows:

	Perpetual bonds	Other bonds	Total
Balance at 31 December 2007	105 474	810 601	916 075
Reclassification (note 4.17)		4 200	4 200
Bonds redeemed		(280 000)	(280 000)
Repurchases (net of resales)		42 428	42 428
Exchange difference	13 984	32 630	46 614
Balance at 31 December 2008	119 458	609 859	729 317

The changes in debt issued by the BPI Group in 2007 were as follows:

	Perpetual bonds	Other bonds	Total
Balance at 31 December 2006	47 792	527 064	574 856
Bonds issued during the year	60 000	400 000	460 000
Bonds redeemed		(74 820)	(74 820)
Repurchases (net of resales)		(6 233)	(6 233)
Exchange difference	(2 318)	(35 410)	(37 728)
Balance at 31 December 2007	105 474	810 601	916 075

Debt issued by the BPI Group at 31 December 2008 is made up as follows, by residual term to maturity:

	Maturity				
	2011	2012	2013-2016	> 2016	Total
Perpetual bonds					
EUR[1]		60 000			60 000
JPY[2]	59 458				59 458
	59 458	**60 000**			**119 458**
Other bonds					
EUR	89 310		2 736	379 078	471 124
JPY				138 735	138 735
	89 310		**2 736**	**517 813**	**609 859**
Total	**148 768**	**60 000**	**2 736**	**517 813**	**729 317**

1) Date of the call option (September 2012); after that date, if the option is not exercised, the remuneration is stepped up.

2) Date of the call option (November 2011); after that date, if the option is not exercised, the remuneration is stepped up.

Debt issued by the BPI Group at 31 December 2007 is made up as follows, by residual term to maturity:

	Maturity				
	2011	2012	2013-2016	> 2016	Total
Perpetual bonds					
EUR[1]		60 000			60 000
JPY[2]	45 474				45 474
	45 474	**60 000**			**105 474**
Other bonds					
EUR	119 080		196 073	389 343	704 496
JPY				106 105	106 105
	119 080		**196 073**	**495 448**	**810 601**
Total	**164 554**	**60 000**	**196 073**	**495 448**	**916 075**

1) Date of the call option (September 2012); after that date, if the option is not exercised, the remuneration is stepped up.

2) Date of the call option (November 2011); after that date, if the option is not exercised, the remuneration is stepped up.

4.24. Other liabilities

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Creditors and other resources		
Creditors for futures operations	31 967	26 859
Consigned resources	19 089	18 773
Captive account resources	6 201	8 036
Subscription account resources		494
Guarantee account resources	18 197	20 300
State administrative sector		
Value Added Tax (VAT) payable	6 459	801
Tax withheld at source	23 076	24 770
Social Security contributions	2 585	2 314
Other	177	207
Contributions to other health systems	1 355	1 276
Creditors under factoring contracts	8 636	6 900
Creditors for the supply of assets	9 117	31 050
Contributions to the Pension Fund (note 4.25)		
Pensioners and Employees	119 296	
Directors	1 511	
Other creditors	77 634	75 432
Deferred costs	(91)	(93)
	325 209	**217 119**
Liability for pensions and other benefits (note 4.25)		
Net assets of the pension fund		
Pensioners and Employees	(2 150 110)	
Directors	(23 871)	
Past service liabilities		
Pensioners and Employees	2 298 177	
Directors	26 120	
Other	421	
Actuarial deviations		
Employees		39 361
Directors		2 631
	150 737	**41 992**
Accrued costs		
Creditors and other resources	202	197
Personnel costs	127 016	113 865
General administrative costs	18 826	23 649
Others	788	1 111
	146 832	**138 822**
Deferred income		
Creditors and other resources	144	
On guarantees given and other contingent liabilities	6 421	5 714
Others	3 949	3 814
	10 514	**9 528**
Other accounts		
Foreign exchange transactions pending settlement	25 195	24 728
Securities operations pending settlement – stock exchange operations		201 628
Securities operations pending settlement – non stock exchange operations	930	
Liabilities pending settlement	179 833	292 282
Other operations pending settlement	34 897	445
	240 855	**519 083**
	874 147	**926 544**

The caption PAST SERVICE LIABILITIES – OTHERS corresponds to the liabilities of Banco de Fomento Angola in accordance with Law 18 / 90 of Angola, regarding the Angola Social Security system, which defines the granting of retirement pensions to all Angolan Employees enrolled in Social Security.

The caption ACCRUED COSTS – PERSONNEL COSTS includes 28 972 th. euro relating to the increased liability resulting from the program of 200 early retirements approved in December 2008 (note 4.25).

The caption SECURITIES OPERATIONS PENDING SETTLEMENT – STOCK EXCHANGE OPERATIONS at 31 December 2007 includes the purchase of Galp Energia shares, which was only settled in January 2008.

The caption SECURITIES OPERATIONS PENDING SETTLEMENT – NON STOCK EXCHANGE OPERATIONS at 31 December 2008 corresponds to securities purchased, which were only settled in the following month.

The caption LIABILITIES PENDING SETTLEMENT at 31 December 2008 and 2007 includes:

- 63 481 th. euro and 52 544 th. euro, respectively, relating to interbank electronic transfer transactions;
- 58 825 th. euro and 149 763 th. euro, respectively, relating to securitisation loan fund transactions;
- 9 765 th. euro and 9 312 th. euro, respectively, relating to ATM / POS transactions to be settled with SIBS;
- 1 652 th. euro and 3 496 th. euro, respectively, relating to transfers made through the "SPGT".

4.25. Liability for pensions and other benefits

The past service liability relating to pensioners and personnel that are, or have been, Employees of BPI Group companies[1], and are covered by pension Funds, is calculated in accordance with IAS 19.

BPI Pensões is the entity responsible for the actuarial calculations used to determine the amounts of the retirement and survivor pension liabilities, as well as for managing the respective Pension Funds.

1) Companies consolidated by the full consolidation method (Banco BPI, BPI Investimentos, BPI Gestão de Activos, Inter-Risco and BPI Vida).

The "Projected Unit Credit" method was used to calculate the normal cost and past service liability due to age, and the "Single Successive Premiums" method was used to calculate the cost of the incapacity and survivor benefits.

The main actuarial and financial assumptions used to calculate the pension liability are as follows:

	Assumptions		Actual	
	31 Dec. 08	31 Dec. 07	31 Dec. 08	31 Dec. 07
Demographic assumptions:				
Mortality table	TV 73 / 77 M – 1 year	TV 73 / 77 M	-	-
	TV 88 / 90 W – 1 year	TV 88 / 90 W		
Incapacity table	EKV 80	EKV 80	-	-
Personnel turnover	0%	0%	-	-
Decreases	By mortality	By mortality	-	-
Financial assumptions:				
Discount rate	5.50%	5.00%	-	-
Pensionable salary increase rate	3.50%	4.00%	6.03%[1]	5.91%[1]
Pension increase rate	2.25%	2.50%	2.6%[2]	2.75%[2]
Pension fund income rate				
Banco BPI	7.00% / annual 1st half	5.75% / annual 1st half	(20.60%)	17.87%
	5.50% / annual 2nd half	7.50% / annual 2nd half		
Other companies	5.00% / annual 1st half	5.75% / annual 1st half	(8.35%)	3.51%
	5.50% / annual 2nd half	5.00% / annual 2nd half		

1) Calculated based on the changes in the pensionable wages of the Employees serving in the Group companies in the beginning and end of the year (includes changes in remuneration levels and does not reflect personnel changes).
2) Corresponds to the ACTV table update rate.

At 31 December 2008 and 2007 the number of pensioners and Employees covered by the pension funds was as follows:

	31 Dec. 08	31 Dec. 07
Retirement pensioners	6 112	6 137
Survivor pensioners	1 032	998
Current Employees	7 662	7 523
Former Employees (clauses 137 A and 140 of the ACTV)	2 668	2 366
	17 474	**17 024**

The past service liability for pensioners and Employees of the BPI Group and respective coverage by the pension fund at 31 December 2008 and 2007 are as follows:

	31 Dec. 08	31 Dec. 07
Total past service liability		
Liability for pensions under payment	1 695 377	1 781 096
Of which: [increase in the liability resulting from early retirements during the year]	[1 880]	[504]
Past service liability of current and former Employees	602 800	664 333
	2 298 177	**2 445 429**
Net assets of the pension funds	2 150 110	2 798 494
Contributions to be transferred to the Pension Fund	119 296	
Excess / (Insufficient) cover	(28 771)	353 065
Degree of coverage	99%	114%

At 31 December 2008 the Bank recorded in the caption OTHER LIABILITIES – CONTRIBUTIONS DUE TO THE PENSION FUND (note 4.24) the amount of 119 296 th. euro relating to the contributions for 2008 to be settled in 2009, after which the degree of coverage is 99%.

The changes in the present value of the past service liability in 2008 and 2007 were as follows:

	31 Dec. 08	31 Dec. 07
Liability at the beginning of the year	2 445 429	2 230 837
Current cost:		
Of the BPI Group	36 783	31 918
Of the Employees	3 390	2 871
Interest cost	123 344	112 003
Actuarial (gain) and loss in the liability	(192 781)	183 146
Early retirements[1]	1 880	504
Changes in the conditions of the pension plan		643
Pensions payable (estimate)	(119 868)	(116 493)
Liability at the end of the year	**2 298 177**	**2 445 429**

1) Includes 1 028 th. euro relating to the program of 200 early retirements approved in December 2008 (note 4.24).

The changes in the pension funds in 2008 and 2007 were as follows:

	31 Dec. 08	31 Dec. 07
Net assets of the pension fund at the beginning of the year	2 798 494	2 470 458
Contributions made:		
By the BPI Group	42 105	3 980
By the Employees	3 390	2 871
Pension fund income (net)	(573 821)	438 669
Pensions paid by the pension funds	(120 058)	(117 484)
Net assets of the pension fund at the end of the year	**2 150 110**	**2 798 494**

At 31 December 2008 and 2007 the net assets of the Banco BPI Employees Pension Fund were as follows:

	31 Dec. 08	31 Dec. 07
Liquidity	21.3%	14.5%
Fixed rate bonds	34.5%	19.6%
Indexed rate bonds	13.1%	7.2%
Shares issued by portuguese entities	10.3%	26.1%
Shares issued by foreign entities	5.1%	22.4%
Real estate	13.2%	8.3%
Others	2.5%	2.0%
	100.0%	**100.0%**

Contributions to the Pension Funds in 2008 and 2007 were made in cash.

The changes in 2008 in the fair value of the pension fund assets used by entities of the BPI Group or representing securities issued by these entities were as follows:

	31 Dec. 07	Purchases	Changes in fair value	Sales	31 Dec. 08
Fair value of the plan assets:					
Financial instruments issued by the BPI Group					
Shares	9 760	14 610	(5 993)	9 384	8 993
Bonds	68 908	111 567	235	24 889	155 821
	78 668	**126 177**	**(5 758)**	**34 273**	**164 814**
Premises used by the BPI Group	114 933	7 191	3 394		125 518
	193 601	**133 368**	**(2 364)**	**34 273**	**290 332**

The changes in 2007 in the fair value of the pension fund assets used by entities of the BPI Group or representing securities issued by these entities were as follows:

	31 Dec. 06	Purchases	Changes in fair value	Sales	31 Dec. 07
Fair value of the plan assets:					
Financial instruments issued by the BPI Group					
Shares	22 575	29 650	229	42 694	9 760
Bonds	6 373	63 073	(538)		68 908
	28 948	**92 723**	**(309)**	**42 694**	**78 668**
Premises used by the BPI Group	99 976	17 923	(2 680)	286	114 933
	128 924	**110 646**	**(2 989)**	**42 980**	**193 601**

The pension liability not yet recognised as income and (cost) at 31 December 2008 and 2007 was as follows:

	31 Dec. 08	31 Dec. 07
Actuarial deviations		
Within the corridor	(229 446)	40 830
Outside the corridor	(272 400)	(1 469)
	(501 846)	**39 361**
Changes in the conditions of the pension plan	(207)	(277)
	(502 053)	**39 084**

The changes in actuarial deviations[1] in 2007 and 2008 were as follows:

Amount at 31 December 2006	**(42 561)**
Amortisation of deviations outside the corridor	43
Adjustment in excess of that established in the ACTV Table	(16 805)
Change in the actuarial and financial assumptions	(166 341)
Deviation in pension fund income	266 018
Deviation in pensions paid	(993)
Amount at 31 December 2007	**39 361**
Amortisation of deviations outside the corridor	35
Adjustment in excess of that established in the ACTV Table	(2 468)
Change in the actuarial and financial assumptions	203 809
Deviation in pension fund income	(733 832)
Deviation in pensions paid	(191)
Mortality deviations	(8 000)
Others	(560)
Amount at 31 December 2008	**(501 846)**

1) Actuarial gains and losses due to differences between the actuarial and financial assumptions and the amounts effectively realised and changes in the actuarial and financial assumptions.

The consolidated financial statements as of 31 December 2008 and 2007 include, in the captions INTEREST AND FINANCIAL GAIN AND LOSS WITH PENSIONS (note 4.39) and PERSONNEL COSTS (note 4.41), the following amounts relating to coverage of the pension liability:

	31 Dec. 08	31 Dec. 07
Interest and financial gain and loss with pensions		
Interest cost	123 344	112 003
Expected fund income	(160 011)	(172 651)
	(36 667)	**(60 648)**
Personnel costs		
Current service cost	36 783	31 918
Amortisation of deviations outside the corridor	35	44
Increase in liabilities for early retirements[1]	30 852	504
Compensation due to early retirement	6 591	533
Change in the conditions of the pension plan	69	706
	74 330	**33 705**

1) Includes 30 000 th. euro related with the program of 200 early retirements approved at December 2008 (note 4.24).

The Members of the Executive Board of Banco BPI, S.A. and the remaining Board Members of BPI Investimentos benefit from a supplementary retirement and survivor pension plan. At 31 December 2006 a pension fund was constituted to cover these liabilities.

The main actuarial and financial assumptions used to calculate the pension liability are as follows:

	Assumptions		Actual	
	31 Dec. 08	31 Dec. 07	31 Dec. 08	31 Dec. 07
Demographic assumptions:				
Mortality table	TV 73 / 77 M – 1 year	TV 73 / 77 M		
	TV 88 / 90 W – 1 year	TV 88 / 90 W		
Incapacity table	EKV 80	EKV 80		
Personnel turnover	0%	0%		
Decreases	By mortality	By mortality		
Financial assumptions:				
Discount rate	5.50%	5.00%		
Pensionable salary increase rate	2.50%	2.50%	3.1%[1]	2.75%[1]
Pension increase rate	2.25%	2.50%	2.60%	3.50%
Pension fund income rate	5.0% / annual 1st half 5.5% / annual 2nd half	5.75% / annual 1st half 5.00% / annual 2nd half	(8.37%)	3.61%

1) Calculated based on the changes in the pensionable wages of the Directors serving in the Group companies in the beginning and end of the year (includes changes in remuneration levels and does not reflect changes in Directors).

At 31 December 2008 and 2007 the past service liability of this plan and respective coverage by the Pension Fund were as follows:

	31 Dec. 08	31 Dec. 07
Present value of the past service liability		
Liability for pensions under payment	11 247	4 345
Of which: [increase in the liability resulting from early-retirements during the year]	[236]	
Past service liabilty relating to the current and former directors	14 873	19 043
	26 120	**23 388**
Net assets of the pension fund	23 871	23 372
Contributions to be transferred to the Pension Fund	1 511	
Excess / (Insufficient) cover	(738)	(16)
Degree of coverage	97%	100%

On 31 December 2008 the Bank recorded in the caption OTHER LIABILITIES – CONTRIBUTIONS DUE TO THE PENSION FUND (note 4.24) the amount of 1 511 th. euro relating to contributions for 2008 to be settled in 2009, after which the degree of coverage is 97%.

The changes in the present value of the past service liability of the plan in 2008 and 2007 were as follows:

	31 Dec. 08	31 Dec. 07
Liability at the beginning of the year	23 388	21 931
Current service cost	1 765	1 974
Interest cost	1 303	1 238
Actuarial (gain) / loss in the liability	(177)	(1 902)
Early retirements during the year	236	
Changes in the pension plan conditions		536
Pensions payable (estimate)	(395)	(389)
Liability at the end of the year	**26 120**	**23 388**

The changes in the pension fund in 2008 and 2007 were as follows:

	31 Dec. 08	31 Dec. 07
Net assets of the pension fund at the beginning of the year	23 372	21 941
Contributions made	2 890	1 025
Pension fund income (net)	(1 956)	793
Pensions paid by the pension fund	(435)	(387)
Net assets of the pension fund at the end of the year	**23 871**	**23 372**

At 31 December 2008 and 2007 the net assets of the Banco BPI Directors Pension Fund were as follows:

	31 Dec. 08	31 Dec. 07
Liquidity	18.3%	15.6%
Fixed rate bonds	36.0%	32.5%
Indexed rate bonds	9.4%	9.7%
Shares	29.0%	31.5%
Real Estate	2.7%	2.7%
Others	4.6%	7.9%
	100.0%	**100.0%**

The pension liability for the Directors at 31 December 2008 and 2007 not recognised as income and (cost) was as follows:

	31 Dec. 08	31 Dec. 07
Actuarial deviations – Executive Directors		
Within the corridor	(430)	2 339
Outside the corridor		292
	(430)	**2 631**
Changes in the conditions of the Executive Directors' pension plan	(404)	(524)
	(834)	**2 107**

The changes in actuarial deviations in 2007 and 2008 were as follows:

Amount at 31 December 2006	**1 126**
Amortisation of deviations outside the corridor	(9)
Deviation in pension fund income	(390)
Change in actuarial and financial assumptions	1 373
Deviation in pensions paid	2
Others	529
Amount at 31 December 2007	**2 631**
Amortisation of deviations outside the corridor	(51)
Deviation in pension fund income	(3 148)
Change in actuarial and financial assumptions	1 315
Deviation in pensions paid	(39)
Others	(1 138)
Amount at 31 December 2008	**(430)**

The consolidated financial statements as of 31 December 2008 and 2007 include, in the captions INTEREST AND FINANCIAL GAIN AND LOSS WITH PENSIONS (note 4.39) and PERSONNEL COSTS (note 4.41), the following amounts relating to coverage of the pension liability for Directors:

	31 Dec. 08	31 Dec. 07
Interest and financial gain and loss with pensions		
Interest cost	1 303	1 238
Expected Fund income	(1 192)	(1 183)
	111	**55**
Personnel costs		
Current service cost	1 765	1 974
Amortisation of deviations outside the corridor	(51)	(9)
Increase in liability for early retirements	236	
Change in the pension plan conditions	121	120
	2 071	**2 085**

4.26. Capital

On 18 June 2008 the subscribed share capital of Banco BPI was increased from 760 000 th. euro to 900 000 th. euro through the issuance of 140 000 000 ordinary shares with a nominal value of 1 euro each by public subscription reserved to the shareholders. The shares were paid up at the subscription price of 2.5 euro each, which based on their nominal value, corresponds to a share premium of 1.5 euro per share (note 4.27).

The Shareholders' General Meeting held on 23 April 2008 empowered Banco BPI's Board of Directors to do the following during a period of eighteen months:

a) to purchase treasury shares of up to 10% of Banco BPI's share capital, provided that:

i) the treasury shares are purchased on a market registered by the Securities Market Commission (Comissão do Mercado de Valores Mobiliários – CMVM), at a price not exceeding 110% of the weighted average of the weighted daily average prices of Banco BPI shares on the 10 official price market sessions managed by Euronext Lisboa – Sociedade Gestora de Mercados Regulamentados, S.A. preceding the date of purchase, and a minimum of 1 Euro; or

ii) the purchases result from agreements to settle obligations arising from loan agreements entered into by Banco BPI, provided that the value attributed, for that purpose, to the shares does not exceed the value determined by application of the criteria defined in (i) above, with reference to the settlement agreement date;

b) to sell Banco BPI shares provided that:

i) the shares and options to purchase shares of Banco BPI are sold to Employees and Directors of Banco BPI and subsidiaries, as share-based payments under the terms and conditions established in the Variable Remuneration Program (RVA) regulations; or

ii) the shares are sold to third parties under the following conditions:

– the shares are sold in a market registered at the Securities Market Commission (CMVM); and

– the shares are sold at a price not less than 90% of the weighted average of the daily weighted average prices of Banco BPI shares on the 10 official price market sessions managed by Euronext Lisboa – Sociedade Gestora de Mercados Regulamentados, S.A. preceding the date of sale; or,

c) Carry out repurchase or resale agreements or the loan of shares of Banco BPI, provided that such operations are conducted with qualified investors that meet the requirements to be eligible counterparties of Banco BPI, in accordance with articles 30 and 317-D of the Securities Code (Código dos Valores Mobiliários).

4.27. Share Premium account

The changes in the share premium account in 2008 were as follows:

Balance at 31 December 2007	**231 306**
Capital increase at June 2008	
Share Premium account subscribed (note 4.26)	210 000
Balance at 31 December 2008	**441 306**

In 2007 there were no changes in the caption SHARE PREMIUM ACOUNT.

In accordance with Ministerial Order 408 / 99 of 4 June, published in Diário da República – 1st B Series, n.º 129, the share premium account may not be used to pay dividends or to acquire treasury shares.

4.28. Other equity instruments and treasury shares

These captions are made up as follows:

	31 Dec. 08	31 Dec. 07
Other equity instruments		
Cost of shares to be made available to available to Group Employees		
RVA 2004		926
RVA 2005	940	1 636
RVA 2007	1 312	2 783
RVA 2008	503	
Costs of options not exercised (premiums)		
RVA 2002		112
RVA 2003	288	371
RVA 2004	463	538
RVA 2005	1 258	1 270
RVA 2007	5 878	3 186
RVA 2008	1 665	
	12 307	**10 822**
Treasury shares		
Shares to be made available to Group Employees		
RVA 2004		934
RVA 2005	968	1 958
RVA 2007	1 954	
Shares hedging RVA options		
RVA 2002		1 367
RVA 2003	1 008	1 336
RVA 2004	3 365	4 849
RVA 2005	1 804	18 143
RVA 2007	12 501	
Other treasury shares	1 086	1 626
	22 686	**30 213**

The caption OTHER EQUITY INSTRUMENTS includes accrued share-based payment program (RVA) costs relating to shares to be made available and options not yet exercised.

Details of the share-based Variable Remuneration Program (RVA) are included in note 4.48.

The financial statements of the BPI Group as of 31 December 2008 and 2007 reflect, respectively, treasury shares of 6 689 807 and 7 056 809, including treasury shares of 804 893 and 742 234 to be made available under the RVA program for which the respective ownership was transferred to the Employees on the grant date.

In 2008 the Bank recognised directly in shareholders' equity, a loss of 8 069 th. euro on the sale of treasury shares hedging the variable remuneration (RVA) program and a loss of 1 059 th. euro on the sale of other treasury shares. In 2007 the Bank recognised directly in shareholders' equity a gain of 458 th. euro on the sale of treasury shares hedging the variable remuneration (RVA) program and a gain of 30 th. euro on the sale of other treasury shares.

4.29. Revaluation reserves

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Revaluation reserves		
Reserves resulting from valuation to fair value of financial assets available for sale (note 4.5)		
Debt instruments	(557 033)	(76 151)
Equity instruments	13 778	156 725
Other	2 329	419
Reserve for foreign exchange difference on investments in foreign entities		
Subsidiary or associated companies	(2 686)	(18 475)
Equity instruments available for sale	(103)	(104)
Legal revaluation reserve	703	703
	(543 012)	**63 117**
Deferred tax reserve		
Resulting from valuation to fair value of financial assets available for sale:		
Tax assets	110 616	21 700
Tax liabilities	(3 242)	(29 842)
	107 374	**(8 142)**
	(435 638)	**54 975**

Deferred taxes have been calculated in accordance with current legislation and correspond to the best estimate of the impact of recognizing the unrealized gains and losses included in the caption REVALUATION RESERVES.

4.30. Other reserves and retained earnings

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Legal reserve	102 822	79 662
Merger reserve	(2 463)	(2 463)
Other reserves	224 507	156 568
	324 866	**233 767**
Consolidation reserves and retained earnings	132 332	17 351
Gain on treasury shares	(6 361)	2 767
Taxes relating to gain on treasury shares	1 672	(753)
	452 509	**253 132**

In accordance with Article 97 of the *General Regime for Credit Institutions and Financial Companies*, approved by Decree-Law 298 / 91 of 31 December and amended by Decree-Law 201 / 2002 of 25 September, Banco BPI must appropriate at least 10% of its net income each year to a legal reserve until the amount of the reserve equals the greater of the amount of share capital or the sum of the free reserves plus retained earnings.

At 31 December 2008 and 2007 the share premium account and legal reserve of the companies included in the consolidation of the BPI Group which, under the applicable regulations may not be distributed, amounted to 161 335 th. euro and 135 052 th. euro, respectively, which, adjusted by Banco BPI's effective percentage participation in these companies, amounted to 78 389 th. euro and 80 043 th. euro, respectively. These reserves are included in the captions CONSOLIDATION RESERVES AND RETAINED EARNINGS and REVALUATION RESERVES.

The caption CONSOLIDATION RESERVES at 31 December 2008 and 2007 includes (11 844) th. euro and 5 325 th. euro, respectively, relating to the amount of the revaluation reserves of the companies recorded in accordance with the equity method, weighted by Banco BPI's (effective) participation in them.

4.31. Minority interest

This caption is made up as follows:

	Balance sheet		Statement of income	
	31 Dec. 08	31 Dec. 07	31 Dec. 08	31 Dec. 07
Minority shareholders in:				
Banco Fomento, S.A. (Angola)	198 957		9 348	
BPI Capital Finance Ltd.	264 463	270 319	18 398	16 806
BPI Dealer – Sociedade financeira de Corretagem (Mozambique), S.A.R.L.	7	7		1
BPI (Suisse), S.A.				
	463 427	**270 326**	**27 746**	**16 807**

Minority interest in BPI Capital Finance at 31 December 2008 and 2007 includes 263 427 th. euro and 269 414 th. euro, respectively, relating to preference shares:

	31 Dec. 08			31 Dec. 07		
	Issued	Repurchased	Balance	Issued	Repurchased	Balance
"C" Series Shares	250 000	(36 014)	213 986	250 000	(34 643)	215 357
"D" Series Shares	200 000	(165 779)	34 221	200 000	(162 103)	37 897
"E" Series Shares	100 000	(84 780)	15 220	100 000	(83 840)	16 160
	550 000	**(286 573)**	**263 427**	**550 000**	**(280 586)**	**269 414**

The C, D and E series correspond to preference shares with a nominal value of 1 000 euros each, issued, respectively, in August 2003 (C series) and June 2005 (D and E series). The payment of dividends and redemption of the preference shares are guaranteed by Banco BPI.

The C Series preference shares entitle the holders to a non-cumulative preference dividend, if and when declared by the Directors of BPI Capital Finance, Ltd., at an annual rate equal to the three month Euribor rate plus a spread of 1.55 percentage points up to 12 August 2013 and thereafter to a non-cumulative preference dividend at a rate equal to the three month Euribor rate plus a spread of 2.55 percentage points. The dividends are payable quarterly on 12 February, 12 May, 12 August and 12 November of each year.

The D Series preference shares entitle the holders to a non-cumulative preference dividend, if and when declared by the Directors of BPI Capital Finance, Ltd., at an annual rate equal to the three month Euribor rate plus a spread of 0.075 percentage points over their nominal value. The dividends are payable quarterly on 30 March, 30 June, 30 September and 30 December of each year.

The E Series preference shares entitle the holders to a non-cumulative preference dividend, if and when declared by the Directors of BPI Capital Finance, Ltd., at an annual rate equal to the three month Euribor rate over their nominal value. The dividends are payable quarterly on 30 March, 30 June, 30 September and 30 December of each year.

BPI Capital Finance, Ltd. will not pay any dividend on the preference shares if, during the year or quarter in progress, such dividend plus amounts already paid exceed Banco BPI's distributable funds.

The C Series preference shares are redeemable in whole or in part at their nominal value, at the option of BPI Capital Finance, Ltd. on any dividend payment date as from August 2013, subject to prior consent of the Bank of Portugal and Banco BPI. The C series preference shares are also redeemable in whole, but not in part, at the option of BPI Capital Finance, Ltd., with prior approval of the Bank of Portugal and Banco BPI, if a disqualifying capital event or tax event occurs.

The D and E Series preference shares are redeemable in whole, but not in part, at their nominal value, at the option of BPI Capital Finance, Ltd., on any dividend payment date as from 30 June 2010, subject to prior consent of the Bank of Portugal and Banco BPI. The D and E series preference shares are redeemable in whole, but not in part, at their nominal value, at any time prior to 30 June 2010 at the option of BPI Capital Finance, Ltd., subject to prior consent of the Bank of Portugal and Banco BPI, if a disqualifying capital event or tax event occurs.

These shares are subordinated to all liabilities of Banco BPI and *pari passu* with any other preference shares that might be issued by the Group in the future.

4.32. Off balance sheet items

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Guarantees given and other contingent liabilities		
Guarantees and sureties	3 112 929	3 371 558
Stand-by letters of credit	27 875	19 455
Documentary credits	214 683	222 675
Sureties and indemnities	59	57
	3 355 546	**3 613 745**
Assets given as collateral	**1 794 271**	**538 509**
Commitments to third parties		
Irrevocable commitments		
Options on assets	66 772	21 212
Forward operations – sale of securities		9 018
Irrevocable credit lines	58 833	93 875
Securities subscription	258 279	344 415
Term commitment to make annual contributions to the Deposit Guarantee Fund	37 472	37 047
Commitment to the Investor Indemnity System	10 513	13 549
Other irrevocable commitments	150 573	572
Revocable commitments	3 978 069	4 587 238
	4 560 511	**5 106 926**
Responsibility for services provided		
Custody and safekeeping	23 270 056	30 590 797
Amounts for collection	249 285	260 993
Assets managed by the institution	7 114 535	11 129 549
	30 633 876	**41 981 339**

The caption ASSETS GIVEN AS COLLATERAL at 31 December 2008 includes:

- 254 917 th. euro relating to captive credit and 1 490 568 th. euro relating to securities eligible for funding from the European Central Bank (ECB). To date Banco BPI has not used funding from the ECB;
- 5 768 th. euro relating to securities given in guarantee to the Securities Market Commission (Comissão do Mercado de Valores Mobiliários – CMVM) under the Investor Indemnity System (Sistema de Indemnização aos Investidores);
- 42 655 th. euro relating to securities given in guarantee to the Deposit Guarantee Fund; and
- 307 th. euro relating to securities given in guarantee to Foreign Stock Exchanges to set up the margin to carry out futures operations for its own portfolio.

The OPTIONS ON ASSETS caption at 31 December 2008 and 2007 corresponds to share options issued by the BPI Group under the share-based payments program (RVA).

The COMMITMENTS TO THIRD PARTIES – SECURITIES SUBSCRIPTION caption at 31 December 2008 and 2007 corresponds to Banco BPI's commitment to subscribe for commercial paper if the securities issued are not totally or partially subscribed for by the market.

The TERM COMMITMENT TO MAKE ANNUAL CONTRIBUTION TO THE DEPOSIT GUARANTEE FUND caption at 31 December 2008 and 2007 corresponds to BPI's legally required irrevocable commitment, to pay to the Fund, upon request by it, the amount of the annual contributions not yet paid.

The COMMITMENT TO THE INVESTOR INDEMNITY SYSTEM caption at 31 December 2008 and 2007 corresponds to BPI's irrevocable commitment, legally required under the applicable legislation, to pay the System, if required to do so, its share of the amounts necessary to indemnify investors.

The OTHER IRREVOCABLE COMMITMENTS caption at 31 December 2008 includes a commitment to purchase shares amounting to 150 000 th. euro, as part of a corporate finance operation, for which the risk is fully covered.

At 31 December 2008 the BPI Group managed the following third party assets:

Investment Funds and PPRs	2 227 773
Pension Funds[1]	2 880 994

1) Includes the Group companies' Pension Funds.

4.33. Financial margin (narrow sense)

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Interest and similar income		
Interest on deposits with banks	14 057	5 846
Interest on placements with credit institutions	85 678	50 472
Interest on loans to Customers	1 490 304	1 221 020
Interest on credit in arrears	8 118	8 843
Interest on securities held for trading and available for sale	288 874	216 018
Interest on securitised assets not derecognised	142 925	189 724
Interest on derivatives	1 053 222	716 109
Interest on debtors and others aplications	1 292	689
Other interest and similar income	5 166	3 851
	3 089 636	**2 412 572**
Interest and similar expense		
Interest on resources		
Of central banks	113	1 841
Of other credit institutions	124 960	175 627
Deposits and other resources from Customers	792 600	477 539
Debt securities	304 045	219 001
Interest from short selling	1 972	7 369
Interest on derivatives	1 052 980	730 195
Interest on liabilities relating to assets not derecognised on securitised operations	116 993	156 325
Interest on subordinated debt	51 677	33 540
Other interest and similar expenses	1 371	3 141
	2 446 711	**1 804 578**

4.34. Gross margin on unit links

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Income from financial instruments		
Interest	23 904	19 592
Gains and losses on financial instruments	(165 853)	(16 908)
Interest on capitalisation insurance – unit links	141 915	(2 371)
Management and redemption commission	6 569	10 378
	6 535	**10 691**

4.35. Income from equity instruments

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Banco Comercial Português		16 069
Galp		2 052
SIBS	732	813
Unicre	1 848	1 796
Visa Europe Distribution	2 013	
Others	989	1 561
	5 582	**22 291**

4.36. Net commission relating to amortised cost

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Commission received relating to amortised cost		
Loans to Customers	26 157	24 117
Others	2 139	1 976
Commission paid relating to amortised cost		
Loans to Customers	(6 450)	(4 394)
Others	(687)	(769)
	21 159	**20 930**

4.37. Technical result of insurance contracts

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Premiums	346 952	472 683
Income from financial instruments	(6 839)	73 286
Cost of claims, net of reinsurance	(833 932)	(569 403)
Changes in technical provisions, net of reinsurance	481 333	92 122
Participation in results	303	(55 631)
	(12 183)	**13 057**

This caption includes the result of capitalisation insurance with a discretionary participation feature (IFRS 4). Participation in the results of capitalisation insurance is attributed at the end of each year and is calculated in accordance with the technical bases of each product, duly approved by the Portuguese Insurance Institute (note 2.10).

4.38. Net commission income

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Commissions received		
On guarantees provided	41 280	39 468
On commitments to third parties	1 238	1 336
On banking services rendered	223 304	245 234
On operations realised on behalf of third parties	18 567	30 861
Other	9 888	10 369
	294 277	**327 268**
Commissions paid		
On guarantees received	118	118
On financial instrument operations	347	653
On banking services rendered by third parties	35 280	29 840
On operations realised by third parties	3 523	3 567
Other	1 626	353
	40 894	**34 531**
Other income, net		
Refund of expenses	31 325	28 319
Income from banking services	32 428	28 613
Charges similar to fees	(11 615)	(7 066)
	52 138	**49 866**

4.39. Net income on financial operations

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Gain and loss on operations at fair value		
Foreign exchange gain, net	47 524	39 772
Gain and loss on financial assets held for trading and derivatives		
Debt instruments	294	(10 755)
Equity instruments	(278 619)	10 757
Other securities	(236)	2
Gain and loss on trading derivative instruments	296 207	(43 332)
Gain and loss on other financial assets valued at fair value through profit or loss	(9 028)	5 093
Gain and loss on financial liabilities held for trading	(10 159)	7 155
Gain and loss on revaluation of assets and liabilities hedged by derivatives	(56 764)	(97 376)
Gain and loss on hedging derivative instruments	52 627	102 229
Other gain and loss on financial operations	57	100
	41 903	**13 645**
Gain and loss on assets available for sale		
Gain and loss on the sale of loans and advances to Customers	(578)	9 536
Gain on amortisation of liabilities	3 232	
Gain and loss on financial assets available for sale:		
Debt instruments	(150)	27 240
Equity instruments	(60 470)	86 526
Others	162	
	(57 804)	**123 302**
Interest and financial gain and loss with pensions (note 4.25)		
Interest cost	(124 647)	(113 241)
Expected fund income	161 203	173 834
	36 556	**60 593**

The caption GAIN AND LOSS ON TRADING DERIVATIVE INSTRUMENTS at 31 December 2008 includes 219 103 th. euro relating to equity swaps made with Customers, which are hedged through shares classified in the caption FINANCIAL ASSETS HELD FOR TRADING.

The GAIN ON AMORTISATION OF LIABILITIES caption at 31 December 2008 refers to the settlement of a loan, remuneration of which was linked to the results of a private equity investment portfolio.

The GAIN AND LOSS ON EQUITY INSTRUMENTS AVAILABLE FOR SALE caption at 31 December 2008 includes losses of 94 493 th. euro realised on the sale of Banco Comercial Português shares.

The GAIN AND LOSS ON THE SALE OF LOANS AND ADVANCES TO CUSTOMERS caption at 31 December 2007 includes 10 318 th. euro corresponding to gain on the sale of part of the risk / benefit relating to housing loan securitisation operations. The sale price of the transaction was determined considering relevant market conditions at the transaction date, particularly in terms of the evolution of loan spreads.

4.40. Net operating expenses

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Operating income		
Gain on the sale of investments in subsidiaries and associated companies	178 427	3 252
Gain on tangible assets held for sale	9 478	1 256
Gain on other tangible assets	10 800	2 520
Other operating income	13 118	12 998
	211 823	**20 026**
Operating expenses		
Subscriptions and donations	4 776	3 335
Contributions to the Deposit Guarantee Fund	3 752	2 867
Loss on tangible assets held for sale	339	375
Loss on other tangible and intangible assets	1 474	2 221
Other operating expenses	5 077	6 778
	15 418	**15 576**
Other taxes		
Indirect taxes	3 539	2 736
Direct taxes	1 287	1 292
	4 826	**4 028**

The GAIN ON THE SALE OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES caption at 31 December 2008 includes a gain of 176 567 th. euro realized on the sale of 49.9% of the share capital of Banco de Fomento Angola (note 4.13). This caption also includes 1 860 th. euro relating to amounts pending settlement with BCI Mozambique for loans settled that were fully or partly provided for in the merger process of the former Banco de Fomento Mozambique.

The caption GAIN ON THE SALE OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATED COMPANIES at 31 December 2007 corresponds to gain on the sale of 1% of the participation in the share capital of Viacer.

The GAIN ON TANGIBLE ASSETS HELD FOR SALE and GAIN ON OTHER TANGIBLE ASSETS captions include 8 501 th. euro and 9 577 th. euro, respectively, realised on the sale of property to Banco BPI's Pension Fund (notes 4.9 and 4.13).

4.41. Personnel costs

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Remuneration	282 806	284 331
Long service premium (note 2.7)	1 448	5 747
Pension costs (note 4.25)	40 752	36 177
Early retirements (note 4.25)	37 679	1 037
Other mandatory social charges	47 189	43 082
Other personnel costs	9 495	8 862
	419 369	**379 236**

The caption REMUNERATION at 31 December 2008 and 2007 includes the following costs relating to remuneration attributed to the members of Banco BPI's Board of Directors:

- 4 440 th. euro and 6 253 th. euro, respectively, relating to remuneration paid in cash;
- 565 th. euro and 1 392 th. euro, respectively, relating to the accrued cost of the share-based remuneration program (RVA) in accordance with IFRS 2.

The caption LONG SERVICE PREMIUM reflects the change in the actuarial assumptions made in the year (note 4.25).

The caption PENSION FUND at 31 December 2008 and 2007 includes 2 030 th. euro and 1 424 th. euro relating to costs of the Defined Contribution Pension Plan for Employees of Banco de Fomento Angola.

4.42. Administrative costs

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Administrative costs		
Supplies		
Water, energy and fuel	9 644	8 623
Consumable material	7 094	7 167
Other	1 480	2 338
Services		
Rent and leasing	41 110	36 501
Communications and computer costs	42 721	38 360
Travel, lodging and representation	9 122	10 612
Publicity	25 470	26 257
Maintenance and repair	15 485	13 151
Insurance	4 074	3 833
Fees	4 956	6 519
Legal expenses	1 707	2 021
Security and cleaning	8 711	7 353
Information services	3 802	3 427
Temporary labour	3 324	3 812
Studies, consultancy and auditing	9 865	24 924
SIBS	15 003	15 716
Other services	22 297	18 027
	225 865	**228 641**

The caption STUDIES, CONSULTANCY AND AUDITING at 31 December 2007 includes 9 875 th. euro relating to costs with the public share purchase offering over Banco BPI. This offering was launched by Banco Comercial Português on 13 March 2006 and ended on 7 May 2007 without success.

4.43. Income tax

Income tax recognised in the statements of income for the years ended 31 December 2008 and 2007, as well as the tax burden, measured by the relationship between the tax charge and profit before tax, are as follows:

	31 Dec. 08	31 Dec. 07
Current income tax		
For the year	77 128	91 110
Correction of prior years	(3 343)	(21)
	73 785	**91 089**
Deferred tax		
Recognition and reversal of temporary differences	(14 389)	6 520
Change in tax rate	11	(44)
On tax losses carried forward	(8 056)	11 038
	(22 434)	**17 514**
Total tax charged to the statement of income	**51 351**	**108 603**
Net income before income tax[1]	219 688	452 536
Tax burden	23.4%	24.0%

1) Considering net income of the BPI Group plus income tax and minority interest less the earnings of associated companies (equity method).

In addition, in 2008 and 2007, Banco BPI recorded, directly in shareholders' equity, income tax of (2 425) th. euro and 129 th. euro, respectively, on net gain and loss on treasury shares recognised in equity (note 4.30).

Following are reconciliations between the nominal rate of income tax and the tax burden for the years 2008 and 2007, as well as between the tax cost and the product of the accounting profit times the nominal tax rate:

	31 Dec. 08		31 Dec. 07	
	Tax rate	Amount	Tax rate	Amount
Net income before income tax		219 688		452 536
Income tax computed based on the nominal tax rate	33.1%	72 741	28.4%	128 563
Effect of tax rates applicable to foreign branches	(0.2%)	(366)	0.3%	1 234
Income exempt from income tax (SFE's)	(1.1%)	(2 428)	(1.8%)	(8 086)
Capital gains and impairment of investments (net)	8.3%	18 271	0.3%	1 434
Capital gain of tangible assets (net)	(1.8%)	(3 904)	0.0%	(3)
Interest on Angolan public debt	(19.5%)	(42 772)	(1.3%)	(5 864)
Non taxable dividends	(1.6%)	(3 521)	(1.5%)	(6 746)
Tax on dividends of subsidiary and associated companies	4.3%	9 392	0.2%	1 093
Banco BPI Cayman net income	0.0%	42	0.2%	893
Conversion of associated companies shareholders' equity	0.1%	195	0.2%	1 113
Tax benefits	(0.5%)	(1 125)	(0.3%)	(1 536)
Impairment of and provision for loans	1.1%	2 432		
Non tax deductible pension costs	0.1%	230	0.0%	96
Interest recognised in minority interest	(2.2%)	(4 891)	(1.0%)	(4 465)
Tax contingencies provision	(0.5%)	(992)	0.3%	1 191
Correction on tax losses from prior years	(1.2%)	(2 604)	(0.3%)	(1 459)
Tax losses	4.1%	8 943	(0.2%)	(777)
Effect of change in the rate of deferred taxes	0.0%	11	0.0%	(44)
Autonomous taxation	0.5%	1 075	0.1%	608
Other non taxable income and expenses[1]	0.3%	622	0.3%	1 357
	23.4%	**51 351**	**24.0%**	**108 603**

1) In 2007 this caption includes costs relating to liquidation of Fundo Renda Trimestral.

Current taxes are calculated based on the nominal tax rates legally in force in the countries in which the Bank operates:

	31 Dec. 08		31 Dec. 07	
	Net income before income tax	Tax rate	Net income before income tax	Tax rate
Companies with tax rate of 25% and Municipal Surcharge of 1.5%	(40 597)	26.5%	137 495	26.5%
Companies with tax rate of 25% and Municipal Surcharge of 1.4%	88 145	26.4%	210 566	26.4%
Companies with tax rate of 35% (Angola)	172 140	35.0%	104 475	35.0%
	219 688	**33.1%**	**452 536**	**28.4%**

Deferred tax assets and liabilities correspond to the amount of tax recoverable and payable in future periods resulting from temporary differences between the amount of assets and liabilities on the balance sheet and their tax base. Deferred tax assets are also recognised on tax losses carried forward and tax credits.

Profits distributed to Banco BPI by subsidiary and associated companies in Portugal are not taxed in Banco BPI as a result of applying the regime established in article 46 of the Corporate Income Tax Code, which eliminates double taxation of profits distributed.

Deferred tax assets and liabilities are calculated using the tax rates decreed for the periods in which they are expected to reverse.

Deferred tax assets and liabilities at 31 December 2008 and 2007 are as follows:

	31 Dec. 08	31 Dec. 07
Deferred tax		
Assets (note 4.11)	246 301	135 827
Liabilities (note 4.20)	(24 746)	(54 251)
	221 555	**81 576**
Recorded by corresponding entry to:		
Retained earnings	91 747	107 232
Fair value reserve (note 4.28)		
Financial instruments available for sale	107 374	(8 142)
Net income	22 434	(17 514)
	221 555	**81 576**

Deferred tax assets are recognised up to the amount expected to be realised through future taxable profits.

The changes in deferred taxes in 2008 are as follows:

	Balance at 31 Dec. 07	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at 31 Dec. 08
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Pension liability	48 360	(9 607)	39			38 792
Early retirements	32 428	(24)	1 117			33 521
Advertising campaigns	3 534	(574)				2 960
"Taxa garantida" operations	422	(84)				338
Revaluation of assets and liabilities hedged by derivatives			207			207
Banco BPI Cayman net income	206					206
Taxed provisions and impairments	21 370	(851)	24 332			44 851
Long service premium	6 555	(106)	1			6 450
Tax losses			8 056			8 056
Financial instruments available for sale	21 525	(460)		88 893		109 958
Tax deferral of the impact of transition to NCA	1 403	(468)				935
Others	24	(6)		9		27
	135 827	**(12 180)**	**33 752**	**88 902**		**246 301**
Deferred tax liabilities						
Revaluation of tangible fixed assets	(4 108)		102			(4 006)
"Taxa garantida" operations	(421)		84			(337)
Revaluation of assets and liabilities hedged by derivatives	(2 323)		2 323			
Difference in BPI Locação shareholder's equity	(1 113)	(90)				(1 203)
Dividends to be distributed by subsidiary and associated companies	(482)	(6 198)	146	3	(150)	(6 681)
RVA's	(8)	(2 130)	4	2 128		(6)
Loan impairment	(10 280)		5 191			(5 089)
Financial instruments available for sale	(35 058)	(1 821)	3 348	27 332	(709)	(6 908)
Tax deferral of the impact of transition to NCA	(339)		113			(226)
Others	(119)	(265)	55	293	(254)	(290)
	(54 251)	**(10 504)**	**11 366**	**29 756**	**(1 113)**	**(24 746)**
	81 576	**(22 684)**	**45 118**	**118 658**	**(1 113)**	**221 555**

The changes in deferred taxes in 2007 are as follows:

	Balance at 31 Dec. 06	Corresponding entry to net income		Corresponding entry to reserves and retained earnings		Balance at 31 Dec. 07
		Costs	Income	Increases	Decreases	
Deferred tax assets						
Pension liability	62 589	(14 317)	88			48 360
Early retirements	40 035	(7 607)				32 428
Advertising campaigns	4 088	(554)				3 534
Intangible assets	4	(4)				
"Taxa garantida" operations	652	(403)	173			422
Banco BPI Cayman net income			206			206
Taxed provisions and impairments	4 418		16 952			21 370
Long service premium	5 512		1 043			6 555
Tax losses	11 038	(11 038)				
Financial instruments available for sale	439	(327)		21 424	(11)	21 525
Tax deferral of the impact of transition to NCA	689		714			1 403
Others	2		28		(6)	24
	129 466	**(34 250)**	**19 204**	**21 424**	**(17)**	**135 827**
Deferred tax liabilities						
Revaluation of tangible fixed assets	(4 306)		198			(4 108)
"Taxa garantida" operations	(652)	(574)	805			(421)
Derivatives	(853)		853			
Revaluation of assets and liabilities hedged by derivatives	(1 109)	(1 296)	82			(2 323)
Difference in BPI Locação shareholder's equity		(1 113)				(1 113)
Dividends to be distributed by subsidiary and associated companies	(381)	(309)	208			(482)
RVA's	(5)	(6)	124		(121)	(8)
Loan impairment	(8 673)	(1 607)				(10 280)
Financial instruments available for sale	(36 745)	161		4 622	(3 096)	(35 058)
Tax deferral of the impact of transition to NCA	(419)		80			(339)
Others	(43)	(45)	(29)		(2)	(119)
	(53 186)	**(4 789)**	**2 321**	**4 622**	**(3 219)**	**(54 251)**
	76 280	**(39 039)**	**21 525**	**26 046**	**(3 236)**	**81 576**

The BPI Group does not recognise deferred tax assets and liabilities on temporary taxable differences relating to investments in subsidiary and associated companies as it is improbable that such differences will revert in the foreseeable future, except as follows:

- deferred tax liabilities relating to estimated dividends that Banco de Fomento Angola is expected to pay to the BPI Group companies next year out of profit for the year, are recognized;
- deferred tax liabilities relating to all the distributable net income (including the undistributed part) of Banco Comercial e de Investimentos are recognized.

4.44. Earnings of associated companies (equity method)

This caption is made up as follows:

	31 Dec. 08	31 Dec. 07
Banco Comercial e de Investimentos, S.A.R.L.	4 546	3 613
Companhia de Seguros Allianz Portugal, S.A.	3 229	13 173
Cosec – Companhia de Seguros de Crédito, S.A.	(2 034)	877
F. Turismo – Capital de Risco, S.A.	46	42
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	1 375	6 291
Viacer – Sociedade Gestora de Participações Sociais, Lda.	2 552	3 989
	9 714	**27 985**

4.45. Consolidated net income of the BPI Group

The contribution of Banco BPI and subsidiary and associated companies to consolidated net income for 2008 and 2007 is as follows:

	31 Dec. 08	31 Dec. 07
Banks		
Banco BPI, S.A.[1]	79 337	175 841
Banco Português de Investimento, S.A.[1]	12 542	24 118
Banco de Fomento S.A.R.L. (Angola)[1]	136 399	73 772
Banco Comercial e de Investimentos, S.A.R.L.[1]	4 159	3 305
Banco BPI Cayman, Ltd.	(159)	(8 016)
Specialised credit		
BPI Locação de Equipamentos, Lda.	419	(723)
BPI Rent – Comércio e Aluguer de Bens, Lda.[1]	1 088	1 656
Eurolocação – Comércio e Aluguer de Veículos e Equipamentos, S.A.	5	135
Asset management and brokerage		
BPI Dealer – Sociedade Financeira de Corretagem (Moçambique), S.A.R.L.	4	8
BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliários, S.A.	15 089	19 689
BPI – Global Investment Fund Management Company, S.A.	1 390	1 534
BPI Pensões – Sociedade Gestora de Fundos de Pensões, S.A.	3 384	3 056
Sofinac – Sociedade Gestora de Fundos de Investimento Imobiliário, S.A.	0	603
BPI (Suisse), S.A.[1]	(10)	360
Venture capital / development		
F. Turismo – Capital de Risco, S.A.	46	42
Inter-Risco – Sociedade de Capital de Risco, S.A.[1]	403	641
Insurance		
BPI Vida – Companhia de Seguros de Vida, S.A.	(110 251)	34 031
Cosec – Companhia de Seguros de Crédito, S.A.	(2 034)	877
Companhia de Seguros Allianz Portugal, S.A.	3 229	13 173
Others		
BPI, Inc.[1]	(7)	19
BPI Madeira, SGPS, Unipessoal, S.A.[1]	104	125
BPI Capital Finance	0	0
Douro SGPS, S.A.[1]	173	280
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.[1]	1 375	6 291
Simofer – Sociedade de Empreendimentos Imobiliários e Construção Civil, Lda.	(38)	(789)
Ulissipair ACE	1 106	1 095
Viacer – Sociedade Gestora de Participações Sociais, Lda.	2 552	3 988
	150 305	**355 111**

1) Adjusted net income.

4.46. Personnel

The number of Employees[1] in 2008 and 2007 and average for the years then ended were as follows:

	31 Dec. 08		31 Dec. 07	
	Average for the period	End of period	Average for the period	End of period
Executive directors[2]	12	12	14	12
Management staff	584	589	565	572
Other staff	4 498	4 591	3 907	4 251
Other Employees	4 363	4 306	4 327	4 510
	9 457	**9 498**	**8 813**	**9 345**

1) Personnel of the Group companies consolidated by the full consolidation method. Includes personnel serving in the foreign branches of Banco BPI.

2) Includes Executive Directors of Banco BPI and Banco Português de Investimento.

4.47. Financial risks

Fair value

The fair value of financial instruments at 31 December 2008 is made up as follows:

Type of financial instrument	Assets and liabilities recorded at fair value						Assets valued at historical cost[1]	Total book value
		Method used to determine fair value						
	Book value	Active market listings[2]	Valuation techniques		Total fair value	Difference	Book value	
			Market data[3]	Models				
Assets								
Cash and deposits at central banks[4]	1 088 339			1 088 339	1 088 339			1 088 339
Deposits in other credit institutions[4]	227 081			227 081	227 081			227 081
Financial assets held for trading and at fair value through profit or loss[5]	2 853 579	663 711	260 207	1 929 661	2 853 579			2 853 579
Financial assets available for sale[5]	2 720 631	2 355 050		365 581	2 720 631		541 972	3 262 603
Loans and advances to credit institutions	3 504 198			3 516 195	3 516 195	11 997		3 504 198
Loans and advances to Customers	29 275 182			29 213 276	29 213 276	(61 906)		29 275 182
Held to maturity investments	407 654			376 627	376 627	(31 027)		407 654
Hedging derivatives	484 428		279 028	205 400	484 428			484 428
	40 561 092	**3 018 761**	**539 235**	**36 922 160**	**40 480 156**	**(80 936)**	**541 972**	**41 103 064**
Liabilities								
Financial liabilities held for trading	258 452	1 796	219 892	36 764	258 452			258 452
Resources of other credit institutions	2 007 412			2 026 170	2 026 170	(18 758)		2 007 412
Resources of Customers and other debts	25 633 620			25 673 004	25 673 004	(39 384)		25 633 620
Debt securities	6 417 808			6 337 030	6 337 030	80 778		6 417 808
Financial liabilities relating to transferred assets	2 070 779			2 088 263	2 088 263	(17 484)		2 070 779
Hedging derivatives	596 537		344 318	252 219	596 537			596 537
Technical provisions	2 246 427			2 246 427	2 246 427			2 246 427
Subordinated debt	767 628			717 080	717 080	50 548		767 628
Participating bonds	28 682			27 956	27 956	726		28 682
	40 027 345	**1 796**	**564 210**	**39 404 913**	**39 970 919**	**56 426**		**40 027 345**
	533 747				**509 237**	**(24 510)**	**541 972**	**1 075 719**
Valuation differences in financial assets recognised in revaluation reserves						(541 029)		
Total						**(565 539)**		

1) Unlisted securities for which it was not possible to determine fair value on a reliable basis.

2) This category includes, in addition to financial instruments listed on stock exchanges, securities valued based on prices in active markets disclosed through negotiation platforms.

3) Valuation based on market rates (swap curves).

4) Fair value corresponds to the book value.

5) The securities included in the category "Valuation techniques – models" correspond to securities valued based on indicative Bids and models developed in-house.

The fair value of financial instruments at 31 December 2007 is made up as follows:

Type of financial instrument	Assets and liabilities recorded at fair value						Assets valued at historical cost[1]	
		Method used to determine fair value						
	Book value	Active market listings[2]	Valuation techniques		Total fair value	Difference	Book value	Total book value
			Market data[3]	Models				
Assets								
Cash and deposits at central banks[4]	1 126 396			1 126 396	1 126 396			1 126 396
Deposits in other credit institutions[4]	281 516			281 516	281 516			281 516
Financial assets held for trading and at fair value through profit or loss[5]	4 591 411	2 476 292	102 699	2 012 420	4 591 411			4 591 411
Financial assets available for sale[5]	3 387 590	3 289 484		98 106	3 387 590		537 810	3 925 400
Loans and advances to credit institutions	1 540 900			1 546 514	1 546 514	5 614		1 540 900
Loans and advances to Customers	27 230 513			27 121 186	27 121 186	(109 327)		27 230 513
Hedging derivatives	412 156		115 321	296 835	412 156			412 156
	37 162 570	**5 765 776**	**218 020**	**31 075 061**	**37 058 857**	**(103 713)**	**537 810**	**37 700 380**
Liabilities								
Financial liabilities held for trading	534 669	337 836	98 056	98 777	534 669			534 669
Resources of other credit institutions	3 731 946			3 750 139	3 750 139	(18 193)		3 731 946
Resources of Customers and other debts	20 621 866			20 607 948	20 607 948	13 918		20 621 866
Debt securities	5 341 855			5 279 099	5 279 099	62 756		5 341 855
Financial liabilities relating to transferred assets	3 008 159			3 006 188	3 006 188	1 971		3 008 159
Hedging derivatives	544 629		150 037	394 592	544 629			544 629
Technical provisions	2 774 587			2 774 587	2 774 587			2 774 587
Subordinated debt	930 834			925 536	925 536	5 298		930 834
Participating bonds	27 269			26 950	26 950	319		27 269
	37 515 814	**337 836**	**248 093**	**36 863 817**	**37 449 745**	**66 069**		**37 515 814**
	(353 244)				**(390 888)**	**(37 644)**	**537 810**	**184 566**
Valuation differences in financial assets recognised in revaluation reserves						80 889		
Total						**43 245**		

1) Unlisted securities for which it was not possible to determine fair value on a reliable basis.
2) This category includes, in addition to financial instruments listed on stock exchanges, securities valued based on prices in active markets disclosed through negotiation platforms.
3) Valuation based on market rates (swap curves).
4) The fair value to corresponds to the book value.
5) The securities included in the category "Valuation techniques – models" correspond to securities valued based on indicative Bids and models developed in-house.

Whenever possible, the BPI Group has estimated fair value using prices on active markets (a market is active and therefore liquid when it is accessed by equally informed counterparties and regular transactions are made) or valuation techniques based on market data for instruments with similar characteristics to the financial instruments held by the Group. However, in certain situations, including Customer credit, resources of Customers and debt securities, there is no active market in Portugal, with transactions between equally knowledgeable and willing parties. For these cases, the Group has developed internal valuation techniques to estimate the possible fair value of the financial instruments. The valuation techniques used involve certain assumptions that may not necessarily be the same for different institutions.

For captions which are not recorded at fair value, value was determined based on market conditions applicable to similar operations, at the reference date of the financial statements namely:

- in interbank operations, market interest and swap rates were used;
- in operations with Customers, interest rates on the date of the financial statements for operations of the same term were used. Book value was used when this was considered to be the most reasonable estimate of fair value.

The unrealised gain / loss on financial instruments recognised based on valuation techniques in 2008, was as follows:

Type of financial instrument	Net income on financial operations	Shareholders' equity[1]
Assets		
Financial assets held for trading and at fair value through profit or loss[2]	(114 606)	
Financial assets available for sale	146 543	(56 556)
Loans and advances to credit institutions	381	
Loans and advances to Customers	25 109	
Hedging derivatives	52 627	
	110 054	**(56 556)**
Liabilities		
Resources of other credit institutions	(5 231)	
Resources of Customers and other debts	(50 356)	
Debt securities	(168 226)	
Financial liabilities relating to transferred assets	(5 073)	
Participating bonds	9	
Subordinated debt	80	
	(228 797)	
	(118 743)	**(56 556)**

1) Change in relation to 31 December 2007
2) Includes the net value of assets and liabilities relating to derivatives. In 2008 unrealised gain of 8 588 th. euro on equity swaps hedged through shares negotiated in organised markets was recognised, and so the corresponding unrealised loss is not included on this table.

The unrealised gain on financial instruments recognised based on valuation techniques in 2007, was as follows:

Type of financial instrument	Net income on financial operations	Shareholders' equity[1]
Assets		
Financial assets held for trading and at fair value through profit or loss[2]	(35 298)	
Financial assets available for sale	(34 396)	6 727
Loans and advances to credit institutions	64	
Loans and advances to Customers	(6 287)	
Hedging derivatives	102 229	
	26 312	**6 727**
Liabilities		
Resources of other credit institutions	3 158	
Resources of Customers and other debts	(1 619)	
Debt securities	(58 328)	
Participating bonds	2	
Subordinated debt	30	
	(56 757)	
	(30 445)	**6 727**

1) Change in relation to 31 December 2006
2) Includes the net value of assets and liabilities relating to derivatives. In 2007 the unrealised gain of 7 328 th. euro on equity swaps hedged by shares negotiated in organised markets was recognised, and so the corresponding unrealised loss is not included on this table.

The unrealized gain recognized in net income on financial operations from financial assets available for sale and from financial instruments recorded at amortized cost (loans to Customers, deposits of Customers, debt securities and subordinated debt) refer to changes in fair value attributable to the hedged risk under hedge accounting (note 2.2.7).

Derecognition of financial instruments

In 2008 no financial instruments for which it was not possible to reliably determine fair value were derecognised, and so the impact on net income is nil.

As explained earlier, in December 2007 the Bank sold to the Banco BPI Employee Pension Fund, a portion of the risk / benefit relating to housing loan securitisation operations, having recognised a profit of 10 318 th. euro and derecognised the corresponding assets and liabilities (notes 4.7 and 4.18).

Reclassification of financial assets

As a result of the amendments to IAS 39 in October 2008 (note 2 A), the BPI Group reclassified bonds, as of 1 July 2008 (reclassification date), from Financial assets held for trading to Financial assets available for sale (note 4.5), Loans and advances to Customers (note 4.7) and Held to maturity investments (note 4.8), as follows:

	Book value on reclassification date	Book value at 31 Dec. 08	Fair value at 31 Dec. 08	Effective interest rate
Financial assets held for trading	(502 877)			
Financial assets available for sale	43 571	40 657	40 657	5.81%
Loans represented by securities	54 737	55 011	41 637	6.37%
Held to maturity investments	404 569	407 654	380 347	6.29%
		503 322	**462 641**	

In the context of the lack of liquidity in the bonds market, the valuation prices that can be obtained for these securities do not reflect the prices in an active market with transactions on a regular basis. Therefore, the BPI Group decided to reclassify these bonds to financial assets available for sale, loans and advances to Customers and held to maturity investments.

The gains / (losses) relating to fair value changes of these securities recognized in the statements of income in 2008 and 2007 were as follows:

	Gains / (losses) associated with fair value changes up to the reclassification date	
	2008	**2007**
Financial assets available for sale	47	(548)
Loans represented by securities	(1 935)	(527)
Held to maturity investments	(7 001)	(6 650)
	(8 890)	**(7 724)**

After the reclassification date, gains / (losses) relating to fair value changes of these securities not recognized in the statements of income and the other gains / (losses) recognized in reserves and in the statements of income, were as follows:

	Gains / (losses) associated with fair value changes not recognized in the statements of income	Other gains / (losses) recognized in:	
		Reserves	**Statements of income**
Financial assets available for sale	(2 983)	(2 983)	833
Loans represented by securities	(13 374)		350
Held to maturity investments	(27 307)		4 757
	(43 664)	**(2 983)**	**5 941**

The amounts of Gains / (losses) relating to fair value changes not recognized in the statements of income correspond to gains / (losses) that would affect net income if the bonds remained in the "Financial assets held for trading" portfolio.

The amounts presented in Other gains / (losses) recognized in results for the year include interest, premiums / discounts and other expenses. The amounts presented in other gains / (losses) recognized in reserves correspond to the fair value changes of financial assets available for sale after the reclassification date.

For purposes of determining the effective rate of the reclassified assets, at the reclassification date the BPI Group estimated that it would recover all future cash flows relating to the reclassified securities.

Financial instrument risks

The BPI Group assesses and controls risk in accordance with best practices and in compliance with the prudential rules and regulations, following the precepts, definitions and valuation methods recommended by the Basel Banking Supervision Committee in its three pillars.

The Directors' Report, presented together with the notes to Banco BPI's financial statements, includes also a section relating to "Risk management", which contains additional information about the nature and extent of the BPI Group's financial risks.

Credit risk

Maximum exposure to credit risk

Credit risk is one of the most significant risks of the BPI Group's operations. More information about this risk, particularly about the management process for the various segments of credit, can be found in the section "Risk Management" in the Directors' Report.

Maximum exposure to credit risk at 31 December 2008, by type of financial instrument, is as follows:

Type of financial instrument	Gross book value	Impairment	Net book value
Balance sheet items			
Loans and advances to credit institutions	227 081		227 081
Financial assets held for trading and at fair value through profit or loss	2 535 728		2 535 728
Financial assets available for sale	3 347 884	(85 281)	3 262 603
Loans and advances to credit institutions	3 504 212	(14)	3 504 198
Loans and advances to Customers	29 723 757	(448 575)	29 275 182
Held to maturity investments	407 654		407 654
Derivatives			
Hedging derivatives	484 428		484 428
Trading derivatives	317 851		317 851
	40 548 595	**(533 870)**	**40 014 725**
Off balance sheet items			
Guarantees given	3 112 929	(33 811)	3 079 118
Irrevocable credit lines	58 833	(639)	58 194
	3 171 762	**(34 450)**	**3 137 312**
	43 720 357	**(568 320)**	**43 152 037**

Maximum exposure to credit risk at 31 December 2007, by type of financial instrument, is as follows:

Type of financial instrument	Gross book value	Impairment	Net book value
Balance sheet items			
Loans and advances to credit institutions	281 516		281 516
Financial assets held for trading and at fair value through profit or loss	4 371 911		4 371 911
Financial assets available for sale	4 003 064	(77 664)	3 925 400
Loans and advances to credit institutions	1 540 909	(9)	1 540 900
Loans and advances to Customers	27 603 225	(372 712)	27 230 513
Derivatives			
Hedging derivatives	412 156		412 156
Trading derivatives	219 500		219 500
	38 432 281	**(450 385)**	**37 981 896**
Off balance sheet items			
Guarantees given	3 371 558	(37 645)	3 333 913
Irrevocable credit lines	93 875	(294)	93 581
	3 465 433	**(37 939)**	**3 427 494**
	41 897 714	**(488 324)**	**41 409 390**

Breakdown of overdue loans

Overdue loans and interest at 31 December 2008, by non performing classes, are as follows:

	Non performing classes					Total
	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	
Loans and advances to Customers						
Subject to individual assessment						
Overdue loans and interest	71 713	7 055	42 638	35 659	8 744	165 809
Impairment	(21 433)	(2 057)	(25 558)	(24 034)	(6 304)	(79 386)
	50 280	**4 998**	**17 080**	**11 625**	**2 440**	**86 423**
Subject to collective assessment						
Overdue loans and interest	413	23 906	64 338	181 435	24 916	295 008
Impairment	(48)	(3 814)	(21 655)	(72 426)	(9 210)	(107 153)
	365	**20 092**	**42 683**	**109 009**	**15 706**	**187 855**

In addition, at 31 December 2008 collective impairment of 262 036 th. euro was recognised on performing loans.

Overdue loans and interest at 31 December 2007, by non performing classes, are as follows:

	Non performing classes					Total
	up to 1 month	from 1 to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	
Loans and advances to Customers						
Subject to individual assessment						
Overdue loans and interest	59	5 100	25 833	36 107	10 595	77 694
Impairment	(4)	(2 106)	(16 658)	(25 637)	(7 043)	(51 448)
	55	**2 994**	**9 175**	**10 470**	**3 552**	**26 246**
Subject to collective assessment						
Overdue loans and interest	278	13 482	46 301	140 593	18 104	218 758
Impairment	(27)	(2 571)	(13 767)	(56 665)	(6 586)	(79 616)
	251	**10 911**	**32 534**	**83 928**	**11 518**	**139 142**

In addition, at 31 December 2007 collective impairment of 241 648 th. euro was recognised on performing loans.

Collateral

Banco BPI receives, among others, the following collateral in its loan granting business:

- housing mortgages;
- mortgage of buildings and land;
- deposit of assets;
- pledge of securities;
- guarantees provided by other credit institutions.

The fair value of collateral received is determined based on market value considering its nature. For example, property received in guarantee is valued by external appraisers or by Banco BPI's units using methods considered appropriate.

The coverage of overdue loans by collateral received at 31 December 2008 is as follows:

Coverage	Loans with default			Collateral[1]		Impairment[3]
	Performing loans associated with defaulting loans	Overdue	Total	Mortgages	Other collateral[2]	
>=100%	259 957	226 670	486 627	469 764	16 863	103 974
>=75% and <100%	67 501	25 427	92 928	81 924	7 171	20 415
>=50% and <75%	2 224	2 767	4 991	2 105	1 134	1 493
>=25% and <50%	1 491	1 465	2 956	764	327	1 002
>=0 and <25%	1 127	706	1 833	74	128	751
Without collateral	28 117	203 782	231 899			113 016
Total	**360 417**	**460 817**	**821 234**	**554 631**	**25 623**	**240 651**

1) The value of collateral presented is the lower of the fair value of the collateral received and the amount owed at 31 December 2008.
2) Other collateral includes pledged deposits and securities.
3) For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is less than market value. The amount of impairment shown includes 54 112 th. euro relating to performing loans associated with overdue loans.

The coverage of performing loans on which impairment was determined on an individual basis at 31 December 2008 is as follows:

Loans with impairment		Collateral[1]		Impairment[3]
Coverage	Performing loans	Mortgages	Other collateral[2]	
Loans not represented by securities				
>=100%	56 355	47 514	8 841	23 062
>=75% and <100%	1 539	1 301		1 261
>=50% and <75%	2 761	482	1 416	746
>=25% and <50%	15 363	5 673		15 822
>=0 and <25%	11 458	161	1 729	3 191
Without collateral	73 108			24 736
	160 584	**55 131**	**11 986**	**68 818**
Loans represented by securities				
Without collateral	22 877			22 877
Guarantees provided				
>=100%	3 082	387	2 695	1 207
>=75% and <100%	4		3	2
>=50% and <75%	1 614	415	651	603
>=25% and <50%	2 633	985		3 174
Without collateral	40 370			12 245
	47 703	**1 787**	**3 349**	**17 231**
	231 164	**56 918**	**15 335**	**108 926**

1) The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at 31 December 2008.
2) Other collateral includes pledged deposits and securities.
3) For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is less than market value.

The coverage of overdue loans by collateral received at 31 December 2007 is as follows:

Coverage	Loans with default			Collateral[1]		Impairment[3]
	Performing loans associated with defaulting loans	Overdue	Total	Mortgages	Other collateral[2]	
>=100%	202 911	137 438	340 349	324 424	15 925	60 760
>=75% and <100%	51 346	24 431	75 777	66 696	6 258	16 566
>=50% and <75%	1 191	2 755	3 946	1 934	642	1 396
>=25% and <50%	128	1 392	1 520	306	268	810
>=0 and <25%	206	781	987	6	131	509
Without collateral	29 850	129 655	159 505			92 596
Total	**285 632**	**296 452**	**582 084**	**393 366**	**23 224**	**172 637**

1) The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at 31 December 2007.
2) Other collateral include pledged deposits and securities.
3) For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is less than market value. Impairment presented includes 41 573 th. euro relating to performing loans associated with overdue loans.

The coverage of performing loans on which impairment was determined on an individual basis at 31 December 2007 is as follows:

Loans with impairment		Collateral[1]		Impairment[3]
Coverage	**Performing loans**	**Mortgages**	**Other collateral[2]**	
Loans not represented by securities				
>=100%	42 522	37 642	4 881	22 469
>=75% and <100%	2 948	1 796	831	1 493
>=50% and <75%	793	188	273	495
>=25% and <50%	15 476	5 622	38	14 693
>=0 and <25%	2 737	494		638
Without collateral	77 956			28 765
	142 432	**45 742**	**6 023**	**68 553**
Loans represented by securities				
Without collateral	60 476			29 154
Guarantees provided				
>=100%	2 645	387	2 257	929
>=50% and <75%	547	150	145	213
>=25% and <50%	2 874	1 084		3 519
Without collateral	122 877			15 142
	128 943	**1 621**	**2 402**	**19 803**
	331 851	**47 363**	**8 425**	**117 510**

1) The value of collateral shown is the lower of the fair value of the collateral received and the amount owed at 31 December 2007.
2) Other collateral include pledged deposits and securities.
3) For purposes of determining impairment, pledged property is valued at the amount in the event of execution, which is less than market value.

Credit risk quality (rating)

This section presents information concerning the quality of the credit risk of the BPI Group's main financial assets, excluding derivatives which are analysed in detail in note 4.4. In the case of financial assets with ratings assigned by the international rating agencies (Moody's, Standard & Poor's and Fitch) the rules set in the prudential regulations issued by the Bank of Portugal were followed, selecting the second best in the case of different external ratings for the same instrument. When no specific external ratings were found, Banco BPI used external ratings assigned by the issuer of instruments with the same degree of subordination. In the case of local authorities, banks and some other similar institutions, the ratings used are based on the external ratings assigned to the State where the entity has its headquarters. In the specific case of the central banks in the Euro zone the rating is AAA. External rating is an important element to consider in the management of positions, especially in security portfolios, and is also used for calculating weights used to determine prudential capital by the standard method, in accordance with the regulations issued by the Bank of Portugal.

Loan exposures, without external ratings, were distributed by rating classes (for company exposure), by quality levels (for project finance) or by scorings (for private Customer exposure). External and internal ratings, where they exist, are an indicator of increasing importance to the BPI Group's internal management of loans, being used by the teams responsible for monitoring Customers in order to inform the decisions regarding new loans or the situation of existing exposure. This internal classification does not include all the Group's exposure. It excludes sovereign exposures or exposure to other banks, in which case external ratings are used, loans granted locally by Banco de Fomento de Angola which uses its own methodologies, as well as loans granted to entrepreneurs and the business segment.

Actual internal ratings and scorings include ten classes for regular operations, from 1 (less probability of default) to 10 (more probability of default); two classes (D01 and D02) for "incidents" (delays in payment of less than 60 and 90 days, respectively) and finally one class for default (D03), when delay in payment of a given amount by a counterparty exceeds 90 days.

Project finance operations have a separate internal classification from other loan operations due to their specific nature, so that at any moment the quality of the credit risk can be determined.

Deposits and loans and advances to credit institutions, by ratings, at 31 December 2008 are as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Deposits, loans and advances to credit institutions	External rating	AAA to AA-	3 288 401		3 288 401
		A+ to A-	75 017		75 017
		BBB+ to BBB-	90 216		90 216
		BB+ to BB-	8 324		8 324
		B+ to B-	2 685		2 685
	N/D	N/D	70 265	14	70 251
			3 534 908	**14**	**3 534 894**

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value and does not include cheques for collection.

Loans to costumers, by ratings, at 31 December 2008 are as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans to costumers	External rating	AAA to AA-	1 325 430	58	1 325 372
		A+ to A-	103 425	2 522	100 903
		BBB+ to BBB-	108 718	27	108 691
		BB+ to BB-	15 526		15 526
		B+ to B-	2 271		2 271
		< B-	1 305	1 305	
	Project Finance rating	Strong	392 266		392 266
		Good	1 075 716		1 075 716
		Satisfactory	9 659		9 659
		Weak	7 546		7 546
	Internal rating	E01 to E03	4 482 930	8 879	4 474 051
		E04 to E06	2 162 208	5 411	2 156 797
		E07 to E10	1 595 236	38 396	1 556 840
		ED1 to ED3	639 627	106 825	532 802
	Scoring	01 to 03	6 816 823	10 412	6 806 411
		04 to 06	2 933 737	7 773	2 925 964
		07 to 10	1 118 274	6 250	1 112 024
		D01 to D03	761 243	89 350	671 893
	N/D	N/D	6 020 016	171 367	5 848 649
			29 571 956	**448 575**	**29 123 381**

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value.

The Securities portfolio, by ratings, at 31 December 2008 is as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Securities	External rating	AAA to AA-	1 324 142		1 324 142
		A+ to A-	1 085 003		1 085 003
		BBB+ to BBB-	1 191 619		1 191 619
		BB+ to BB-	110 949		110 949
		B+ to B-	2 999		2 999
		< B-	2 929	1 077	1 852
	N/D	N/D	2 573 626	84 205	2 489 421
			6 291 267	**85 282**	**6 205 985**

Deposits and loans and advances to credit institutions, by ratings, at 31 December 2007 are as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Deposits, loans and advances to credit institutions	External rating	AAA to AA-	1 187 254		1 187 254
		A+ to A-	62 192		62 192
		BBB+ to BBB-	135 500		135 500
		BB+ to BB-	150 121		150 121
		B+ to B-	17		17
	N/D	N/D	91 995	9	91 986
			1 627 079	**9**	**1 627 069**

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value and does not include cheques for collection.

Loans to Customers, by ratings, at 31 December 2007 are as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Loans to costumers	External rating	AAA to AA-	178 255		178 255
		A+ to A-	11 965		11 964
		BBB+ to BBB-	70 550	45	70 506
		BB+ to BB-	3 409		3 409
		B+ to B-	8 397	3 574	4 823
		< B-	47 879	21 380	26 499
	Project Finance rating	Strong	368 998	4	368 995
		Good	978 643		978 643
		Satisfactory	284		284
	Internal rating	E01 to E03	4 333 602	7 579	4 326 023
		E04 to E06	1 106 121	2 944	1 103 178
		E07 to E10	1 524 016	40 406	1 483 610
		ED1 to ED3	490 433	64 694	425 740
	Scoring	01 to 03	5 851 195	8 225	5 842 970
		04 to 06	2 241 621	4 708	2 236 913
		07 to 10	1 728 720	6 706	1 722 014
		D01 to D03	691 334	81 166	610 168
	N/D	N/D	7 845 253	131 282	7 713 972
			27 480 676	**372 712**	**27 107 964**

Note: Gross exposure corresponds to the nominal value adjusted for corrections of value.

The Securities portfolio, by ratings, at 31 December 2007 is as follows:

Type of financial instrument	Origin	Rating Grade Class	Gross exposure	Impairment	Net exposure
Securities	External rating	AAA to AA-	989 252		989 252
		A+ to A-	2 325 806		2 325 806
		BBB+ to BBB-	1 470 777		1 470 777
		BB+ to BB-	549 191		549 191
		B+ to B-	5 308		5 308
		< B-	1		1
	Internal rating	E01 to E03	761 796		761 796
		E04 to E06	50		50
	N/D	N/D	2 272 794	77 664	2 195 131
			8 374 974	**77 664**	**8 297 311**

Restructured loans

Operations for which the conditions were renegotiated due to credit risk deterioration (being or not in default), after increase in the guarantees or full payment of overdue interest and other expenses, for which impairment has not been recognised by individual assessment, have been considered as restructured credit operations in the consolidated financial statements of Banco BPI. Renegotiated loan operations with impairment by individual assessment are not presented in this section.

The following restructured loan operations, without impairment by individual assessment, at 31 December 2008 and 2007 have been identified:

	31 Dec. 08				31 Dec. 07			
	Loans			Collective impairment	Loans			Collective impairment
	Performing	Overdue	Total		Performing	Overdue	Total	
Companies	84 767	1 994	86 761	1 823	86 397	2 394	88 791	1 779
Loans to individuals								
Housing	21 476	9 262	30 738	5 626	16 042	6 584	22 626	3 460
Other loans	10 989	1 378	12 367	1 741	11 137	1 727	12 864	2 546
	117 232	**12 634**	**129 866**	**9 190**	**113 576**	**10 705**	**124 281**	**7 785**

Liquidity risk

The schedules presented below were prepared based on the requirements of IFRS 7 relating to Liquidity Risk, considering the total contractual undiscounted cash-flows expected to be paid or received in the periods relating to outstanding transactions on the reference dates.

The main assumptions used in preparing the tables below were:

- in the case of interest depending on market indices or other references which are only identifiable in a future date (eg. interest based on the Euribor) assumptions were made regarding the future value of such references, based on the last known value;
- defaults and early repayment are not considered (except for perpetual debt instruments);
- shares and overdue loans are included (by their book value) as "undetermined";
- demand deposits (including interest) and the bills and coins on hand are considered as "on demand";
- trading portfolio operations and all derivatives are considered in these schedules by their projected or estimated cash flows, on the contractual dates, and not by the market values that would be obtained by their possible sale in the short term.

The contractual undiscounted cash flows of financial assets and liabilities at 31 December 2008 were as follows:

	on demand	up to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	undetermined	Total
Assets							
Cash and deposits at central banks	1 087 217						1 087 217
Loans and advances to other credit institutions	68 579	158 484					227 063
Financial assets held for trading and at fair value through profit or loss[1]		1 085 125	2 347 480	5 111 320	2 578 292	370 729	11 492 946
Financial assets available for sale		39 818	120 865	1 607 029	1 415 060	165 112	3 347 884
Held to maturity investments		20 718	136 381	225 173	25 382		407 654
Loans and advances to credit institutions		2 589 868	632 846	235 700	7 533		3 465 947
Loans and advances to Customers		5 505 903	2 740 680	7 454 844	13 389 594	460 912	29 551 934
Hedging derivatives[1]		638 152	2 573 198	4 316 858	5 852 533		13 380 742
Contractual interest cash flows	1 140	764 108	1 847 494	6 201 797	10 238 732	4 459	19 057 730
	1 156 936	**10 802 176**	**10 398 945**	**25 152 721**	**33 507 126**	**1 001 212**	**82 019 117**
Liabilities							
Financial liabilities held for trading[1]		279 196	1 493 659	4 822 982	2 378 689	200	8 974 726
Resources of other credit institutions		725 048	333 065	692 178	232 555		1 982 846
Resources of Customers and other debts	7 371 752	10 726 660	6 751 661	453 417	43 236		25 346 726
Debt securities		816 775	821 120	4 333 045	360 339		6 331 279
Financial liabilities relating to transferred assets		47	11 425	374 505	1 661 785		2 047 763
Hedging derivatives[1]		638 617	2 575 071	4 320 000	5 856 793		13 390 480
Technical provisions		5 766	67 228	1 711 503	461 931		2 246 427
Participating bonds			29 185	174 244	525 887		729 316
Subordinated debt					28 078		28 078
Contractual interest cash flows		598 838	1 120 027	2 895 694	1 812 777		6 427 336
	7 371 752	**13 790 947**	**13 202 441**	**19 777 567**	**13 362 070**	**200**	**67 504 977**

1) Includes the notional amount of swap transactions.

The contractual undiscounted cash flows of financial assets and liabilities at 31 December 2007 were as follows:

	on demand	up to 3 months	from 3 months to 1 year	from 1 to 5 years	more than 5 years	undetermined	Total
Assets							
Cash and deposits at central banks	1 125 609						1 125 609
Loans and advances to other credit institutions	90 638	190 853					281 491
Financial assets held for trading and at fair value through profit or loss[1]		2 496 094	1 748 404	4 169 147	3 485 979	1 415 360	13 314 984
Financial assets available for sale		47 438	115 423	1 063 569	1 636 037	1 140 597	4 003 063
Loans and advances to credit institutions		1 200 167	181 947	150 283	3 633	388	1 536 418
Loans and advances to Customers		5 024 987	2 379 734	6 815 138	12 969 453	296 452	27 485 764
Hedging derivatives[1]		294 790	1 331 545	3 101 780	6 847 701		11 575 816
Contractual interest cash flows	812	682 446	1 836 531	7 970 438	13 341 916		23 832 143
	1 217 059	**9 936 775**	**7 593 583**	**23 270 354**	**38 284 721**	**2 852 797**	**83 155 288**
Liabilities							
Financial liabilities held for trading[1]		1 879 784	1 170 774	2 744 417	2 543 270	36	8 338 281
Resources of other credit institutions		1 722 921	852 902	849 259	281 490		3 706 571
Resources of Customers and other debts	6 505 137	7 522 933	4 470 882	649 978	1 335 140		20 484 070
Debt securities		170 945	1 118 548	3 644 782	479 634		5 413 910
Financial liabilities relating to transferred assets				613 581	2 380 631		2 994 212
Hedging derivatives[1]		303 866	1 291 551	2 759 214	6 853 022		11 207 653
Technical provisions		9 044	12 720	1 680 614	1 072 208		2 774 587
Participating bonds		1 060	29 786	134 509	750 720		916 075
Subordinated debt					26 787		26 787
Contractual interest cash flows		563 355	1 348 569	3 697 180	3 721 243		9 330 346
	6 505 137	**12 173 909**	**10 295 732**	**16 773 533**	**19 444 144**	**36**	**65 192 492**

1) Includes the notional amount of swap transactions.

The Bank is always tracking the evolution of its liquidity, monitoring incoming and outgoing funds in real time, whether or not they are known in advance. Projections of short and medium term liquidity are executed in order to plan the funding strategy in the monetary and capital markets. In addition, the Bank has a portfolio of assets that can be used at any time to obtain funding from the ECB. During 2008 the Bank's liquidity situation benefited from the receipt of funds resulting from the share capital increase and increase in Customers' Resources. In the section on Liquidity Risk in the Directors' Report, additional elements used by the Group in its daily management of liquidity risk are presented.

Market Risk

Market risk (interest rate, exchange rate, share price, commodity price and spread) is defined as the potential to incur losses due to unexpected changes in the price of instruments or operations ("price" includes index value, interest rate or exchange rate). Spread risk is the risk resulting from the variability of interest rates of some counterparties in relation to the interest rate used as a reference.

The Executive Board for Market Risk (EBMR) is responsible for managing the BPI Group's market risk and differentiates between the trading portfolio (trading) and the remaining businesses. In the specific case of exchange risk, the assessment is made for the activity as a whole (trading and non-trading).

More information about market risks in BPI Group is contained in the "Risk Management" section of the Directors' Report.

Trading portfolio (trading)

Trading positions are managed autonomously by the traders, within the limits established by the Trading Department Manual for the entire BPI Group, approved by the Executive Committee of the Board of Directors. The trading portfolio is defined for financial and risk management purposes, independently of the accounting classification (although the concepts largely match) and includes all types of financial instruments traded by the Trading Rooms (derivatives, repurchases, shares and bonds) that cause various types of market risk, namely interest rate, shares, exchange, commodities and spread risks.

Market risk in trading operations is assessed and controlled daily through the calculation of VaR – Value at Risk – using a standard model (of the "variance co-variance" type), based on the activity of the Banks of BPI Group as a whole.

Calculated VaR corresponds to the maximum potential loss, with a confidence level of 99%, resulting from an adverse evolution of risk factors within a timeframe of two weeks (risk factors are increase rates of prices, indexes and interest rates that affect the value of the portfolio, or that are taken as representative of those prices, indexes and rates). The model uses, as risk factor volatility, the standard deviation of historical samples of their amounts on an annual basis and uniform weight. In calculating the overall risk, the effect of the diversification of investments is included in the model through the statistical effect of the correlation between risk factors (the correlation is calculated from annual historical samples and uniform weight of relevant pairs of risk factors). A normal distribution of risk factors is assumed, with mean zero and standard deviation leading to the above mentioned confidence level.

In 2008 and 2007 the average VaR value in the Bank's trading books was as follows:

	2008		2007	
	VaR (average)	VaR (maximum)	VaR (average)	VaR (maximum)
Interest rate risk	717	3 354	1 772	3 689
Currency risk	1 137	1 819	1 569	7 212
Share risk	1 160	4 814	2 452	9 067
Commodities	75	152	240	5 654
Spread	102	382	123	817

In compliance with its legal obligations, the Group also produces prudential information for purposes of control by the supervisor and calculates regulatory capital relating to market risks in accordance with the standard methodology established by the Bank of Portugal.

Banking portfolio (non-trading)

The Financial Committee, chaired by the Executive Board's member responsible for the financial portfolio, monitors and manages the positions that are part of the banking portfolio, from reports produced for the purpose and within the guidelines of EBRM. When necessary an extraordinary meeting of EBRM is requested to make the more important decisions.

Interest rate risk

Following is a sensitivity analysis of the BPI Group's financial margin and shareholders' equity to a 2% increase in the reference interest rate, considering all the instruments of the banking portfolio sensitive to interest rate variations (including the international securities portfolio classified in the accounting records as of trading):

Time band	Financial margin					
	31 Dec. 08			31 Dec. 07		
	Position	Weighting factor	Weighted position	Position	Weighting factor	Weighted position
on demand	1 046 574	2.00%	20 931	(749 530)	2.00%	(14 991)
on demand-1 month	(2 345 283)	1.92%	(45 029)	(2 355 513)	1.92%	(45 226)
1-2 months	372 330	1.75%	6 516	214 838	1.75%	3 760
2-3 months	1 764 322	1.58%	27 876	1 312 394	1.58%	20 736
3-4 months	157 457	1.42%	2 236	448 294	1.42%	6 366
4-5 months	847 405	1.25%	10 593	909 446	1.25%	11 368
5-6 months	1 088 303	1.08%	11 754	1 065 165	1.08%	11 504
6-7 months	(60 797)	0.92%	(559)	(216 331)	0.92%	(1 990)
7-8 months	7 564	0.75%	57	(452 016)	0.75%	(3 390)
8-9 months	(27 560)	0.58%	(160)	(312 607)	0.58%	(1 813)
9-10 months	(108 601)	0.42%	(456)	(284 558)	0.42%	(1 195)
10-11 months	(69 444)	0.25%	(174)	(168 841)	0.25%	(422)
11-12 months	(109 434)	0.08%	(88)	12 092	0.08%	10
Total			**33 497**			**(15 284)**

Note: The positions were distributed by the assets, liabilities and respective maturity class columns.

The weighted position indicates an estimate of the impact on financial margin obtained at the end of 12 months starting on 1 January of each year resulting from a single and instantaneous change of 2% in the overall market interest rates affecting the respective positions. Thus, the impact on each date depends on the existence and time distribution of the repricing gaps.

In medium and long-term fixed rate operations, the BPI Group hedges the interest rate risk at the inception of operations, through derivatives transactions (interest rate swaps), thus transforming the fixed rate operations into floating rate operations. At 31 December 2008 and 2007, the BPI Group did not have significant medium and long-term exposure to fixed interest rates during the life of the operation.

Share risk

In accordance with the prudential requirements, the BPI Group calculates the impact of a 20% decrease in share prices and participating units classified as financial assets available for sale and financial assets at fair value through profit or loss. This stress test was based on the following exposures in shares and participation units:

	31 Dec. 08	31 Dec. 07
Financial assets held for trading and at fair value through profit or loss	44 480	51 098
Financial assets available for sale – at fair value and without impairment	62 017	1 074 777
Financial assets available for sale – at fair value and with impairment	14 991	27 888
Financial assets available for sale at historical cost	14 778	11 409
Participation units in liquidity, bonds and real estate funds	77 880	26 523
	214 146	**1 191 695**

Note: Does not include the trading portfolio which is considered in market risk.

A 20% decrease in the price of the above securities (except for securities at historical cost and participating units in liquidity, bonds and real estate funds) at 31 December 2008 and 2007 would result in a decrease of 24 297 th. euro and 230 752 th. euro, respectively, in their fair value, implying the recognition of a loss of 11 984 th. euro and 15 797 th. euro, the remaining devaluation being reflected in the fair value reserve.

Currency risk

Financial assets and liabilities at 31 December 2008, by currency, were as follows:

Type of financial instrument	Assets and liabilities by currency				
	EUR	USD	AKZ	Other currencies	Total
Assets					
Cash and deposits at central banks	645 266	52 727	386 754	3 592	1 088 339
Loans and advances to other credit institutions	196 160	21 250	2 158	7 513	227 081
'Financial assets held for trading and at fair value through profit or loss	1 282 204	82 175	1 474 448	14 751	2 853 579
Financial assets available for sale[1]	2 883 621	919 550		358	3 803 529
Loans and advances to credit institutions	3 019 989	336 898		147 311	3 504 198
Loans and advances to Customers	27 571 568	1 432 630	31 651	239 334	29 275 182
Held to maturity investments	407 654				407 654
Hedging derivatives	396 176	27 522		60 729	484 428
Debtors and other applications	72 811	213 279	1 922	156	288 167
	36 475 449	**3 086 031**	**1 896 933**	**473 744**	**41 932 157**
Liabilities					
Financial liabilities held for trading	252 974	2 831		2 647	258 452
Resources of other credit institutions	1 796 987	182 199		28 227	2 007 412
Resources of Customers and other debts	20 691 050	3 246 487	1 523 494	172 589	25 633 620
Debt securities	6 223 994	85 458		108 356	6 417 808
Financial liabilities relating to transferred assets	2 070 779				2 070 779
Hedging derivatives	505 070	73 461		18 006	596 537
Provisions	60 484	16 501	429	150	77 565
Technical provisions	2 246 427				2 246 427
Subordinated debt	531 628			236 000	767 628
Participating bonds	28 682				28 682
	34 408 074	**3 606 937**	**1 523 923**	**565 976**	**40 104 910**
Forward currency operations	(678 766)	612 925	(59 809)	100 152	(25 498)
		92 019	**313 202**	**7 919**	**1 801 749**
Stress test		18 404	125 281	1 584	145 268

1) Excludes the amount recorded in the Fair Value Reserve.

Financial assets and liabilities at 31 December 2007, by currency, were as follows:

Type of financial instrument	Assets and liabilities by currency				
	EUR	USD	AKZ	Other currencies	Total
Assets					
Cash and deposits at central banks	841 721	39 165	241 685	3 825	1 126 396
Loans and advances to other credit institutions	227 545	27 233	1 105	25 633	281 516
Financial assets held for trading and at at fair value through profit or loss	3 609 215	330 111	476 757	175 329	4 591 411
Financial assets available for sale[1]	3 097 528	569 191	177 332	356	3 844 407
Loans and advances to credit institutions	1 109 314	403 474	13 616	14 497	1 540 900
Loans and advances to Customers	25 534 690	1 124 685	39 270	531 867	27 230 513
Hedging derivatives	333 451	32 124		46 581	412 156
Debtors and other applications	87 681	12 375	790	610	101 457
	34 841 146	**2 538 358**	**950 554**	**798 699**	**39 128 756**
Liabilities					
Financial liabilities held for trading	511 614	17 406		5 648	534 669
Resources of other credit institutions	3 182 994	424 490		124 462	3 731 946
Resources of Customers and other debts	17 654 899	2 183 161	662 602	121 204	20 621 866
Debt securities	4 993 643	198 796		149 416	5 341 855
Financial liabilities relating to transferred assets	3 008 159				3 008 159
Hedging derivatives	454 827	59 334		30 468	544 629
Provisions	57 801	14 625	422	5	72 853
Technical provisions	2 774 587				2 774 587
Subordinated debt	766 447			164 387	930 834
Participating bonds	27 269				27 269
	33 432 241	**2 897 813**	**663 024**	**595 589**	**37 588 667**
Forward currency operations	(423 722)	444 270	(24 881)	(18 505)	(22 839)
		84 815	**262 648**	**184 604**	**1 517 250**
Stress test		16 963	105 059	36 921	158 943

1) Excludes the amount recorded in the Fair Value Reserve.

The stress test consists of assessing the impact of a 20% variation in the exchange rate of each currency against the euro, with the exception of Kwanza (AKZ) in which the impact of a 40% variation against the euro was assessed. The amounts presented above are absolute amounts, and correspond to the potential impact (before taxes) on total equity including minority interest.

Hedge accounting

The BPI Group applies fair value hedge accounting for several business lines, including hedging for:

- fixed rate deposits;
- fixed rate debt issues;
- structured debt issues;
- fixed rate securities.

The BPI Group uses "back-to-back" hedging relationships and macro-hedging.

The BPI Group hedges interest rate risk and exchange risk relating to the above items.

Interest rate swaps and forward currency operations are the main hedging instruments used. The optional component of structured debt issues is hedged by options and swaps.

Application of Hedge Accounting eliminates the "accounting mismatch" that would result from the recognition of the hedged items at amortised cost, while the hedging instruments (derivative financial instruments) would have to be recorded at fair value through profit or loss.

The fair value of hedging instruments at 31 December 2008 is made up as follows:

	Hedged items					Hedge instruments			
Fair value types of hedge	**Nominal amount**	**Interest, premiums and potential gains**	**Impair-ment**	**Value corrections**	**Total**	**Notional amount**	**Interest and premiums**	**Revalua-tion**	**Fair value**
Assets									
Loans and advances to other credit institutions	107 744	949		381	109 074	102 412	666	(24)	642
Loans to Customers	582 167	1 594	(6 361)	20 022	597 422	645 834	(1 078)	(17 466)	(18 544)
Fixed rate securities portfolio	2 079 783	(423 706)		130 670	1 786 747	2 102 585	(40 299)	(127 962)	(168 261)
	2 769 694	**(421 163)**	**(6 361)**	**151 073**	**2 493 243**	**2 850 831**	**(40 711)**	**(145 452)**	**(186 163)**
Liabilities									
Resources of credit institutions	157 601	1 025		4 374	163 000	138 082	(134)	163	29
Customer deposits	3 106 899	105 037		44 785	3 256 721	3 280 000	57 869	28 331	86 200
Liability for assets not derecognised	2 047 763	19 419		3 597	2 070 779	4 685 442	1 887	5 210	7 097
Debt issues	3 175 165	(51 567)		123 035	3 246 633	3 000 340	(109 134)	89 862	(19 272)
	8 487 428	**73 914**		**175 791**	**8 737 133**	**11 103 864**	**(49 512)**	**123 566**	**74 054**

Embedded options were not included.
The notional amount of hedging instruments is the sum of the notional purchase amounts, so the compensation of positions arising from contracting derivative instruments with symmetrical conditions is not visible.

The fair value of hedging instruments at 31 December 2007 is made up as follows:

	Hedged items					Hedge instruments			
Fair value types of hedge	**Nominal amount**	**Interest, premiums and potential gains**	**Impair-ment**	**Value corrections**	**Total**	**Notional amount**	**Interest and premiums**	**Revalua-tion**	**Fair value**
Assets									
Loans to Customers	756 708	5 421	(680)	(5 088)	756 361	601 197	(476)	5 356	4 880
Fixed rate securities portfolio	2 062 179	35 006		(15 684)	2 081 501	2 093 501	(36 679)	16 351	(20 328)
	2 818 887	**40 427**	**(680)**	**(20 772)**	**2 837 862**	**2 694 698**	**(37 155)**	**21 707**	**(15 448)**
Liabilities									
Resources of credit institutions[1]	3 106 047	17 203		(1 980)	3 121 270	3 002 880	(313)	(1 961)	(2 274)
Customer deposits	869 388	37 078		(5 922)	900 544	920 000	27 726	(6 443)	21 283
Liability for assets not derecognised	2 439 910	(90 847)		(17 797)	2 331 266	3 129 497	(120 171)	(17 546)	(137 717)
Debt issues	9 018				9 018	593 778	(944)	2 628	1 685
	6 424 363	**(36 566)**		**(25 699)**	**6 362 098**	**7 646 155**	**(93 702)**	**(23 322)**	**(117 023)**

Embedded options were not included.
The notional amount of hedging instruments is the sum of the notional purchase amounts, so the compensation of positions arising from contracting derivative instruments with symmetrical conditions is not visible.
1) At 31 December 2007 this caption also included the liabilities for derecognised assets.

Net income on financial operations recognised in hedge derivative financial instruments and in hedged items in 2008 and 2007 was the following:

Fair value types of hedge	31 Dec. 08	31 Dec. 07
Hedging derivatives	(48 725)	27 671
Hedged items		
Loans and advances to other credit institutions	381	
Loans to Customers	25 109	(6 278)
Fixed rate securities portfolio	146 543	(34 396)
Resources of credit institutions	(5 239)	3 212
Customer deposits	(50 348)	(1 619)
Liability for assets not derecognised	(5 016)	
Debt issues	(66 842)	16 263
	44 588	**(22 818)**
	(4 137)	**4 853**

Note: "Debt issues – hedged item" includes the results relating to the embedded options in those issues.

4.48. Share-based variable remuneration program

The Share-based Variable Remuneration Program (Programa de Remuneração Variável em Acções – RVA) is a remuneration scheme under which part of the variable remuneration of Executive Directors and Employees of the BPI Group, whose annual variable remuneration is equal to or greater than 2 500 euro, is paid in Banco BPI shares (BPI shares) and options to purchase BPI shares. In RVA 2007, the Employees whose variable remuneration was equal to or greater than 2 500 euro and less than or equal to 10 000 euro could choose to receive this amount in full in "Cash". The portion of the individual variable remuneration that corresponds to the RVA program varies between 10% and 50%, the percentage increasing with the level of responsibility of the Director or Employee.

Considering that at 31 December 2006 Banco BPI was under a public share purchase offering launched on 13 March 2006 and taking into account, on the one hand, the interest in maintaining the share-based remuneration program (RVA), as the principles underlying its creation and objectives remain valid and, and on the other hand, possible questions that, under those circumstances, could arise by the granting of share-based remuneration, BPI's Board of Directors decided not to carry out the program for 2006. Therefore variable remuneration for that year was fully paid in cash. In 2007, this program was resumed in the regular conditions mentioned in the preceding paragraph.

Except as explained above, the share based remuneration program remains in force as regards all its past and future effects, including those resulting from the remuneration granted relating to 2003, 2004, 2005 and 2007.

The shares attributed under the RVA program are made available to the beneficiary on a gradual basis: 25% when they are attributed and 25% in each of the three following years.

The price of the shares attributed corresponds to the weighted average list price of the BPI shares traded in the last ten stock exchange sessions prior to the date the shares are attributed. The price of the shares attributed also corresponds to the strike price of the options.

The shares are made available (in the three years following the date they are attributed) subject to the beneficiaries remaining with the BPI Group. The price of the shares attributed, as well as the period in which they are made available, are summarised in the following table:

Program	Shares				
	Date of assignment	Strike price	Date of availability of tranches		
			2nd	3rd	4th
RVA 2003	2004-02-23	3.13	2005-02-23	2006-02-23	2007-02-23
RVA 2004	2005-02-28	3.10	2006-02-28	2007-02-28	2008-02-28
RVA 2005	2006-02-23	4.44	2007-02-23	2008-02-23	2009-02-23
RVA 2007	2008-03-21	3.33	2009-03-21	2010-03-21	2011-03-21

The share options of the RVA 2004 program are exercisable between the first and the end of the fifth year following the date they were attributed. The share options of the RVA 2005 and RVA 2007 programs can be exercised between the 90th day and the end of the 5th year following the date they were attributed. The share options are made available subject to the beneficiaries remaining with the BPI Group.

The strike price of the options, as well as the period the options can be exercised, are summarised in the following table:

Program	Options			
	Date of assignment	Strike price[1]	Strike period	
			From	To
RVA 2001	2002-03-21	2.54	2003-03-21	2007-03-21
RVA 2002	2003-02-22	2.14	2004-02-22	2008-02-22
RVA 2003	2004-02-23	3.01	2005-02-23	2009-02-23
RVA 2004	2005-02-28	2.98	2006-02-28	2010-02-28
RVA 2005	2006-02-23	4.27	2006-05-24	2011-02-23
RVA 2007	2008-03-21	3.20	2008-06-23	2013-03-21

1) Strike price after considering the effect of the share capital increase made in June 2008.

The number of Employees and directors covered by the RVA 2007 and RVA 2005 programs was as follows:

	RVA 2007	RVA 2005
Directors	12	14
Employees	1 546	2 650
	1 558	**2 664**

In RVA 2007, the Employees whose variable remuneration was equal to or greater than 2 500 euro and less than or equal to 10 000 euro could choose to receive this amount in full in "Cash".

The total cost of the RVA programs is as follows:

Program	Total cost		
	Shares	Options	Total
RVA 2001	2 478	2 478	4 956
RVA 2002	2 507	2 507	5 014
RVA 2003	3 202	2 272	5 474
RVA 2004	3 834	2 169	6 003
RVA 2005	4 006	3 075	7 081
RVA 2007	2 649	5 938	8 587
RVA 2008[1]	1 074	2 359	3 433
	19 750	**20 798**	**40 548**

1) The amounts of the RVA 2008 program are estimated.

MODEL FOR VALUING THE EQUITY INSTRUMENTS GRANTED TO THE EMPLOYEES AND DIRECTORS OF THE BPI GROUP

Shares

The Bank, for purposes of the share-based payment program, acquires a portfolio of BPI shares and transfers ownership of the shares to the Employees and directors on the date the RVA remuneration is granted.

The changes in the number of shares not yet made available to the Employees and directors of the BPI Group in 2007 and 2008, as well as the fair value of the respective instruments are as follows:

	RVA 2003			RVA 2004			RVA 2005			RVA 2007		
	Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value		Number of shares	Fair value	
		On the date attri-buted	On the referen-ce date		On the date attri-buted	On the referen-ce date		On the date attri-buted	On the referen-ce date		On the date attri-buted	On the referen-ce date
Shares attributed up to 2006	1 023 547	3 204	6 049	1 237 831	3 837	7 316	904 340	4 015	5 345			
Shares attributed up to 2006	747 904	2 341	4 420	618 322	1 917	3 654	229 229	1 018	1 355			
Shares made available early up to 2006	21 266	67	126	3 108	10	18	1 455	6	9			
Shares refused up to 2006	12 993	41	77	9 033	28	53	6 285	28	37			
Shares not made available at 31 December 2006	241 384	756	1 427	607 368	1 883	3 590	667 371	2 963	3 944			
Shares attributed in 2007												
Shares made available in 2007	241 207	755	1 293	303 233	940	1 625	222 119	986	1 191			
Shares made available early in 2007				1 828	6	10	2 628	12	14			
Shares refused in 2007	136		1	1 084	3	6	1 654	7	9			
Shares not made available at 31 December 2007	41			301 223	934	1 615	440 970	1 958	2 364			
Shares attributed in 2008										796 235	2 651	1 393
Shares made available in 2008	41			301 025	933	527	220 342	978	386	200 123	666	
Shares made available early in 2008												
Shares refused in 2008				198	1		2 466	11	4	9 381	31	16
Shares not made available at 31 December 2008							218 162	968	382	586 731	1 954	1 027

In the case of death, incapacity or retirement of the Employee or director, the shares not yet made available are made available early, becoming freely available to the person or to the respective heirs.

The shares refused include shares granted but not made available, to which the Employee or director has lost his / her right because he / she has left the BPI Group.

Options

The changes in the number of share options in circulation, held by Employees and directors of the BPI Group (options that can be exercised) in 2007 and 2008, as well as their respective fair values are as follows:

	RVA 2002			RVA 2003		
	Number of options	Fair value		Number of options	Fair value	
		On the date attributed	On the reference date		On the date attributed	On the reference date
Options attributed up to 2006	7 597 776	2 507	28 505	5 050 419	2 273	14 506
Options made available up to 2006	7 597 776	2 507	28 505	5 012 429	2 256	14 397
Options cancelled up to 2006	53 705	18	201	46 323	21	133
Options cancelled up to 2006	6 887 910	2 273	25 842	3 681 772	1 657	10 575
Options in circulation and exercisable at 31 December 2006	656 161	217	2 462	1 322 324	595	3 798
Options in circulation at 31 December 2006	656 161	217	2 119	1 322 324	595	2 843
Options attributed in 2007						
Options attributed in 2007						
Options made available in 2007				2 118	1	5
Options exercised in 2007	315 846	104	1 020	495 312	223	1 065
Options in circulation and exercisable at 31 December 2007	340 315	112	1 099	824 894	371	1 774
Options in circulation at 31 December 2007	340 315	112	11	824 894	356	26
Options attributed in 2008				26 029	11	1
Options made available in 2008				26 029	11	1
Options made available in 2008	12 448	4				
Options exercised in 2008	327 867	108	10	185 030	80	6
Options in circulation and exercisable at 31 December 2008				665 893	288	21

When an Employee or director of the BPI Group leaves the Group he / she loses the right to the options attributed and not yet made available. In the case of options made available but not yet exercised, the director or Employee has a maximum period of 30 days from the date the labour relationship terminates to exercise the option, after which the option expires (options cancelled).

In the case of death, incapacity or retirement of directors or Employees, the options attributed become immediately exercisable, having to be exercised within a period of 2 years from the date of the event, otherwise they expire. Cancelled options include options not exercised within this period.

In 2008 and 2007 the weighted average price of the shares on the date the options were exercised was as follows:

Program	Options exercised in 2008		Options exercised in 2007	
	Number of options	Average price of the shares	Number of options	Average price of the shares
RVA 2001			81 730	6.46
RVA 2002	50 890	4.35	132 562	6.53
RVA 2003	174 030	3.34	427 586	6.52
RVA 2004	180 176	4.34	921 472	6.52
RVA 2005	7 163	4.22	2 391 013	6.36
RVA 2007	1 630	2.35		

In determining the number of options to be granted to the Employees and directors, the BPI Group determines the financial value of the options as of the date they are granted.

The premium of the options over Banco BPI shares was determined in accordance with the following models:

- Black-Scholes model for the RVA 2002 program;
- an internally developed model, based on the Black-Scholes model, for the RVA 2003 to RVA 2007 programs.

The critical factors of the model used to manage the RVA programs are as follows:

- volatility of Banco BPI shares, determined as follows:
  - 60% of the historical volatility of Banco BPI shares in the last 3.33 years;
  - 10% of the VIX volatility index;
  - 10% of the VDAX volatility index;
  - 20% of the implicit volatility of the listed options traded in Spain over Spanish banks which are similar to Banco BPI.

RVA 2004			RVA 2005			RVA 2007		
Number of options	Fair value		Number of options	Fair value		Number of options	Fair value	
	On the date attributed	On the reference date		On the date attributed	On the reference date		On the date attributed	On the reference date
6 998 811	2 170	19 918	6 836 764	3 077	12 383			
6 972 511	2 161	19 843	6 836 764	3 077	12 383			
43 821	14	125	6 336	3	11			
4 218 621	1 308	12 006	1 270 079	572	2 300			
2 736 369	848	7 787	5 560 349	2 502	10 071			
2 736 369	848	5 828	5 560 349	2 502	6 672			
			323					
1 002 214	311	2 135	2 738 733	1 232	3 286			
1 734 155	538	3 694	2 821 293	1 270	3 386			
1 734 155	517	55	2 821 293	1 219	62			
60 527	18	2	113 672	49	3	15 013 916	5 915	2 222
60 527	18	2	113 672	49	3	15 013 916	5 915	2 222
504			18 280	8		94 903	37	14
241 633	72	8	8 108	4		1 630	1	
1 552 545	463	50	2 908 577	1 257	64	14 917 383	5 878	2 208

- average expected life of the option, which depends, among others, on the following factors:

  - responsibility level of the beneficiaries: Directors and other Employees;
  - ratio between the market price and the strike price; and
  - volatility of the share price.

The model also enables the number of shares of Banco BPI necessary to ensure adequate coverage of the inherent risk of issuing options under the RVA program to be determined.

The parameters used to determine the financial value of the options under each RVA program, as of the date the options are attributed, are as follows:

	RVA 2001	RVA 2002	RVA 2003	RVA 2004	RVA 2005	RVA 2007
BPI listing	2.55	2.16	3.20	3.13	4.47	3.33
Strike price	2.54	2.14	3.13	3.10	4.44	3.33
Implicit volatility	29.70%	22.30%	21.50%	17.70%	17.10%	29.34%
Interest rate	5.00%	3.15%	3.00%	2.72%	3.08%	3.73%
Expected dividends	0.09	0.08	0.09	0.10	0.12	0.19
Value of the option	0.62	0.33	0.45	0.31	0.45	0.41

The number of outstanding options under each RVA Program, as well as their respective fair values at 31 December 2008 are as follows:

	RVA 2003	RVA 2004	RVA 2005	RVA 2007
Number of outstanding options	665 893	1 552 545	2 908 577	14 917 383
Strike price	3.01	2.98	4.27	3.20
Value of option		0.03	0.02	0.15

The number of outstanding options under each RVA Program, as well as their respective fair values at 31 December 2007 are as follows:

	RVA 2002	RVA 2003	RVA 2004	RVA 2005
Number of outstanding options	340 315	824 894	1 734 155	2 821 293
Strike price	2.14	3.13	3.10	4.44
Value of option	3.23	2.15	2.13	1.20

ACCOUNTING IMPACT OF THE RVA PROGRAM

Shares

In order to cover the share-based payments, the Bank acquires a portfolio of treasury shares at the time the RVA remuneration is attributed. The shares remain in Banco BPI's portfolio until they are made available to the beneficiaries. At that time they are derecognised by corresponding charge to accumulated costs in the caption OTHER EQUITY INSTRUMENTS.

The book value and fair value of the share component of the RVA program not yet made available to the Employees / Directors at 31 December 2008 and 2007 are as follows:

Shares	Program	31 Dec. 08			31 Dec. 07		
		Book value	Number of shares	Fair value	Book value	Number of shares	Fair value
Cost of the shares to be made available to the Group's Employees / directors, recognized in shareholders' equity	RVA 2004				926		
	RVA 2005	940			1 636		
	RVA 2007	1 312			2 783		
	RVA 2008	503					
		2 755			**5 345**		
Cost of the shares to be made available to the Group's Employees / directors, not recognized in shareholders' equity	RVA 2004				23		
	RVA 2005	47			340		
	RVA 2007	642			3 152		
	RVA 2008	571					
		1 260			**3 515**		
	Total	**4 015**	**804 893**	**1 409**	**8 860**	**742 234**	**3 979**
Treasury shares made available early to the Group's Employees / directors	RVA 2003						
	RVA 2004	15			15		
	RVA 2005	18			18		
	RVA 2007						
	Total	**33**			**33**		
Treasury shares to be made available to the Group's Employees / directors	RVA 2003					41	
	RVA 2004				934	301 223	1 615
	RVA 2005	968	218 162	382	1 958	440 970	2 364
	RVA 2007	1 954	586 731	1 027			
	Total	**2 922**	**804 893**	**1 409**	**2 892**	**742 234**	**3 979**

Options

The BPI Group has created a portfolio of BPI shares to cover its share-based payment program responsibilities resulting from the issuance of options to purchase BPI shares in accordance with a delta strategy (determined in accordance with BPI's options evaluation model developed in-house based on the Black-Scholes model). The strategy corresponds to the creation of a portfolio with delta shares for each option issued, the delta number corresponding to the relationship between the variation in the price of an option and variation in the price of the underlying share. The treasury shares held to hedge the risk of variation in the amount of the options sold are recorded in the caption TREASURY SHARES HEDGING THE RVA, where they remain while they are held for that purpose.

When the options are exercised, the treasury shares are derecognised together with transfer of share ownership to the Employees / Directors. At that time a gain or loss is recognised, in the amount corresponding to the difference between the strike price and the average cost of acquiring the treasury share portfolio covering each of the programs, less the cost of the option premiums accumulated in the caption OTHER EQUITY INSTRUMENTS.

The book value and fair value of the outstanding option component of the RVA program attributed to the Employees / Directors at 31 December 2008 and 2007 are as follows:

Options	Program	31 Dec. 08			31 Dec. 07		
		Book value	**Fair value**	**Unrealized gain / (loss)**	**Book value**	**Fair value**	**Unrealized gain / (loss)**
Cost of outstanding options (premiums) recognized in shareholder's equity	RVA 2001						
	RVA 2002				112		
	RVA 2003	288			371		
	RVA 2004	463			538		
	RVA 2005	1 258			1 270		
	RVA 2007	5 878			3 186		
	RVA 2008	1 665					
		9 552			**5 477**		
Cost of outstanding options (premiums) not recognized in shareholder's equity	RVA 2007				1 326		
	RVA 2008	694					
		694			**1 326**		
	Total	**10 246**	**4 303**	**5 943**	**6 803**	**9 952**	**(3 149)**
Treasury shares hedging the RVA options	RVA 2001						
	RVA 2002				1 367	2 254	887
	RVA 2003	1 008	525	(483)	1 336	2 105	769
	RVA 2004	3 365	1 752	(1 613)	4 849	7 731	2 882
	RVA 2005	1 804	700	(1 104)	18 143	20 233	2 090
	RVA 2007	12 501	6 231	(6 270)			
	Total	**18 678**	**9 208**	**(9 470)**	**25 695**	**32 323**	**6 628**
Unrealized gain / (loss)				**(3 527)**			**3 479**

The gain and loss realised on treasury shares hedging the exercise of RVA options, as well as the respective taxes, are recorded directly in shareholders' equity, not affecting net income for the year.

The gross gain and loss realised in making the shares available and in exercising the options, as well as the corresponding hedge, reflected in shareholders' equity at 31 December 2008 and 2007, are as follows:

Gain-loss		Program	31 Dec. 2008	31 Dec. 2007
Shares	In making the shares available	RVA 2007	(13)	
Options	In the exercise of options	RVA 2001		228
		RVA 2002	(253)	(225)
		RVA 2003	33	164
		RVA 2004	12	53
		RVA 2005	1	234
			(207)	**454**
	On the sale of hedging shares	RVA 2004	(213)	
		RVA 2005	(7 602)	
			(7 815)	
Transaction costs and others			**(33)**	**4**
			(8 068)	**458**

The cost of the share-based remuneration program is accrued in personnel costs, by corresponding entry to the OTHER EQUITY INSTRUMENTS caption, as required by IFRS 2 for share-based payment programs. The cost of the shares and option premiums when they are granted, are accrued on a straight-line basis from the beginning of the program (1 January) to the date they are made available to the Employees / Directors.

The total cost of the share-based payment program recognised in 2008 and 2007 was as follows:

Program	31 Dec. 08			31 Dec. 07		
	Shares	Options	Total	Shares	Options	Total
RVA 2002		(1)	(1)			
RVA 2003				(45)		(45)
RVA 2004	7		7	281		281
RVA 2005	278	(8)	270	634		634
RVA 2007	(794)	2 681	1 887	2 781	3 185	5 966
RVA 2008	503	1 665	2 168			
Total	**(6)**	**4 337**	**4 331**	**3 651**	**3 185**	**6 836**

4.49. Capital management

Banco BPI's policy regarding the distribution of results is to distribute an annual dividend, by proposal of the Board of Directors to the Shareholders' General Meeting, usually of not less than 40% of net profit reflected in the consolidated accounts for the year to which they relate, unless exceptional circumstances justify the distribution of a smaller dividend.

Banco BPI's dividend policy also includes the maintenance of a sound financial position through maintaining:

- a ratio of basic own funds to assets weighted by risk – Tier I – tending to exceed 7%;
- the level of preference shares not above 20% of basic own funds, meaning a Core Tier I indicator tending to exceed 5.5%.

The potential components of Tier I (including Core Tier I) and Tier II (including a higher and a lower level) own funds are in accordance the regulations established in Bank of Portugal Notice 5 / 2007. The regulatory proportions to be observed indicate that the amount of Tier II cannot exceed Tier I and the amount of the lower Tier II level (long-term subordinated debt and redeemable preference shares) cannot exceed 50% of Tier I.

According to the new regulations of the Bank of Portugal, issued in 2008, the following changes to the calculation of own funds were made:

- unrealized gains and losses in the portfolio of bonds available for sale are no longer included in Tier II and Tier I, respectively;
- the limit for inclusion of deferred tax assets in Own Funds was removed (the limit was 10% of Tier I);
- the period for recognition of the deferral of the IAS impact on pensions that at 30 June 2008 had not been recognized in retained earnings was extended by 3 years;
- the limit of the proportion of preference shares included in the composition of Tier I was increased from 20% to 35%;
- under the terms of Notice 11 / 2008 of 23 December, negative actuarial deviations determined in 2008, less the expected return on assets of the pension fund for that year, are deferred gradually up to 30 December 2012.

For 2008, the own funds of Banco BPI assume the distribution of a dividend of 60 120 th. euro, which corresponds to 0.0668 euro per share.

According to Bank of Portugal rules the BPI Group's own funds are made up as follows:

	31 Dec. 08	31 Dec. 07
Base own funds		
Subscribed share capital, share premium, reserves (excluding positive fair value reserves) and retained earnings	1 868 876	1 369 406
Contributions to the pension fund not yet recognised as cost	(611)	(1 934)
Preference shares	295 519	300 899
Other minority interests	199 496	371
Intangible assets	(15 364)	(15 453)
Treasury shares	(10 379)	(19 391)
Difference between impairment and provisions	(79 262)	(104 204)
Deferred transition adjustments to IAS / IFRS	119 900	159 965
Base own funds	**2 378 175**	**1 689 659**
Complementary own funds		
Revaluation reserves of fixed assets	8 548	8 548
Perpetual subordinated debt	59 458	45 474
Positive fair value reserve	9 868	73 738
Subordinated debt and participating securities	594 161	841 026
Difference between impairment and provisions	79 262	104 204
Complementary own funds	**751 297**	**1 072 990**
Deductions		
Deduction of interests in participations in insurance companies and other financial institutions	(161 405)	(178 756)
Others deductions	(4 476)	(14 003)
Deductions	**(165 881)**	**(192 759)**
Total own funds	**2 963 591**	**2 569 890**
Total requirements	2 095 333	2 073 975
Assets weighted by risk[1]	**26 191 665**	**25 924 682**
Own Funds requirements ratio	11.3%	9.9%
Tier I[2]	8.8%	6.2%
Core Tier I (excluding preference shares)[2, 3]	8.0%	5.4%
Percentage of preference shares to Tier I	12.4%	17.8%

1) Total requirements x 12.5.
2) Calculated in accordance with Bank of Portugal Instruction 16 / 2004.
3) In accordance with Bank of Portugal, Core Tier I should not reflect 50% of deductions in financial institutions and insurance companies.

4.50. Related parties

The BPI Group's related parties at 31 December 2008 were as follows:

Name of related entity	Head Office	Effective participation	Direct participation
Associated and jointly controlled entities of Banco BPI			
Banco Comercial e de Investimentos, S.A.R.L.	Mozambique	30.0%	29.4%
Companhia de Seguros Allianz Portugal, S.A.	Portugal	35.0%	35.0%
Cosec – Companhia de Seguros de Crédito, S.A.	Portugal	50.0%	50.0%
F. Turismo – Capital de Risco, S.A.	Portugal	25.0%	25.0%
Finangeste – Empresa Financeira de Gestão e Desenvolvimento, S.A.	Portugal	32.8%	32.8%
Unicer – Bebidas de Portugal, SGPS, S.A.	Portugal	14.0%	
Viacer – Sociedade Gestora de Participações Sociais, Lda.	Portugal	25.0%	25.0%
Ulissipair ACE	Portugal	50.0%	
Pension fund of Employees and Directors of the BPI Group			
Fundo de Pensões Banco BPI	Portugal	100.0%	
Fundo de Pensões Aberto BPI Acções	Portugal	39.5%	
Fundo de Pensões Aberto BPI Valorização	Portugal	49.7%	
Fundo de Pensões Aberto BPI Segurança	Portugal	43.0%	
Fundo de Pensões Aberto BPI Garantia	Portugal	59.6%	
Shareholders of Banco BPI			
Itaú Group	Brazil	18.9%	
La Caixa Group	Spain	29.4%	
Members of the Board of Directors of Banco BPI			
Artur Santos Silva			
Carlos da Câmara Pestana			
Fernando Ulrich			
Ruy Octávio Matos de Carvalho			
Alfredo Rezende de Almeida			
António Domingues			
António Farinha Morais			
Armando Leite de Pinho			
Marcelino Armenter Vidal			
Carlos Moreira da Silva			
Edgar Alves Ferreira			
Isidro Fainé Casas			
António Lobo Xavier			
Henri Penchas			
Juan Nin Génova			
José Pena do Amaral			
Klaus Dührkop			
Manuel Ferreira da Silva			
Maria Celeste Hagatong			
Pedro Barreto			
Allianz Europe Ltd. – Herbert Walter			
Roberto Egydio Setúbal			
Tomaz Jervell			

In accordance with IAS 24, related parties are those in which the Bank has significant influence (direct or indirect) in decisions relating to their financial and operating policies – associated and jointly controlled companies and pension funds – and entities which have significant influence in management policy of the Bank – shareholders and members of Banco BPI's Board of Directors.

The total assets, liabilities, income, costs and off balance sheet responsibilities relating to operations with associated and jointly controlled companies and pension funds of Employees and directors of the BPI Group at 31 December 2008 are as follows:

	Associated and jointly controlled companies	Pensions funds of Employees and Directors of the BPI Group	Total
Assets			
Financial assets available for sale	8		8
Loans	78 481		78 481
	78 489		**78 489**
Liabilities			
Financial liabilities held for trading and derivatives	34		34
Deposits and technical provisions	49 885	474 360	524 245
Other financial resources	3 826	60 180	64 006
Other amounts payable	130		130
	53 875	**534 540**	**588 415**
Income			
Interest and similar income	3 262	30	3 292
Commissions received	475	2 172	2 647
Gain on financial operations	1 860	18 078	19 938
	5 597	**20 280**	**25 877**
Expenses			
Interest and similar expenses	2 106	17 151	19 257
	2 106	**17 151**	**19 257**
Off balance sheet items			
Guarantees given and other contingent liabilities			
Guarantees and sureties	30 093		30 093
Open documentary credits	96		96
Responsabilities for services rendered			
Deposit and safeguard of assets	850 268	1 526 419	2 376 687
Foreign exchange operations and derivatives instruments			
Purchases	10 034		10 034
	890 491	**1 526 419**	**2 416 910**

The total assets, liabilities, income, costs and off balance sheet responsibilities relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at 31 December 2008 are as follows:

	Shareholders of Banco BPI[1]	Members of the Board of Directors of Banco BPI[2]	Companies where Members of the Board of Directors of Banco BPI have significant influence	Total
Assets				
Financial applications	93 396			93 396
Financial assets held for trading	4 191			4 191
Financial assets available for sale	48 112			48 112
Loans	211	11 195	160 250	171 656
Held to maturity investments	984			984
Other amounts receivable	364			364
	147 258	**11 195**	**160 250**	**318 703**
Liabilities				
Deposits and technical provisions	171 934	10 480	5 249	187 663
Other amounts payable	27			27
	171 961	**10 480**	**5 249**	**187 690**
Income				
Interest and similar income	578	2	350	930
Commissions received	156	36	129	321
	734	**38**	**479**	**1 251**
Expenses				
Interest and similar expenses	121	63	51	235
	121	**63**	**51**	**235**
Off balance sheet items				
Guarantees given and other contingent liabilities				
Guarantees and sureties	17 518	117	8 070	25 705
Responsibilities for services rendered				
Deposit and safeguard of assets	692 423	33 653	83 665	809 741
Foreign exchange operations and derivatives instruments				
Purchases			5	5
	709 941	**33 770**	**91 740**	**835 451**

1) With significant influence in BPI Group management policy. Significant influence usually exists when the percentage participation exceeds 20%.
2) With an individual role.

The total assets, liabilities, income, costs and off balance sheet responsibilities relating to operations with associated and jointly controlled companies and pension funds of Employees and directors of the BPI Group at 31 December 2007 are as follows:

	Associated and jointly controlled companies	Pensions funds of Employees and Directors of the BPI Group	Total
Assets			
Financial assets held for trading	5		5
Financial assets available for sale	8		8
Loans	33 781		33 781
	33 794		**33 794**
Liabilities			
Financial liabilities held for trading and derivatives	42		42
Deposits and technical provisions	62 010	205 905	267 915
Other financial resources	18 010	60 229	78 239
Other amounts payable	267		267
	80 329	**266 134**	**346 463**
Income			
Interest and similar income	3 086	10	3 096
Commissions received	766	2 451	3 217
Gain on financial operations		10 318	10 318
	3 852	**12 779**	**16 631**
Expenses			
Interest and similar expenses	1 712	7 111	8 823
	1 712	**7 111**	**8 823**
Off balance sheet items			
Guarantees given and other contingent liabilities			
Guarantees and sureties	21 675	2 962	24 637
Open documentary credits	57		57
Commitements to third parties			
Revocable commitements			
Responsibilities for services rendered			
Deposit and safeguard of assets	907 096	2 276 873	3 183 969
Foreign exchange operations and derivatives instruments			
Purchases	10 374		10 374
Sales	(20 390)		(20 390)
	918 812	**2 279 835**	**3 198 647**

The total assets, liabilities, income, costs and off balance sheet responsibilities relating to operations with shareholders, members of the Board of Directors and companies in which members of the Board of Directors have significant influence at 31 December 2007 are as follows:

	Shareholders of Banco BPI[1]	Members of the Board of Directors of Banco BPI[2]	Companies where Members of the Board of Directors of Banco BPI have significant influence	Total
Assets				
Financial applications	76 505			76 505
Financial assets held for trading	60 299	15		60 314
Loans	317	20 197	77 298	97 812
Derivatives	2 606			2 606
Other amounts receivable	1			1
	139 728	**20 212**	**77 298**	**237 238**
Liabilities				
Financial liabilities held for trading and derivatives	2 630	862		3 492
Deposits and technical provisions	154 832	6 974	9 701	171 507
Other amounts payable	955			955
	158 417	**7 836**	**9 701**	**175 954**
Income				
Interest and similar income	266		666	932
Commissions received	101	7	25	133
	367	**7**	**691**	**1 065**
Expenses				
Interest and similar expenses	184	26	57	267
	184	**26**	**57**	**267**
Off balance sheet items				
Guarantees given and other contingent liabilities				
Guarantees and sureties	29 900	116	6 062	36 078
Responsibilities for services rendered				
Deposit and safeguard of assets	1 023 565	82 150	288 134	1 393 849
Foreign exchange operations and derivatives instruments				
Purchases	500 002	8 681	43 285	551 968
Sales	(500 002)	(8 100)		(508 102)
	1 053 465	**82 847**	**337 481**	**1 473 793**

1) With significant influence in BPI Group management policy. Significant influence usually exists when the percentage participation exceeds 20%.
2) With an individual role

Remuneration attributed to the members of the Board of Directors of the BPI Group in 2008 and 2007 was as follows:

	31 Dec. 08	31 Dec. 07
Remuneration in cash[1]	4 440	6 253
Equity-based remuneration[1]	915	2 034
Pensions paid	489	432
	5 844	**8 719**

1) Includes accrued variable remuneration to be attributed at year end. As a result of the resolution of the Shareholders' General Meeting held in April 2008, the amount of variable remuneration of members of Banco BPI's Executive Committee of the Board of Directors became limited to 1.5% of consolidated net income.

In accordance with the Bank's policy, the members of the Executive Committee of Banco BPI are entitled to participate in the Subsidised Housing Loan Scheme available to all the Banks' Employees. At 31 December 2008 the outstanding mortgage own housing loans granted to the members of the Executive Committee, by the Group's banks, amounted to 2 397 th. euro.

Under the share-based payment program (RVA) the members of the Executive Committee of Banco BPI benefited from the loan scheme to purchase BPI shares through exercise of the options granted under the share-based payment program (RVA), available to all the Banks' Employees. At 31 December 2008 the total loans granted to members of the Executive Committee amounted to 5 359 th. euro.

A line of credit in force for all the Banks' Employees to purchase BPI shares under the capital increase was also made available. At 31 December 2008 the balance of credit granted to the members of Executive Committee amounted to 942 th. euro.

Therefore, at 31 December 2008 the total balance of loans to members of Executive Committee, made by the Group's Banks, amounted to 6 301 th. euro.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholdings of the members of the Board of Directors at 31 December 2008 were as follows:

	Shares										
	Held at 31 Dec. 07	Purchases	Sells	Held at 31 Dec. 08	Value at 31 Dec. 08[1]	Unavailable shares A	Pledged shares B	Pledged shares C	Pledged shares D	Loans E	Loans F
Artur Santos Silva	1 670 552	132 670	997 823	805 399	1 409						
Carlos da Câmara Pestana	300 000	60 658		360 658	631						
Fernando Ulrich[2]	2 165 545	433 052	750 000	1 848 597	3 235	119 297	1 440 951	290 409		4 033	695
Ruy Octávio Matos de Carvalho	120 092	22 382		142 474	249						
Alfredo Rezende de Almeida	1 700 000	310 000	100 000	1 910 000	3 343						
António Domingues[2]	1 370 741	3 865	1 350 000	24 606	43	9 501					
António Farinha Morais[2]	411 823	74 046	245 000	240 869	422	4 504	133 334			356	
António Lobo Xavier											
Armando Leite de Pinho											
Carlos Moreira da Silva	1 700	41 162		42 862	75						
Edgar Alves Ferreira											
Henri Penchas											
Herbert Walter											
Isidro Fainé Casas											
José Pena do Amaral[2]	34 935			34 935	61	4 504					
Juan Nin Génova											
Klaus Dührkop											
Manuel Ferreira da Silva[2]	330 000	115 798		445 798	780	4 504			123 457		
Marcelino Armenter Vidal											
Maria Celeste Hagatong[2]	587 306	199 239	176 649	609 896	1 067	62 669	155 556	40 671		370	97
Pedro Barreto[2]	360 000	70 908		430 908	754	4 504	355 496	70 000		600	150
Roberto Egydio Setúbal											
Tomaz Jervell	8 541	1 591		10 132	18						

A – Shares attributed under the RVA program, the availability of which at 31 December 2008 is subject to a resolutive condition.
B – Shares which at 31 December 2008 were pledged in guarantee of loans to finance their acquisition resulting from the exercise of options granted under the RVA program.
C – Shares which at 31 December 2008 were pledged in guarantee of loans to finance their acquisition resulting from exercise of BPI share subscriptions under the capital increase.
D – Shares which at 31 December 2008 were pledged in guarantee for the purposes of article 396 of the Commercial Company Code (Código das Sociedades Comerciais).
E – Amount owed (in euro) at 31 December 2008, on the loan referred to in B.
F – Amount owed (in euro) at 31 December 2008, on the loan referred to in C.
1) Fair value of the shares.
2) Member of the Executive Committee.

In accordance with the terms of article 477 of the Commercial Company Code (Código das Sociedades Comerciais), the shareholding position of the members of the Board of Directors in terms of the options held at 31 December 2008 was as follows:

	Options			
	Held at 31 Dec. 07	Purchases	Exercise	Held at 31 Dec. 08
Artur Santos Silva				
Carlos da Câmara Pestana				
Fernando Ulrich[1]				
Ruy Octávio Matos de Carvalho				
Alfredo Rezende de Almeida				
António Domingues[1]		951 702		951 702
António Farinha Morais[1]	77 778	561 484		639 262
António Lobo Xavier				
Armando Leite de Pinho				
Carlos Moreira da Silva				
Edgar Alves Ferreira				
Henri Penchas				
Herbert Walter				
Isidro Fainé Casas				
José Pena do Amaral[1]	177 778	565 537		743 315
Juan Nin Génova				
Klaus Dührkop				
Manuel Ferreira da Silva[1]	500 000	576 774	45 000	1 031 774
Marcelino Armenter Vidal				
Maria Celeste Hagatong[1]	233 334	9 456		242 790
Pedro Barreto[1]		558 332		558 332
Roberto Egydio Setúbal				
Tomaz Jervell				

1) Member of the Executive Committee.

ARTUR SANTOS SILVA

Sold on the stock exchange:

on 30 January 2008:
- 4 000 shares at the price of 3.410 euro
- 18 382 shares at the price of 3.430 euro
- 4 500 shares at the price of 3.440 euro
- 880 shares at the price of 3.450 euro
- 3 000 shares at the price of 3.460 euro
- 8 000 shares at the price of 3.465 euro
- 36 000 shares at the price of 3.470 euro
- 12 500 shares at the price of 3.475 euro
- 3 000 shares at the price of 3.480 euro
- 3 120 shares at the price of 3.490 euro
- 3 000 shares at the price of 3.495 euro
- 2 000 shares at the price of 3.500 euro

on 31 January 2008:
- 5 000 shares at the price of 3.275 euro
- 5 000 shares at the price of 3.280 euro
- 20 000 shares at the price of 3.295 euro
- 7 500 shares at the price of 3.300 euro
- 17 500 shares at the price of 3.305 euro
- 5 000 shares at the price of 3.310 euro
- 2 500 shares at the price of 3.315 euro
- 16 133 shares at the price of 3.320 euro
- 5 000 shares at the price of 3.325 euro
- 13 000 shares at the price of 3.330 euro
- 3 000 shares at the price of 3.335 euro
- 3 000 shares at the price of 3.340 euro
- 3 000 shares at the price of 3.350 euro
- 1 500 shares at the price of 3.365 euro
- 8 000 shares at the price of 3.380 euro
- 1 500 shares at the price of 3.4 euro
- 1 500 shares at the price of 3.405 euro
- 1 500 shares at the price of 3.420 euro
- 1 500 shares at the price of 3.445 euro

on 1 February 2008:
- 2 500 shares at the price of 3.365 euro
- 3 500 shares at the price of 3.375 euro
- 2 500 shares at the price of 3.380 euro
- 1 000 shares at the price of 3.390 euro
- 7 000 shares at the price of 3.395 euro
- 27 849 shares at the price of 3.400 euro
- 20 651 shares at the price of 3.405 euro
- 35 000 shares at the price of 3.410 euro
- 3 000 shares at the price of 3.415 euro
- 19 000 shares at the price of 3.420 euro
- 1 000 shares at the price of 3.430 euro
- 3 000 shares at the price of 3.440 euro
- 4 000 shares at the price of 3.450 euro
- 20 000 shares at the price of 3.495 euro
- 10 000 shares at the price of 3.500 euro
- 10 000 shares at the price of 3.510 euro

on 4 February 2008:
- 22 000 shares at the price of 3.470 euro
- 56 000 shares at the price of 3.475 euro
- 52 000 shares at the price of 3.480 euro
- 15 000 shares at the price of 3.485 euro

on 5 February 2008:
- 10 000 shares at the price of 3.325 euro
- 20 169 shares at the price of 3.330 euro
- 23 461 shares at the price of 3.335 euro
- 10 000 shares at the price of 3.340 euro

on 6 February 2008:
- 5 000 shares at the price of 3.290 euro
- 5 000 shares at the price of 3.310 euro
- 2 500 shares at the price of 3.320 euro
- 2 500 shares at the price of 3.325 euro
- 17 500 shares at the price of 3.330 euro
- 17 500 shares at the price of 3.335 euro
- 5 000 shares at the price of 3.340 euro
- 239 shares at the price of 3.345 euro
- 7 500 shares at the price of 3.350 euro
- 2 261 shares at the price of 3.355 euro
- 12 500 shares at the price of 3.360 euro

on 7 February 2008:
- 7 858 shares at the price of 3.300 euro
- 10 000 shares at the price of 3.310 euro

- 4 000 shares at the price of 3.315 euro
- 15 000 shares at the price of 3.320 euro
- 5 000 shares at the price of 3.325 euro
- 2 500 shares at the price of 3.330 euro
- 5 412 shares at the price of 3.335 euro
- 3 094 shares at the price of 3.340 euro
- 714 shares at the price of 3.350 euro

on 8 February 2008:
- 2 000 shares at the price of 3.225 euro
- 440 shares at the price of 3.230 euro
- 2 560 shares at the price of 3.240 euro
- 5 000 shares at the price of 3.245 euro
- 5 000 shares at the price of 3.250 euro
- 6 000 shares at the price of 3.260 euro
- 18 500 shares at the price of 3.265 euro
- 22 500 shares at the price of 3.270 euro
- 25 500 shares at the price of 3.275 euro
- 3 500 shares at the price of 3.280 euro
- 1 000 shares at the price of 3.285 euro
- 1 500 shares at the price of 3.295 euro
- 3 500 shares at the price of 3.305 euro
- 1 000 shares at the price of 3.330 euro
- 2 500 shares at the price of 3.345 euro

on 11 February 2008:
- 4 000 shares at the price of 3.165 euro
- 9 000 shares at the price of 3.170 euro
- 2 500 shares at the price of 3.175 euro
- 2 000 shares at the price of 3.190 euro
- 2 000 shares at the price of 3.195 euro
- 4 000 shares at the price of 3.200 euro
- 1 000 shares at the price of 3.205 euro
- 6 000 shares at the price of 3.210 euro
- 4 500 shares at the price of 3.220 euro
- 1 000 shares at the price of 3.225 euro
- 500 shares at the price of 3.230 euro
- 500 shares at the price of 3.235 euro
- 4 000 shares at the price of 3.240 euro
- 1 500 shares at the price of 3.245 euro
- 500 shares at the price of 3.250 euro
- 500 shares at the price of 3.275 euro
- 2 500 shares at the price of 3.280 euro

on 12 February 2008:
- 1 000 shares at the price of 3.035 euro
- 1 000 shares at the price of 3.040 euro
- 1 000 shares at the price of 3.045 euro
- 500 shares at the price of 3.050 euro
- 100 shares at the price of 3.055 euro
- 3 000 shares at the price of 3.060 euro
- 1 000 shares at the price of 3.075 euro
- 9 000 shares at the price of 3.100 euro
- 2 000 shares at the price of 3.105 euro
- 2 500 shares at the price of 3.120 euro
- 2 000 shares at the price of 3.125 euro
- 3 000 shares at the price of 3.150 euro
- 1 000 shares at the price of 3.165 euro
- 2 500 shares at the price of 3.190 euro
- 1 000 shares at the price of 3.195 euro
- 500 shares at the price of 3.200 euro
- 1 000 shares at the price of 3.205 euro

on 7 March 2008:
- 5 000 shares at the price of 3.725 euro
- 10 000 shares at the price of 3.730 euro
- 5 000 shares at the price of 3.735 euro
- 15 000 shares at the price of 3.740 euro
- 25 000 shares at the price of 3.75 euro

on 27 May 2008:
- 3 259 shares at the price of 3.200 euro
- 10 000 shares at the price of 3.205 euro
- 15 000 shares at the price of 3.210 euro
- 1 741 shares at the price of 3.240 euro

Acquired on the stock exchange:

on 18 June 2008:
- 132 670 shares at the price of 2.500 euro, as a result of subscribing for the Bank's capital increase.

The amount realised on the above mentioned sales was applied to repay three loans of 602 358.21 euro, 283 375.53 euro and 1 128 540.59 euro, respectively, obtained to acquire those shares through the exercise of options attributed under the RVA program and to repay a loan guaranteed by BPI shares in the amount of 1 027 150.40 euro.

CARLOS DA CÂMARA PESTANA

Acquired on the stock exchange:
on 25 May 2008, 4 000 shares at the price of 3.340 euro; on 18 June 2008, 56 658 shares at the price of 2.500 euro as a result of subscribing for the Bank's capital increase.

At 31 December 2008, IPI – Itaúsa Portugal Investimentos, SGPS, Lda., of which he is a member of the Board of Directors, held 169 855 148 shares, of which 26 975 148 were acquired on 18 June 2008 as a result of subscribing for the Bank's capital increase at the price of 2.500 euro.

FERNANDO ULRICH

Sold on the stock exchange:

on 28 January 2008:
- 3 099 shares at the price of 3.540 euro
- 2 115 shares at the price of 3.545 euro
- 2 000 shares at the price of 3.550 euro
- 1 000 shares at the price of 3.555 euro
- 2 380 shares at the price of 3.560 euro
- 8 158 shares at the price of 3.570 euro
- 1 565 shares at the price of 3.575 euro
- 9 683 shares at the price of 3.580 euro

on 29 January 2008:
- 30 000 shares at the price of 3.635 euro

on 30 January 2008:
- 30 000 shares at the price of 3.460 euro

on 31 January 2008:
- 30 000 shares at the price of 3.305 euro

on 1 February 2008:
- 30 000 shares at the price of 3.390 euro

on 4 February 2008:
- 15 000 shares at the price of 3.455 euro
- 15 000 shares at the price of 3.450 euro

on 5 February 2008:
- 30 000 shares at the price of 3.450 euro

on 6 February 2008:
- 30 000 shares at the price of 3.315 euro

on 7 February 2008:
- 30 000 shares at the price of 3.330 euro

on 8 February 2008:
- 30 000 shares at the price of 3.275 euro

on 11 February 2008:
- 3 151 shares at the price of 3.215 euro
- 1 784 shares at the price of 3.220 euro
- 7 356 shares at the price of 3.235 euro
- 15 573 shares at the price of 3.240 euro
- 2 136 shares at the price of 3.245 euro

on 12 February 2008:
- 30 000 shares at the price of 3.110 euro

on 13 February 2008:
- 30 000 shares at the price of 3.030 euro

on 14 February 2008:
- 30 000 shares at the price of 3.280 euro

on 15 February 2008:
- 1 083 shares at the price of 3.270 euro
- 26 917 shares at the price of 3.275 euro
- 2 000 shares at the price of 3.280 euro

on 18 February 2008:
- 29 262 shares at the price of 3.230 euro
- 738 shares at the price of 3.235 euro

on 19 February 2008:
- 20 977 shares at the price of 3.180 euro
- 9 023 shares at the price of 3.185 euro

on 20 February 2008:
- 30 000 shares at the price of 3.140 euro

on 21 February 2008:
- 13 724 shares at the price of 3.185 euro
- 2 126 shares at the price of 3.190 euro
- 14 150 shares at the price of 3.195 euro

on 22 February 2008:
- 30 000 shares at the price of 3.140 euro

on 10 March 2008:
- 839 shares at the price of 3.395 euro
- 29 161 shares at the price of 3.400 euro

on 11 March 2008:
- 20 836 shares at the price of 3.375 euro
- 692 shares at the price of 3.395 euro
- 8 472 shares at the price of 3.400 euro

on 12 March 2008:
- 28 624 shares at the price of 3.400 euro
- 1 376 shares at the price of 3.405 euro

on 13 March 2008:
- 21 735 shares at the price of 3.350 euro
- 8 265 shares at the price of 3.355 euro

on 14 March 2008:
- 491 shares at the price of 3.355 euro
- 29 509 shares at the price of 3.360 euro

The amount realised on the above mentioned sales was used to repay two loans of 1 345 623.06 euro and 1 045 073 euro, respectively, obtained to acquire shares through the exercise of options attributed under the RVA program.

On 2 May 2008, 142 643 shares valued at 3.330 euro each were attributed to him under the share-based payment program (RVA) of 2007. On 18 June 2008 he acquired on the stock exchange 290 409 shares at the price of 2.500 euro as a result of subscribing for the Bank's capital increase.

On 18 June 2008 his spouse acquired 8 386 shares at the price of 2.500 euro as a result of subscribing for the Bank's capital increase. At 31 December 2008 she had 53 386 shares.

RUY OCTÁVIO MATOS DE CARVALHO

On 18 June 2008 he acquired on the stock exchange, 22 382 shares at the price of 2.500 euro as a result of subscribing for the Bank's capital increase.

At 31 December 2008 his spouse had 12 100 shares.

ALFREDO REZENDE DE ALMEIDA

Sold on the stock exchange:

on 7 May 2008:
- 40 000 shares at the price of 3.700 euro
- 40 000 shares at the price of 3.750 euro
- 20 000 shares at the price of 3.709 euro

Acquired on the stock exchange:

on 16 June 2008
- 927 shares at the price of 3.100 euro

on 17 June 2008:
- 2 000 shares at the price of 3.105 euro

on 18 June 2008
- 302 073 shares at the price of 2.500 euro as a result of subscribing for the Bank's capital increase.

Acquired on the Stock Exchange:

on 29 July 2008
- 5 000 shares at the price of 2.360 euro

At 31 December 2008, the company ARCOtêxteis, S.A. and ARCOfio – Fiação, S.A., of which he was President of the Board of Directors, held 1 200 000 and 600 000 shares, of which 240 000 and 280 000 shares, respectively, are given as collateral.

ANTÓNIO DOMINGUES

On 6 March 2008 sold 1 350 000 shares at the price of 5.990 euro, by exercise of a collar sale option (purchase of put and simultaneous sale of a call) contracted on 14 September 2007.

Acquired on the stock exchange on 18 June 2008, 3 865 shares at the price of 2.500 euro as a result of subscribing for the Bank's capital increase.

Under RVA 2007, 914 635 BPI share purchase options were attributed to him at the price of 0.41 euro. On 18 June 2008, as a result of the RVA 2007 adjustment due to the capital increase, 37 067 additional options were attributed to him, and at 31 December 2008 he had a total of 951 702 BPI share options, with an adjusted value, as a result of the capital increase, of 0.394 euro.

ANTÓNIO FARINHA MORAIS

Sold on the stock exchange:

on 11 February 2008:
- 10 000 shares at the price of 3.170 euro
- 9 533 shares at the price of 3.180 euro

on 12 February 2008:
- 10 000 shares at the price of 3.080 euro
- 20 000 shares at the price of 3.100 euro
- 15 467 shares at the price of 3.190 euro

on 13 February 2008:
- 10 000 shares at the price of 3.030 euro
- 5 000 shares at the price of 3.080 euro
- 10 000 shares at the price of 3.090 euro
- 10 000 shares at the price of 3.140 euro
- 10 000 shares at the price of 3.190 euro
- 5 000 shares at the price of 3.240 euro

on 14 February 2008:
- 5 000 shares at the price of 3.290 euro
- 5 000 shares at the price of 3.360 euro

on 25 February 2008:
- 20 000 shares at the price of 3.120 euro
- 20 000 shares at the price of 3.130 euro

on 26 February 2008:
- 10 000 shares at the price of 3.130 euro
- 10 000 shares at the price of 3.150 euro
- 10 000 shares at the price of 3.170 euro
- 5 000 shares at the price of 3.190 euro
- 5 000 shares at the price of 3. 210 euro

on 5 June 2008:
- 10 000 shares at the price of 3.160 euro
- 10 000 shares at the price of 3.165 euro
- 10 000 shares at the price of 3.170 euro

on 6 June 2008:
- 5 000 shares at the price of 3.210 euro

on 12 June 2008:
- 5 000 shares at the price of 3.210 euro

Acquired on the stock exchange:

on 18 June 2008:
- 39 046 shares at the price of 2.500 euro, as a result of the capital increase operation of the Bank.

on 28 July 2008:
- 5 000 shares at the price of 2.455 euro
- 10 000 shares at the price of 2.480 euro

on 29 July 2008:
- 10 000 shares at the price of 2.355 euro

on 26 November 2008:
- 10 000 shares at the price of 1.420 euro

The amount realised on the above mentioned sales was used to repay two loans in the amounts of 238 700 euro and 420 000 euro, respectively, used to acquire the shares through the exercise of options attributed under the RVA program and to acquire shares subscribed for under the Bank's capital increase in June 2008.

Under RVA 2007, 536 586 Banco BPI's shares purchase options were granted at the price of 0.41 euro. As a result of adjustments to RVA 2005 and RVA 2007 due to the capital increase, on 18 June 2008, 3 152 additional options (the purchase price of which was adjusted to 0.432) and 21 746 additional options (the purchase price of which was adjusted to 0.394), respectively, were granted. At 31 December 2008 he held 639 262 options over Banco BPI's shares.

ANTÓNIO LOBO XAVIER

Appointed on 23 April 2008 and does not hold and did not make any transactions with Banco BPI shares.

ARMANDO LEITE DE PINHO – Did not purchase or sell any securities.

The company Arsopi – Holding, SGPS, S.A., of which he is the President of the Board of Directors acquired, on the stock enchange, on 18 June 2008, as a result of subscribing for the Bank's capital increase, 424 789 shares at the price of 2.500 euro and at 31 December 2008 held 2 674 789 Banco BPI shares.

The company ROE, SGPS, S.A., of which he is the President of the Board of Directors acquired, on the stock exchange, on 18 June 2008, as a result of subscribing for the Bank's capital increase, 641 356 shares at the price of 2.500 euro and at 31 December 2008 held 4 038 447 Banco BPI shares.

The company Security, SGPS, S.A., of which he is the President of the Board of Directors acquired, on the stock exchange:

on 18 June 2008:
- 469 133 shares at the price of 2.500 euro, as a result of the capital increase operation of the Bank.

on 29 July 2008:
- 100 000 shares at the price of 2.353 euro

on 10 October 2008:
- 5 166 shares at the price of 1.664 euro
- 754 shares at the price of 1.669 euro
- 59 shares at the price of 1.670 euro
- 8 258 shares at the price of 1.674 euro
- 35 763 shares at the price of 1.675 euro

holding at 31 December 2008 a total of 3 104 004 shares.

CARLOS MOREIRA DA SILVA
Acquired on the stock exchange:

on 28 January 2008:
- 7 000 shares at the price of 3.542 euro

on 29 January 2008:
- 7 000 shares at the price of 3.590 euro

on 31 January 2008:
- 3 000 shares at the price of 3.350 euro
- 3 000 shares at the price of 3.410 euro
- 1 000 shares at the price of 3.300 euro

on 25 February 2008:
- 5 000 shares at the price of 3.130 euro

on 18 June 2008:
- 5 162 shares at the price of 2.500 euro, as a result of subscribing for the capital increase of Banco BPI.

on 13 October 2008:
- 10 000 shares at the price of 1.990 euro

EDGAR ALVES FERREIRA – Did not purchase or sell any securities.

The company HVF – SGPS, S.A., of which he is member of the Board of Directors acquired, on 18 June 2008, as a result of subscribing for the Bank's capital increase, 4 093 293 shares at the price of 2.500 euro and at 31 December 2008 held 25 774 355 shares.

HENRI PENCHAS
Appointed on 23 April 2008, does not hold or made any transactions with Banco BPI shares.

HERBERT WALTER – Did not purchase or sell any securities.

The person named by Allianz Europe, Ltd. to represent it as a member of the Board of Directors for which the company was elected.

As a result of subscribing for shares under the Bank's capital increase, on 18 June 2008 the company Allianz Europe, Ltd. acquired 12 237 328 shares at the price of 2.500 euro and at 31 December 2008 held 77 896 561 shares.

As a result of the restructuring and internal reorganization completed on 23 December 2008, Allianz Europe BV, already fully owned by Allianz SE, became holder of all the share capital of Allianz Europe Ltd., thus becoming subject to the imputation of the above mentioned qualified participation.

ISIDRO FAINÉ CASAS – Did not purchase or sell any securities.

Is President of Caja de Ahorros y Pensiones de Barcelona "la Caixa" which has full control over Criteria CaixaCorp which, in turn, has full control over Catalunya de Valores – SGPS, Unipessoal, Lda.

As a result of the Bank's capital increase, on 18 June 2008 the company Catalunya de Valores – SGPS, Unipessoal, S.A., fully controlled by Criteria Caixacorp, S.A., acquired 14 383 459 shares at the price of 2.500 euro, thus becoming holder of 90 568 727 shares.

On 23 December 2008 the company Catalunya de Valores, SGPS, Unipessoal Ltd. sold (outside the stock exchange) all the above shares to the company Criteria Caixacorp S.A., at the price of 1.574 per share.

The company Criteria CaixaCorp acquired on the stock exchange:

on 27 May 2008:
- 500 000 shares at the price of 3.17 euro

on 28 May 2008:
- 15 100 000 shares at the price of 3.30 euro
- 250 000 shares at the price of 3.19 euro

on 29 May 2008:
- 90 000 shares at the price of 3.19 euro

on 18 June 2008, as a result of the capital increase of the Bank:
- 27 175 601 shares at the price of 2.50 euro

on 8 October 2008:
- 5 000 000 shares at the price of 1.88 euro

on 28 October 2008:
- 24 500 shares at the price of 1.57 euro

on 29 October 2008:
- 116 000 shares at the price of 1.63 euro

on 30 October 2008:
- 160 509 shares at the price of 1.60 euro

on 31 October 2008:
- 80 653 shares at the price of 1.59 euro

on 3 November 2008:
- 132 000 shares at the price of 1.58 euro

on 5 November 2008:
- 320 000 shares at the price of 1.74 euro

on 6 November 2008:
- 400 000 shares at the price of 1.91 euro

on 7 November 2008:
- 170 000 shares at the price of 1.78 euro

on 10 November 2008:
- 170 000 shares at the price of 1.86 euro

on 11 November 2008:
- 96 000 shares at the price of 1.78 euro

on 12 November 2008:
- 178 000 shares at the price of 1.71 euro

on 13 November 2008:
- 149 000 shares at the price of 1.67 euro

on 14 November 2008:
- 134 500 shares at the price of 1.66 euro

on 17 November 2008:
- 179 000 shares at the price of 1.58 euro

on 18 November 2008:
- 241 095 shares at the price of 1.54 euro

on 19 November 2008:
- 230 000 shares at the price of 1.56 euro

on 20 November 2008:
- 570 000 shares at the price of 1.49 euro

on 21 November 2008:
- 364 000 shares at the price of 1.46 euro

on 24 November 2008:
- 680 000 shares at the price of 1.42 euro

on 25 November 2008:
- 1 990 000 shares at the price of 1.42 euro

on 26 November 2008:
- 485 000 shares at the price of 1.43 euro

on 27 November 2008:
- 255 000 shares at the price of 1.46 euro

on 28 November 2008:
- 361 554 shares at the price of 1.46 euro

on 1 December 2008:
- 124 333 shares at the price of 1.43 euro

on 2 December 2008:
- 226 800 shares at the price of 1.44 euro

on 3 December 2008:
- 371 327 shares at the price of 1.41 euro

on 5 December 2008:
- 467 000 shares at the price of 1.35 euro

on 8 December 2008:
- 333 227 shares at the price of 1.38 euro

on 9 December 2008:
- 306 000 shares at the price of 1.40 euro

on 10 December 2008:
- 342 195 shares at the price of 1.43 euro

on 11 December 2008:
- 159 446 shares at the price of 1.43 euro

on 12 December 2008:
- 285 594 shares at the price of 1.40 euro

on 15 December 2008:
- 234 622 shares at the price of 1.38 euro

on 16 December 2008:
- 244 000 shares at the price of 1.38 euro

on 17 December 2008:
- 263 957 shares at the price of 1.40 euro

on 18 December 2008:
- 31 000 shares at the price of 1.50 euro

on 22 December 2008:
- 85 820 shares at the price of 1.55 euro

on 23 December 2008 acquired, outside the stock exchange, from its wholly owned subsidiary, Catalunya de Valores – SGPS, Unipessoal, Ltd.:
- 90 568 727 shares at the price of 1.574 euro

on 23 December 2008:
- 134 000 shares at the price of 1.578 euro

on 24 December 2008:
- 80 868 shares at the price of 1.589 euro

on 29 December 2008:
- 168 000 shares at the price of 1.603 euro

on 30 December 2008:
- 163 528 shares at the price of 1.737 euro

on 31 December 2008:
- 219 000 shares at the price of 1.755 euro

holding at 31 December 2008 a total of 264 411 856 shares.

JOSÉ PENA DO AMARAL
On 5 June 2008 he sold, on the stock exchange, 34 935 subscription rights of Banco BPI shares at the price of 0.135 euro.

Under the RVA of 2007, 536 586 purchase options of Banco BPI shares at the price of 0.41 euro were attributed to him. At 18 June 2008, as a result of adjustments to the RVA for 2005 and RVA for 2007, due to the capital increase, 7 205 additional options (the purchase price of which was adjusted to 0.432) and 21 746 additional options (the purchase price of which was adjusted to 0.394), respectively, were granted to him and at 31 December 2008 he held 743 315 options over BPI shares.

JUAN NIN GÉNOVA
Appointed on 23 April 2008 and does not hold or made any transactions with Banco BPI shares.

KLAUS DÜHRKOP – Did not purchase or sell any securities.

He is the CSR Director of Allianz SE and the Vice-President of Koç Allianz.

MANUEL FERREIRA DA SILVA
On 1 February 2008 he acquired, through the exercise of purchase options (RVA 2003), 45 000 shares at the price of 3.130 euro. At 18 June 2008 he acquired 70 798 shares at the price of 2.500 euro as a result of shares subscribed for under the Bank's capital increase.

Under the RVA for 2007, 536 586 purchase options of Banco BPI shares at the price of 0.41 euro were attributed to him. At 18 June 2008, as a result of the RVA for 2003, 2004, 2005 and RVA for 2007, under adjustments due to the capital increase, 40 188 additional options (the purchase price of which was adjusted to 0.432 euro, 0.298 euro, 0.432 euro and 0.394 euro, respectively) were granted to him, and at 31 December 2008 he held 1 031 774 options over Banco BPI shares.

At 31 December 2008, his spouse held 212 320 shares and 507 801 share purchase options.

MARCELINO ARMENTER VIDAL – Did not purchase or sell any securities.

Is Executive Director of Caja de Ahorros y Pensiones de Barcelona "la Caixa", which has full control over Criteria CaixaCorp – of which he is General Director – which, in turn, has full control over Catalunya de Valores – SGPS, Unipessoal, Lda.

For further information about these companies' transactions and participation in Banco BPI's capital, see the above information concerning Isidro Fainé Casas.

MARIA CELESTE HAGATONG
On 2 May 2008, 75 676 shares of Banco BPI at the price of 3.330 euro were attributed to her under the share-based remuneration program (RVA) of 2007. On 18 June 2008 she acquired, on the stock exchange, 123 563 shares at the price of 2.500 euro, as a result of subscribing for the capital increase.

Sold on the stock exchange:

on 3 November 2008:
- 70 000 acções ao preço de 1.627 euro

on 4 November 2008:
- 60 000 acções ao preço de 1.595 euro

on 5 November 2008:
- 46 649 acções ao preço de 1.583 euro

At 18 June 2008, as a result of the RVA for 2005, adjustments due to the capital increase resulted in 9 456 additional options (the purchase price of which was adjusted to 0.432 euro) being granted to her, and at 31 December 2008 she held 242 790 Banco BPI share options.

At 31 December 2008, her husband held 380 288 shares.

PEDRO BARRETO
On 18 June 2008 acquired 70 908 shares at the price of 2.500 euro, as a result of subscribing for the Bank's capital increase.

Under the RVA for 2007, 536 586 purchase options of Banco BPI shares at the price of 0.41 euro were attributed to him. At 18 June 2008, as a result of the RVA for 2007 adjustments due to the capital increase resulted in 21 746 additional options (the purchase price of which was adjusted to 0.394 euro) being granted to him, and at 31 December 2008, he held 558 332 Banco BPI share options.

ROBERTO EGYDIO SETÚBAL – Did not purchase or sell any securities.

Is Vice-President of the Board of Directors, President-Director and member of the International Consultative Committee of Banco Itaú Holding Financeira, S.A.

TOMAZ JERVELL
At 18 June 2008 acquired, on the stock exchange, 1 591 shares at the price of 2.500 euro, as a result of subscribing for the capital increase.

On 18 June 2008 the companies Norsócia, SGPS, S.A. and Auto Maquinaria Tea Aloya, SL, of which he is a member of the Board of Directors acquired, as a result of subscribing for the capital increase, 1 121 686 and 1 125 201 shares, respectively, at the price of 2.500 euro, and at 31 December 2008 held 7 140 081 and 7 162 457 shares, respectively.

5. NOTE ADDED FOR TRANSLATION

These consolidated financial statements are a translation of financial statements originally issued in Portuguese in conformity with the International Financial Reporting Standards as adopted by the European Union, some of which may not conform to or be required by generally accepted accounting principles in other countries. In the event of discrepancies, the Portuguese language version prevails.

Statement from the Board of Directors

DECLARATION REFERRED TO IN ARTICLE 245 (1) C) OF THE SECURITIES CODE

Article 245 (1) (c) of the Securities Code prescribes that each one of the persons responsible for the company issues a declaration, the content of which is defined therein.

The members of Banco BPI's Board of Directors, identified here by name, individually subscribe to the declaration transcribed as follows[1, 2]:

"I declare in the terms and for the purposes for article 245 (1) (c) of the Securities Code that, to the best of my knowledge, the directors' report, the annual accounts, the statutory audit certification and other documents forming part of Banco BPI, S.A.'s annual report, all relating to the 2008 financial year, were prepared in conformity with the applicable accounting standards, giving a true and fair view of the assets and liabilities, the financial situation and the results of that company and of the companies included in the consolidation perimeter, and that the directors' report provides an accurate account of that company's and of the companies included in the consolidation perimeter business, performance and financial position, as well as containing a description of the principal risks and uncertainties which they confront."

Artur Santos Silva	(Chairman)
Carlos da Câmara Pestana	(Deputy-Chairman)
Fernando Ulrich	(Deputy-Chairman)
Ruy Octávio Matos de Carvalho	(Deputy-Chairman)
Alfredo Rezende de Almeida	(Member)
António Domingues	(Member)
António Farinha Morais	(Member)
António Lobo Xavier	(Member)
Armando Leite de Pinho	(Member)
Carlos Moreira da Silva	(Member)
Edgar Alves Ferreira	(Member)
Henri Penchas	(Member)
Herbert Walter	(Member)
Isidro Fainé Casas	(Member)
José Pena do Amaral	(Member)
Juan Nin Génova	(Member)
Klaus Dührkop	(Member)
Manuel Ferreira da Silva	(Member)
Marcelino Armenter Vidal	(Member)
Maria Celeste Hagatong	(Member)
Pedro Barreto	(Member)
Roberto Egydio Setúbal	(Member)
Tomaz Jervell	(Member)

Oporto, 6 March 2009

1) The originals of the aforesaid individual declarations are at the public's disposal at the company's registered office.
2) Within the scope of the documents for which they are responsible, the External Auditors have signed an equivalent declaration.

Legal certification of accounts and audit report

Deloitte & Associados, SROC S.A.
Inscrição na OROC n.º 43
Registo na CMVM n.º 231

Edifício Atrium Saldanha
Praça Duque de Saldanha, 1 - 6.º
1050-094 Lisboa
Portugal

LEGAL CERTIFICATION OF ACCOUNTS AND AUDIT REPORT
CONSOLIDATED FINANCIAL STATEMENTS

(Amounts expressed in thousands of Euros – th. euro)

Introduction

1. In compliance with the applicable legislation we hereby present our Legal Certification of Accounts and Audit Report on the consolidated financial information contained in the Directors' Report and on the accompanying consolidated financial statements of Banco BPI, S.A. and subsidiaries ("the Bank") for the year ended 31 December 2008, which comprise the consolidated balance sheet as of 31 December 2008 that reflects a total of 43 003 399 th. euro and total shareholders' equity of 1 961 530 th. euro, including consolidated net income of 150 305 th. euro, the consolidated statements of income, consolidated cash flows and changes in consolidated shareholders' equity for the year then ended and the corresponding notes.

Responsibilities

2. The Board of Directors of the Bank is responsible for: (i) the preparation of consolidated financial statements that present a true and fair view of the financial position of the companies included in the consolidation, the consolidated results of their operations and their consolidated cash flows; (ii) the preparation of historical financial information in accordance with the applicable accounting principles and that is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code (Código dos Valores Mobiliários); (iii) the adoption of adequate accounting policies and criteria and maintenance of appropriate systems of internal control; and (iv) the disclosure of any significant facts that have influenced the operations of the companies included in the consolidation, their financial position or results of operations.

3. Our responsibility is to examine the financial information contained in the documents of accounts referred to above, including verifying that, in all material respects, the information is complete, true, timely, clear, objective and licit, as required by the Portuguese Securities Market Code, and to issue a professional and independent report based on our work.

Capital Social: 500.000,00 euros - Matriculada na CRC de Lisboa e NIPC 501 776 311
Sede: Edifício Atrium Saldanha, Praça Duque de Saldanha, 1 - 6.º, 1050-094 Lisboa
Tel.: +(351) 210 427 500 Fax: +(351) 210 427 950 · www.deloitte.com/pt
· Porto: Bom Sucesso Trade Center, Praça do Bom Sucesso, 61 - 13º, 4150-146 Porto - Tel.: +(351) 225 439 200 - Fax: +(351) 225 439 650

Member of
Deloitte Touche Tohmatsu

Deloitte & Associados, SROC S.A.
Inscrição na OROC n.º 43
Registo na CMVM n.º 231

Scope

4. Our examination was performed in accordance with the auditing standards ("Normas Técnicas e Directrizes de Revisão / Auditoria") issued by the Portuguese Institute of Statutory Auditors ("Ordem dos Revisores Oficiais de Contas"), which require that the examination be planned and performed with the objective of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement. Our examination included verifying, on a sample basis, evidence supporting the amounts and disclosures in the consolidated financial statements and assessing the estimates, based on judgements and criteria defined by the Board of Directors, used in their preparation. Our examination also included verifying the consolidation procedures used, application of the equity method and verifying that the financial statements of the companies included in the consolidation have been adequately examined, assessing the adequacy of the accounting principles used, their uniform application and their disclosure, taking into consideration the circumstances, verifying the applicability of the going concern concept, assessing the adequacy of the overall presentation of the consolidated financial statements, and assessing if, in all material respects, the consolidated financial information is complete, true, timely, clear, objective and licit. Our examination also included verifying that the consolidated financial information included in the Directors' Report is consistent with the consolidated financial statements. We believe that our examination provides a reasonable basis for expressing our opinion.

Opinion

5. In our opinion, the consolidated financial statements referred to in paragraph 1 above present fairly, in all material respects, the consolidated financial position of Banco BPI, S.A. and subsidiaries as of 31 December 2008, the consolidated results of their operations and their consolidated cash flows for the year then ended in conformity with the International Financial Reporting Standards as adopted by the European Union and the financial information included therein is, in terms of the definitions included in the standards referred to in paragraph 4 above, complete, true, timely, clear, objective and licit.

Porto, 9 March 2009

DELOITTE & ASSOCIADOS, SROC S.A.
Represented by Maria Augusta Cardador Francisco

EXPLANATION ADDED FOR TRANSLATION
(This report is a translation of a report originally issued in Portuguese. Therefore according to Deloitte & Associados, SROC, S.A. internal procedures, the report should not be signed. In the event of discrepancies, the Portuguese language version prevails.)

Report and opinion of the Supervisory Board

REPORT AND OPINION OF THE SUPERVISORY BOARD
CONSOLIDATED ACCOUNTS

The Supervisory Board, elected at the General Meeting held on 23 April 2008, has now assumed the oversight functions previously undertaken by the Audit Committee.

Considering that the General Meeting decided to create an Audit and Internal Control Committee, as the consultative and support body to the Board of Directors, and the interest in keeping informed about, on the part of the Supervisory Board, of the matters dealt with at that Committee's meetings for the performance of the functions and responsibilities vested in it, it was agreed that the members of the Supervisory Board attend the meetings of the Audit and Internal Control Committee.

The Supervisory Board issues the present opinion within the scope of its terms of reference and in compliance with the provisions of article 420(g) of the Commercial Companies Code.

The Supervisory Board received from the Audit Committee the documentation relating to the matters dealt with at the three meetings held prior to its appointment, having indicated its agreement with the decisions which now fall within its terms of reference.

The Supervisory Board, besides participating in the five meetings of the Audit and Internal Control Committee, maintained regular contacts with the Board of Directors and the Bank's various departments, having:

- monitored directly the evolution of the Bank's operations, and paid special attention to compliance with the company's statutes, regulations and legal requirements;
- supervised the effectiveness of the internal control systems, the risk management systems, internal audit and the Group's compliance, and prepared the relevant opinions sent to the Bank of Portugal pursuant to its Notice no. 5 / 2008;
- monitored adherence to accounting policies and practices;
- overseen the process involving the preparation and disclosure of financial information;
- kept abreast of the Portuguese Statutory Auditor's work, certifying its independence.

The Supervisory Board examined:

- the balance sheet at 31 December 2008, the consolidated financial statements, the consolidated cash flow statement and the statement of changes in consolidated shareholders' equity for the 2008 financial year;
- the Directors' Report prepared by the Board of Directors for 2008;
- the report on the work carried out by the Audit and Internal Control Committee;
- the statutory audit certification and the audit report issued by the Portuguese Statutory Auditor, with which it concurs.

In view of the above, the Supervisory Board is of the opinion that the consolidated financial statements and Directors' Report, as well as the proposal expressed therein, are in conformity with applicable accounting, legal and statutory requirements, with the result that it recommends that they be approved at the Shareholders' General Meeting.

Oporto, 10 March 2009

Abel Pinto dos Reis – Chairman

Jorge Figueiredo Dias – Member

José Neves Adelino – Member

This page was intentionally left blank.

BPI Group
Corporate Governance Report

BPI Group Corporate Governance Report

Appendices

0. Declaration of compliance

0.1. PLACES WHERE THE CORPORATE GOVERNANCE CODES TO WHICH BANCO BPI IS SUBJECT ARE AVAILABLE TO THE PUBLIC

BPI is subject to the binding corporate governance rules and recommendations appearing in the principal instruments referred to below, which can be consulted at the places also mentioned below:

Code / Regulation	Investor Relations web site[1]	BPI[2] Head office	CMVM[3] web site	Official Journal (Diário da República[4])
CMVM **CMVM's Corporate Governance Code** Applicable to 2008 and following years			✓	–
CMVM 1 / 2007 Regulation on Corporate Governance In force since 1 January 2009			✓	Journal no. 224, Series II of 21 Nov. 07
Securities Code			✓	Republished by Decree-Law no. 357-A / 2007, of 31 Oct. and amended by Decree-Law no. 211-A / 2008, of 3 Nov.
CMVM 5 / 2008 Regulation on duties of information	✓	✓	✓	Journal no. 200, Series II of 15 Oct. 08
Company Law **Commercial Companies Code (CCC)**	✓	✓	✓	Republished by Decree-Law no. 76-A / 2006, of 29 Mar. and amended by Decree-Law no. 8 / 2007, of 17 Jan. and by Decree-Law no. 357-A / 2007, of 31 Oct.
Codes of conduct **Internal** Banco BPI Code of Conduct	✓	✓		
Policies adopted by the BPI Group in the exercise of financial intermediation activities		✓		
Prevention of Money Laundering and the Financing of Terrorism		✓		
External Associação Portuguesa de Bancos Code of Conduct		✓		
Deontological Code of the Associação Portuguesa de Fundos de Investimento, Pensões e Patrimónios		✓		
Regulations of the Management and Oversight bodies				
Board of Directors	✓	✓		
Executive Committee of the Board of Directors	✓	✓		
Audit and Internal Control Committee	✓	✓		
Corporate Governance Committee	✓	✓		
Nominations, Evaluation and Remuneration Committee	✓	✓		
Supervisory Board	✓	✓		

1) BPI Investor Relations web site: www.ir.bpi.pt.
2) Situated at Rua Tenente Valadim, 284, 4100-476 Porto.
3) CMVM – Comissão de Mercado de Valores Mobiliários web site: www.cmvm.pt.
4) Electronic Official Journal (Diário da República) web site: http://dre.pt/.

0.2. CMVM'S CORPORATE GOVERNANCE CODE RECOMMENDATIONS ADOPTED AND NOT ADOPTED

The following table lists the recommendations appearing in the Corporate Governance Code issued by the Portuguese Securities Market Commission (CMVM), and applicable for the first time in 2008, indicating which ones were adopted by BPI and which were not, even if only partially. When one of the recommendations in question is not fully adopted by BPI and is composed of two or more sub-recommendations, it shows which one(s) was(were) not adopted. Mention is also made of the points of the report where reference is made to the themes under review.

	Recommendation	Adoption References in the report Point (page no.)
I.	**GENERAL MEETING**	
I.1	General Meeting Committee	
I.1.1	The chairman of the General Meeting Committee must have human and logistical support resources that are adequate to its requirements, after considering the company's economic situation.	Adopted 3.2.12 (p.342)
I.1.2	The Remuneration of the Chairman of the General Meeting Committee must be disclosed in the company's annual corporate governance report.	Adopted 7.3.2.1 (p.393)
I.2	Participation at the meeting	
I.2.1	The prior period for the deposit or immobilisation of shares in order to participate in the General Meeting imposed by the statutes cannot be more than 5 working days.	Adopted 3.2.4 (p.340)
I.2.2	In case of suspension of the General Meeting, the company cannot demand the immobilisation during the whole period until the session is resumed, with the ordinary prior period required before the first session being sufficient.	Adopted 3.2.11 (p.342)
I.3	Vote and exercise of voting right	
I.3.1	Companies should not impose any statutory restriction against postal voting.	Adopted 3.2.3 (p.340); 3.2.6 (p.340)
I.3.2	The statutory advance period for the reception of the voting paper issued by correspondence cannot be more than 3 working days.	Adopted 3.2.6 (p.340)
I.3.3	Companies must make provision in their statutes that each share corresponds to one vote.	Not adopted 0.3 (p.329)
I.4	Quorum and deliberations	
I.4.1	Companies must not set a constitutive or deliberative quorum that is greater than that envisaged in the law.	Not adopted 0.3 (p.329)
I.5	Attendance list, minutes and information relating to resolutions adopted	
I.5.1	The minutes of the meetings of the General Meeting must be made available to Shareholders on the company's web site for 5 days, even if they do not constitute privileged information in terms of the law. A historical record of the attendance lists, orders of business and the resolutions passed relating to meetings held in the preceding 3 years must be kept on this web site.	Adopted 3.2.13 (p.342)
I.6	Defensive measures relating to the control of the companies	
I.6.1	The measures which are adopted with a view to impeding the success of takeover bids must respect the interests of the company and of its Shareholders.	Adopted 8.3 (p.405)
I.6.2	The statutes of companies which, respecting the principle set out in the preceding paragraph, make provision for the limitation of the number of votes that can be held or exercised by a single Shareholder, on an individual basis or in concert with other Shareholders, must also envisage that it is prescribed that at least every five years the maintenance or not of this statutory provision is the subject of a resolution by the General Meeting – without a quorum more onerous than that fixed by the law – and that all the votes cast are counted without that limitation applying.	Not adopted 0.3 (p.329)
I.6.3	Defensive measures should not be adopted which have as an effect automatically provoking a serious erosion of the company's net assets in the case of transfer of control or of the change in the composition of the management body, jeopardising in this manner the free transferability of the shares and the free appraisal by the Shareholders of the performance of the management body's members.	Adopted 8.3 (p.405)

	Recommendation	Adoption References in the report Point (page no.)
II.	**MANAGEMENT AND OVERSIGHT BODIES**	
II.1.1	Structure and terms of reference	
II.1.1.1	The management body must evaluate in its governance report the (governance) model adopted, identifying any constraints to its functioning and proposing the appropriate actions which in its opinion need to be taken to overcome them.	Adopted 1 (p.334); 2 (p.335); 3.3.2 e 3.3.3 (p.346)
II.1.1.2	Companies must create internal control systems for the effective detection of the risks attaching to the company's business, the safeguarding of its assets and to the benefit of the transparency of its corporate governance.	Adopted 3.4.7. (p.355); 3.5.3. (p.356); 3.6.2. (p.360); 3.6.5 (p.363); 4 (p.380); 5 (p.382)
II.1.1.3	The management and oversight bodies must have functioning regulations which must be disclosed on the company's web site.	Adopted 3.1. (p.336)
II.1.2	Disqualifications and Independence	
II.1.2.1	The Board of Directors must include a number of non-executive directors which ensures the effective ability to supervise, oversee and evaluate the activity of the executive members.	Adopted 3.3.1. (p.345)
II.1.2.2	Amongst the non-executive directors, there must be an adequate number of independent directors, taking into consideration the company's size and its Shareholder structure, which under no circumstances can be less than one quarter of the total number of directors.	Not adopted[1] 0.3 (p.329); 3.3.2. and 3.3.4. (p.346)
II.1.3	Eligibility and Nomination	
II.1.3.1	The Chairman of the Supervisory Board must be independent and have competence commensurate with the exercise of the respective functions.	Adopted 3.5.1. and 3.5.2. (p.356); annex I (p.424)
II.1.4	Policy regarding the communication of irregularities (whistle blowing)	
II.1.4.1	The company must adopt a policy for the communication of irregularities allegedly occurring inside the organisation, with the following details: ▪ indication of the means by which the communication of irregular practices can be done internally, including the persons with legitimacy to receive the communications; ▪ indication of the treatment to be given to the communications, including confidential treatment, should the whistleblower so intend.	Adopted 9.5 (p.408)
II.1.4.2	This policy's general lines (for communicating irregularities) must be disclosed in the corporate governance report.	Adopted 9.5 (p.408)
II.1.5	Remuneration	
II.1.5.1	The Remuneration of the members of the management body must be structured in such a manner as to permit the alignment of their interests with those of the company. In this regard: ▪ the remuneration of the directors who exercise executive functions must incorporate a component based on performance evaluation carried out periodically by the body or competent committee; ▪ The variable component must be consistent with the maximisation of the company's long-term performance and be dependent on the sustainability of the performance variables adopted; ▪ when this does not result directly from legal imposition, the remuneration of the non-executive members of the management body must be solely composed of a fixed sum.	Adopted 7 (p.386 and following)
II.1.5.2	The Remuneration Committee and the management body must submit to the Shareholders' annual General Meeting for consideration a statement regarding the remuneration policy: (i) of the management and oversight bodies; (ii) of the other managers, within the meaning of CVM art. 248.º-B (3). In this context, the criteria and principal parameters proposed for the evaluation of performance for computing the variable component should be fully explained to the Shareholders, whether this refers to share awards, share options, annual bonuses or other components.	Adopted[2] (p.388)

1) As regards the quantitative requirement referred to in the recommendation.
2) Declaration to be presented at the AGM of April 2009, with respect to the directors' remuneration policy within the meaning of art. 248(3)-B of the CVM.

	Recommendation	Adoption References in the report Point (page no.)
II.1.5.3	At least one representative of the Remuneration Committee must be present at the Shareholders' annual general meetings.	Adopted 3.10.5 (p.374)
II.1.5.4	(I) A proposal must be presented to the General Meeting relating to the approval of the scheme for the granting of shares, and/or the acquisition of share options or based on the variations in the share price, to members of the management, oversight bodies and other managers within the meaning of article 248.º-B (3) of the Securities Code (CVM). The proposal must contain all the details needed for a proper evaluation of the scheme. The proposal must be accompanied of the scheme's regulations or, where these have not yet been drawn up, of the general conditions that these must comply with. (II) In the same way, the principal characteristics of the retirement benefits system to which the members of the management and oversight bodies and other managers are entitled, within the meaning of art. 248(3)-B of the CVM. must be approved in General Meeting.	Adopted[1] (p.389)
II.1.5.5	The remuneration of the members of the management and oversight bodies must be the object of individual annual disclosure, distinguishing when this is the case, the different components received in terms of the fixed and variable remuneration, as well as the remuneration received from other group companies or from companies controlled by the Shareholders owning qualified shareholdings.	Not adopted 0.3 (p.329); 7.3.2 (p.393)
II.2.	Board of Directors	
II.2.1	Within the limits laid down by law for each management and oversight structure, and except owing to the small size of the company, the Board of Directors must delegate the day-to-day running of the company, while the duties and powers delegated must be identified in the company's annual corporate governance report.	Adopted 3.1 (p.336)
II.2.2	The Board of Directors must ensure that the company acts in a manner consentaneous with its objectives, and must not delegate its responsibilities as regards: ▪ defining the company's strategy and general policies; ▪ defining the group's business structure; ▪ decisions which must be considered strategic due to their amount, risk or other special characteristics.	Adopted 3.3.4. (p.346)
II.2.3	*Not applicable if the Chairman of the Board of Directors does not exercise executive functions.*	*Not applicable*
II.2.4	The annual directors' report must include a description of the work done by the non-executive directors, referring in particular to any constraints ascertained.	Adopted 3.3.17. (p.350); 3.6.5. (p.363); 3.8.4. (p.370); 3.9.4. (p.372)
II.2.5	*The management body must promote a rotation of the members responsible for the finance division at least at the end of each two terms – not applicable because two terms have not yet run their course since the recommendation came into effect.*	*Not applicable* 0.3 (p.329)
II.3.	Executive Committee	
II.3.1	The directors who perform executive functions must provide in good time and in keeping with the request the information solicited by other members of the governing bodies.	Adopted 3.4.6. (p.355)
II.3.2	The Chairman of the Executive Committee must send the meeting notices and minutes of this Committee respectively to the Chairman of the Board of Directors and to the Chairman of the Supervisory Board.	Adopted 3.4.6. (p.355)
II.3.3	*Not applicable because it refers to a governance model which differs from that adopted by BPI.*	*Not applicable*
II.4.	Supervisory Board	
II.4.1	*Not applicable because it refers to a governance model which differs from that adopted by BPI.*	*Not applicable*
II.4.2	The annual reports on the work carried out by the Supervisory Board must be disclosed on the company's web site, together with the annual report and accounts.	Adopted 3.5.8. (p.359)
II.4.3	The annual reports on the work carried out by the Supervisory Board must include a description of the supervisory activity undertaken, referring in particular to any constraints detected.	Adopted 3.5.10 (p.359)

1) Declaration to be presented at the AGM of April 2009, with respect to the principal characteristics of the retirement benefits system.

	Recommendation	Adoption References in the report Point (page no.)
II.4.4	The Supervisory Board must represent the company for all purposes in dealings with the External Auditor, being charged with namely proposing to the provider of these services, the respective remuneration, ensuring that the proper conditions exist within the company, as well as acting as the company's spokesman and being the first recipient of the relevant reports.	Adopted 3.5.3. (p.356); 3.5.5. (p.358)
II.4.5	The Supervisory Board must annually evaluate the External Auditor[1] and propose to the General Meeting its removal whenever there is just cause for such action.	Adopted 3.5.9. (p.359)
II.5	Specialised committees	
II.5.1	Except owing the company's small size, the Board of Directors must create the committees that it deems necessary for: ▪ ensuring a competent and independent evaluation of the executive directors' performance and for the assessment of its own overall performance, as well as of the various existing committees; ▪ reflecting on the governance system adopted, verifying its efficacy and proposing to the relevant bodies the measures to be taken with a view to its improvement.	Adopted 3.3. (p.345); 3.8. (p.368); 3.9. (p.371)
II.5.2	The members of the Remuneration Committee or equivalent must be independent in relation to the members of the management body.	Not adopted 0.3 (p.329)
II.5.3	All the committees must draw up minutes of the meetings held.	Adopted 3.3.11. (p.348); 3.4.6. (p.355); 3.6.3. (p.362); 3.8.3. (p.370); 3.9.3. (p.372)
III.	**INFORMATION AND AUDIT**	
III.1	General information duties	
III.1.2	Companies must ensure the existence of a permanent contact with the market, respecting the principles of equality of Shareholders and preventing asymmetries in the access to information by investors. To this end, the company must maintain an investor-support office.	Adopted 10 (p.413)
III.1.3	The following information available on the company's web site must be disclosed in English: a) The name, status of a publicly-traded company, the registered office and other details stipulated in article 171 of the Commercial Companies Code; b) Statutes; c) Identity of the members of the governing bodies and of the representative for market relations; d) Investor Support Office, respective functions and means of access; e) Annual report and accounts; f) Half-yearly calendar of company events; g) Proposals submitted for discussion and voting at General Meetings; h) Notices convening General Meetings.	Adopted 10.2.3. (p.414) www.ir.bpi.pt

1) The Supervisory Board has been functioning since April 2008. 2009 is therefore the first year in which it issued its report on the evaluation of the external auditor, which report it will present to the Shareholders at the Annual General Meeting.

0.3. JUSTIFICATION FOR THE NON-ADOPTION OF RECOMMENDATIONS

The following table enumerates those recommendations of the Corporate Governance Code which BPI has not adopted, providing the Bank's justifications and arguments for their non adoption.

Recom.	Explanation
I 3.3.	**Principle of one share / one vote** Recommendation not adopted. In reality, article 12(3) of the statutes prescribes that one vote corresponds to every five hundred company shares. Banco BPI believes that this rule constitutes a solution which, in a balanced manner, conjugates two types of interest: ▪ on the one hand, the interest in encouraging Shareholders' active participation in the company's affairs and which is founded on the interest that there should be no material obstacles to Shareholders taking part in the company's General Meeting and, in this way, in the decisions that it is legally and statutorily capable of making; ▪ on the other hand, the interest of the General Meeting functioning satisfactorily, whereby it is advisable that the number of participants is not such that it jeopardises the proper progress of the items on the agenda and the possibility that those who are present have time to have an effective say in these meeting proceedings. It should be noted that the minimum investment in BPI shares which permits participation at an AGM amounted to around 875 € at 2008 closing prices. It will be recalled as well that in terms of the law and Banco BPI's statutes, Shareholders who do not own the minimum number of shares required to have the right to vote can pool their shares in order to do so and appoint one of their number to represent them at the General Meeting.
I 4.1.	**Relating to the constitutive or deliberative quorum** Recommendation not adopted, as regards that part which recommends that companies should not set a deliberative quorum larger than that provided for by law. In effect, according to article 30(2) of Banco BPI's statutes, the alterations to numbers four and five of article 12 of the said statutes (provisions which set and regulate the limit on the number of votes capable of being issued by a Shareholder and entities related to him / her), to number one of article 31 (provision which fixes a special qualified majority for the company's winding up), as well to this number two of article 30, require the approval of seventy five per cent of the votes cast, which majority is higher than that envisaged in article 386(3) of the Commercial Companies Code (two thirds of the votes cast). It will be recalled in this regard and in the first place, that the aforesaid rule laid down in the Commercial Companies Code is mandatory only as regards the minimum limit. That is, companies are free to set in their statutes higher qualified majorities. In second place, Banco BPI is of the opinion that there exists justification for the alteration to the statutory rules in question to be subject to a more demanding qualified majority than the qualified majority envisaged in the law. This justification stems from the conjugation of the following two aspects: ▪ the statutory rules in question (remember, rules governing the limitation on voting and the company's winding up) refer and represent options relating to highly important aspects relating to the company's affairs; in the first case, with a solution which as explained in relation to the recommendation I.6.2., it seeks to promote a balanced participation of the Shareholders in the company's affairs; in the second case, what is at stake is the company's own subsistence; ▪ in the case of statutory rules which take the form of very important options for the company's affairs, their alteration should only take place when there is an unequivocal and large majority will in this regard; it is deemed for this purpose that it is appropriate to set the aforementioned seventy five per cent majority of the votes cast. Finally, it will be recalled that the qualified majority of seventy five per cent in question, even though it is higher than the qualified majority laid down in the law, is, just as the latter, defined according to the votes cast and not the votes corresponding to the share capital.

Recom. **Explanation**

I 6.2. **Relating to the limit on the number of votes**

Recommendation not adopted.

In reality, article 12(4) of Banco BPI's statutes stipulates that the votes cast by a single Shareholder or entities related to him / her in the terms laid down by this provision which exceed 17.5% of the total votes corresponding to the share capital, shall not be counted. The change to this statutory provision requires, as referred to in relation to Recommendation I 4.1., the approval of seventy five per cent of the votes cast in General Meeting (GM).

The aforesaid statutory provision was proposed by the Board of Directors with the object of promoting a framework conducive to a balanced participation of the principal Shareholders in the company's affairs, from the standpoint of Shareholders' long-term interests. In its initial formulation, which was approved by the Shareholders at the GM held on 21 April 1999 by a majority of 90.01% of the votes cast, a limit was set of 12.5% of the total votes corresponding to the share capital. At the GM of 20 April 2006, that limit was raised to the present 17.5%, by way of a resolution approved by a majority of 77.4% of the votes cast.

Banco BPI's statutes do not incorporate the measures defined in the Recommendation in question as regards the maintenance of those limits being the object of periodic reappraisal in General Meeting, which is explained by:

- on the one hand, it is always possible for Shareholders who wish to alter or suppress the aforesaid statutory rule to propose at any moment and after observing the requisites for this purpose envisaged in the law, to submit to the General Meeting a proposal advocating such alteration or suppression;
- on the other hand, and as already partly explained as regards Recommendation I.4.1., because it is considered to be a rule which constitutes a very important option in the company's affairs, its modification should only take place when there is a will that (i) is unequivocal and backed by a large majority in this regard and (ii) results from a balanced participation of the various Shareholders, desirous that these are not considered attainable if it is accepted that this modification may be approved by resolution passed by a simple majority and without the voting limit functioning.

II 1.2.2. **Relating to the number of independent non-executive directors**

Recommendation not adopted.

At 31 December 2008 and on the date this report was concluded, the situation regarding Banco BPI's 16 non-executive directors, as concerns the circumstances envisaged in article 414(5)(a) and (b) of the Commercial Companies Code and whose verification relating to one director determines, according to the provisions of CMVM Regulation 1 / 2007, his consideration as not independent, was as follows:

- The Directors António Lobo Xavier and Carlos Moreira da Silva were, in the light of this criterion, deemed to be independent;
- As concerns the remaining 14 non-executive Directors and their situation *vis-à-vis* the two sets of circumstances envisaged in the abovementioned article 414(5)(a) and (b), it should be noted that:
  - Article 414(5)(a) – to be the holder or to act in the name of or for the account of the holders of a qualified majority equal to 2% or more of the company's capital:
    - None of the directors concerned is the holder of a qualified majority equal to 2% or more of the company's capital;
    - There are 9 directors who occupy management positions in companies holding a qualified holding of 2% or more of the company' s capital or in entities of their group;
    - The circumstance mentioned in the previous indent does not mean nor have as a consequence that the directors concerned must be deemed to be persons who act in the name of or for the account of the aforesaid entities owning a qualified holding of 2% or more of the company's capital;
    - If however one has a broad interpretation of the expression "act in the name or on behalf of entities owning qualified holdings of 2% or more of the company's capital" in such a way that such action is deemed to exist by the mere fact that one is a director / officer of the said entity, then there are 9 directors who fall within that situation.

Recom.	Explanation

II 1.2.2. Relating to the number of independent non-executive directors (cont.)

Recommendation not adopted. (cont.)

- Article 414(5)(b) – for having been re-elected for more than two consecutive or interspersed terms of office;
  - 9 directors are covered by the provision of this sub-paragraph b) (4 of whom are also covered by sub-paragraph a), in the broad interpretation of the same abovementioned article).
- In summary, and considering the broad interpretation of the abovementioned article 414(5)(a), there are 14 non-executive directors who were not, in the light of the criterion resulting from the CMVM regulation, deemed to be independent;
- As a consequence, and in the terms referred to above, BPI does not objectively meet the quantitative requirement defined in CMVM recommendation II.1.2.2. according to which "Amongst the non-executive directors, there should be a suitable number of independent directors, taking into account the size of the company and its Shareholder structure, which under no circumstance can be less than one quarter of the total number of directors".

BPI's Board of Directors believes however that the substantive evaluation of the independence of its non-executive members is not limited to the non verification of the circumstances envisaged in article 414(5)(a) and (b) of the CCC, nor the verification of these circumstances in relation to one director, necessarily determines the loss of his/her impartiality of analysis or decision.

The Board of Directors has never felt that the verification, in relation to certain of its members in the terms referred to above, of the situations envisaged in article 414(5) of the CCC has affected these directors' impartial analyses or decisions.

In this regard the Board stresses that all the directors are, in terms of the CCC[1], bound to the fundamental duties of care and loyalty in the company's interest, paying attention to the members' long-term interests and taking cognisance of the interests of the other key parties for the company's sustainability.

In addition, in terms of legal rules and internal regulations – the Board of Directors' Code of Conduct and Regulations –, the Directors who find themselves in any situation of conflict of interest, must inform the nature and extent of such interest and, where this is substantial, they must abstain from participating in the discussion and resolutions relating there to.

Banco BPI's Board of Directors believes that its composition, insofar as the non-executive Directors are concerned, guarantees the desirable participation of persons who perform very important functions at some of the prime international financial institutions which are Shareholders of the Bank, as well as of founder Shareholders and other people with vast experience in the financial sector and with in-depth knowledge of the Bank.

In this domain, the Board benefits greatly from the fact that it unites at its core the existence of a professional executive team independent of any specific interests, with the presence of a non-executive structure clearly in the majority composed, as stated before, of executives of major international financial institutions, the Portuguese founding Shareholders and directors independent of any specific interests.

In terms of the foregoing, and in line with the recommendations of the European Union[2] relating to the independence of the non-executive members of the Board of Directors, according to which in fact the setting of criteria for the determination of independence is vested fundamentally in the actual Board of Directors, the Board of Directors issues its opinion that the involvement of all and the contribution which one or other makes to the Bank's development, fruit of the importance and complementarity of their knowledge, ability of appraisal and professional experiences, ensures an independent decision-making process.

II 1.5.5. Relating to the disclosure of the remuneration of individual members of the management and oversight bodies

Recommendation not adopted.

The remuneration system of Banco BPI's management and oversight bodies and its public disclosure complies with the principles of the CMVM's recommendations relating to this matter; however it does not detail the individual remuneration of each one of their members. Having considered the interests of BPI and its Shareholders, present and future, the market's needs and the objectives invoked in the CMVM's recommendations, it was deemed that the detailing of the individual remuneration of its members does not add relevant

1) Article 64 – Fundamental duties.

2) Recommendation of the Commission of the European Communities of 15 February 2005, relating to the role of non-executive directors or of members of the supervisory boards of listed companies and to the management or audit committees.

Recom.	Explanation
II 1.5.5.	**Relating to the disclosure of the remuneration of individual members of the management and oversight bodies (cont.)**

Recommendation not adopted. (cont.)

information for purposes of those interests, needs and objectives, relative to the practices already followed by the Bank, according to which the remuneration of the members of the management body is structured in such a manner as to permit the alignment of those interests with the company's interests.

5.2. Relating to the independence of the members of the Remuneration Committee

Recommendation not adopted.

Banco BPI believes that it is justified that the members of the Remuneration Committee be independent of the members of the Executive Committee, an aspect that is guaranteed in the case of Banco BPI's Remuneration Committee.

It does not consider, however, that there are reasons which justify that there have to exist independence between the members of this Remuneration Committee and the non-executive members of the Board of Directors. Banco BPI, in the light of the European recommendations on this issue that the non-executive members of the Board of Directors must have an active role in the evaluation and definition of the remuneration of the members of the Executive Committee, stemming from which that there is even advantage where the abovementioned independence does not exist. This role of the non-executive members of the Board of Directors in the definition of the remuneration of the members of the Executive Committee is assured by the existence within the ambit of this Board, of the Evaluation and Remuneration Committee.

It should be emphasised that the non-executive members of the Board of Directors earn exclusively fixed remuneration and, to the extent they exercise functions on specialised commissions of the Board, attendance vouchers relating to the meetings of these commissions at which they are present. The maximum amount of the fixed remuneration of the members of the Board of Directors is deliberated at General Meetings and valid for the term of the governing bodies. As a consequence of the above, the non-executive members of the Board of Directors do not determine their own remuneration.

0.4. BOARD OF DIRECTORS' ASSESSMENT OF ITS MEMBERS' INDEPENDENCE

In accordance with the European Union's principles[1] and recommendations relating to the independence of the non-executive members of the Board of Directors, "A director must be considered independent if he has no commercial, family or other relations – with the company, with the shareholder who holds control, or with the management bodies of any of them – which may originate a conflict of interest capable of jeopardising his / her ability to evaluate"[2]. Likewise, in the light of the aforesaid European Union recommendations, enshrined in the fundamental principle, the fixing of the criteria for determining independence is the responsibility fundamentally of the actual Board of Directors.

Banco BPI's Board of Directors believes that its composition as relates to the non-executive Directors guarantees the desirable participation of persons who perform functions of the utmost importance at some of the most prominent international financial institutions which are Shareholders of the Bank, as well as of the founding Shareholders and other persons possessing vast experience in the financial sector and profound knowledge of the Bank.

Indeed it is worth highlighting that at the end of 2008:

Allianz is the world's 4th largest insurer on terms of stock market capitalisation and the 2nd biggest in terms of turnover.

- Herbert Walter was executive director of Allianz AG and Executive Chairman of Dresdner Bank;
- Klaus Dührkop was Executive Chairman of the Mondial Assistance Group, of the Allianz Group.

Banco Itaú was the world's 17th largest bank in terms of stock market capitalisation.

- Carlos da Câmara Pestana was Chairman of Banco Itaú;
- Roberto Egydio Setúbal was CEO of Banco Itaú;
- Henry Penchas was a Director of Banco Itaú and member of risk-management, capital and accounting policies committees of the holding company which controls Banco Itaú.

Caja de Ahorros y Pensiones de Barcelona ("La Caixa") was Spain's 3rd biggest financial institution, with the largest retail banking network in Spain.

- Isidro Fainé Casas was Chairman of "La Caixa" and CEO of the "La Caixa" Foundation;
- Juan Maria Nin Génova was CEO of "La Caixa";
- Marcelino Armenter Vidal was head of Risk Control at "La Caixa"'s.

- The Chairman of the Board of Directors, Artur Santos Silva, was the founder of BPI, at which he occupied the office of Executive Chairman between 1981 and 2004.
- The Vice-Chairman of the Board of Directors Ruy de Carvalho has extensive knowledge of the insurance business, having been Chairman of the Instituto Nacional de Seguros, Chairman of the Associação Portuguesa de Seguradores, Chairman of the Insurance Committee of the Chambre de Commerce International and Vice-Chairman of the Comité Européen des Assurances;
- Alfredo Rezende de Almeida, Armando Leite de Pinho, Tomaz Jervell and Edgar Alves Ferreira have vast experience in executive administration at some of the major Portuguese companies and are all associated with the founding of BPI.

In terms of the aforegoing and in line with the principles and recommendations of the European Union relating to the independence of the Board of Directors' non-executive directors, the Board of Directors issues its opinion that the effective involvement of all of its constituents, and the contribution they make towards the Bank's development, fruit of the importance and complementarity of their knowledge, analytical ability and professional experience, guarantee an independent decision-making process.

1) European Communities Commission's (CCE – Comissão das Comunidades Europeias) recommendation of 15 February 2005, regarding the role of the non-executive Directors or members of the Oversight Board (Conselho de Supervisão) of listed companies and the Board of Directors or the Oversight Board's Committees.
2) Point 13.1 of the CCE's Recommendation of 15 February.

1. Introduction

Banco BPI's Board of Directors hereby submits for the consideration of its Shareholders and the market the BPI Group's Report on Corporate Governance for 2008[1] in compliance with its duty of information and transparency, and in conformity with the rules in force.

1.1. ALTERATION TO THE NORMATIVE AND REGULATORY FRAMEWORK

The corporate governance normative and recommendational framework to which BPI is subject has undergone a significant change (evolution) since the issue of the 2007 report, materialising in essence in the entry into force on 1 January 2009 of Regulation 1 / 2007, in the publication of the Corporate Governance Code applicable to 2008 and following financial years, and of Regulation no. 5 / 2008 dealing with information duties, all issued by the CMVM.

The abovementioned evolution constitutes a response at the national regulatory and recommendational level, to the latest developments of the regulatory standard dictated by the approval of important texts such as the European Commission's Recommendation on Independence of Auditors, the European Commission's Action Plan on Company Law, the European Commission's Recommendation on the Role of Non-executive Directors, the European Commission's Recommendation on Directors Remuneration and the OECD's Revised Principles of Corporate Governance.

In substantive terms, of special note is the elimination of the previous regulatory concept of independence, the addition to the list of disqualifications envisaged in article 414-A of the CCC and the incorporation of a concept of independence in 414(5) of the CCC, rules whose scope encompasses members of the Supervisory Board but which, in the last-mentioned case, now also becomes an independence benchmark for non-executive directors not directly covered by this provision.

The CMVM's set of recommendations relating to governance underwent a new systematic rearrangement and was given a new title "Corporate Governance Code". The trend noted in the content of the recommendations stemmed from the alteration to the normative framework of the corporate governance models appearing in the 2006 CCC.

The BPI Group's 2008 Corporate Governance Report is the first to be prepared in accordance with the new rules of CMVM Regulation no. 1 / 2007 and deals with the recommendations of the Corporate Governance Code.

1.2. ALTERATION TO BPI'S GOVERNANCE MODEL

At the Annual General Meeting held in April 2008 the Shareholders, following a proposal of the Board of Directors, approved an amendment to the Bank's statutes, resulting in the adoption of a management and oversight model for BPI comprising a Board of Directors, a Supervisory Board (Conselho Fiscal) and a Portuguese Statutory Auditor (ROC), thereby complying with one of the three models contemplated in the Commercial Companies Code (CCC).

The proposed amendment sought to avoid that the time and composition of the Board of Directors were influenced by the independence criteria required for the formation of the Audit Committee, which constituted the supervisory body in the model previously in force. This hurdle was overcome by means of a model approved by the Shareholders' General Meeting, because in this model the members of the supervisory body – the Supervisory Board – do not form part of the Board of Directors.

The amendments concerned do not prejudice the maintenance of the characteristics of Banco BPI's governance model which has permitted the provision of adequate supervision and oversight mechanisms. A specialised committee has been maintained – now called the Audit and Internal Control Committee (AICC) (Comissão de Auditoria e de Controlo Interno – CACI), composed of five members of the Board of Directors without executive functions, bearing in mind the positive experience with this body which, with the same characteristics, was set up in the Bank in 1999 and which, between 2006 and April 2008, was the Bank's supervisory body.

The AICC thus plays a crucial role of monitoring and overseeing the Executive Committee, which complements but does not substitute the role which in this ambit and according to the law and the statutes is played by the Supervisory Board.

The liaison between the Supervisory Board and the AICC has proven to be efficient, while members of the Supervisory Board are invited to and have participated in all the AICC's meetings.

1) The present document, structured as an annex, forms an integral part of the 2008 Directors' Report.

2. Guiding principles of the BPI Group's corporate governance policy

1 Creation of value

as the primary goal of BPI's Directors and Employees.

2 Transparency in management

Internal information – in such a manner that the non-executive members of the Board of Directors, the members of the Supervisory Board can carry out their oversight and supervisory functions with facility and efficacy.

External information – in such a manner that the Shareholders, Authorities, Auditors, Investors and the community can broadly assess the quality and conformity of the information provided and the results attained.

3 Independence

of the executive management *vis-à-vis* any individual Shareholder or specific interests.

4 Equity

in the relationship with Shareholders, Customers and Employees.

5 Loyalty

through the implementation of mechanisms which impede the occurrence of conflict of interest situations.

6 Efficiency

in the functioning and interaction of the company's governing and supervisory bodies.

7 Rigour

in the management of the various risks underlying the Group's operations.

8 Sharing decision

through the adoption of committee-type models in decision--making processes and in the fostering of team spirit.

9 Performance and merit

as fundamental criteria governing the remuneration policy as concerns Employees and Directors.

10 Harmony

in the alignment between the interests of the Shareholders and those of Directors and Employees.

DECLARATION OF THE BOARD OF DIRECTORS ON THEIR ASSESSMENT OF BPI'S GOVERNANCE MODEL

(issued within the ambit of CMVM recommendation II.1.1.1)

1. The Board of Directors of Banco BPI is of the opinion that the governance structure and practices, the functioning of the management and oversight bodies, as well as BPI's communication policies and practices, ensure in a balanced manner the protection of the interests of the Shareholders and other interested parties – Customers, Employees, Suppliers, community in general – and the provision of adequate information so that the market can form an informed opinion on the Group's strategy, activity, risk management and conflicts of interest, the financial situation and the results.

2. The BPI Group's corporate governance report relating to 2008, describes in detail the principle governance guidelines, the structure, division of the roles and responsibilities and the functioning of the management and oversight bodies, risk management, the remuneration policy, Shareholder control, the ethical and deontological principles observed, the market communication policy, amongst other aspects, in terms which justify the above judgment expressed by the Board.

3. The Board of Directors did not identify any relevant constraint on its functioning, or that of the consultative committees formed within its ambit, nor did it become aware of constraints on the functioning of Banco BPI's other governing bodies.

4. Banco BPI's Board of Directors is permanently concerned on refining the governance structure, practices and report. In this fashion, it also responds to the initiatives of the Securities Market Commission (Comissão do Mercado de Valores Mobiliários – CMVM), and follows closely the reflections and documents published by the various national and European bodies, namely, the European Commission and the Organisation for Economic Cooperation and Development (OECD).

3. Structure, division of duties and functioning of the BPI Group's oversight bodies

3.1. STRUCTURE

BPI's governance model is structured according to one of the three models contemplated in the Commercial Companies Code – commonly referred to as the Latin model:

- The company's management is entrusted to the **Board of Directors** which includes an **Executive Committee** – formed by professionals independent from any Shareholders' or specific interests – to which the Board has delegated wide management powers for conducting the day-to-day activity.

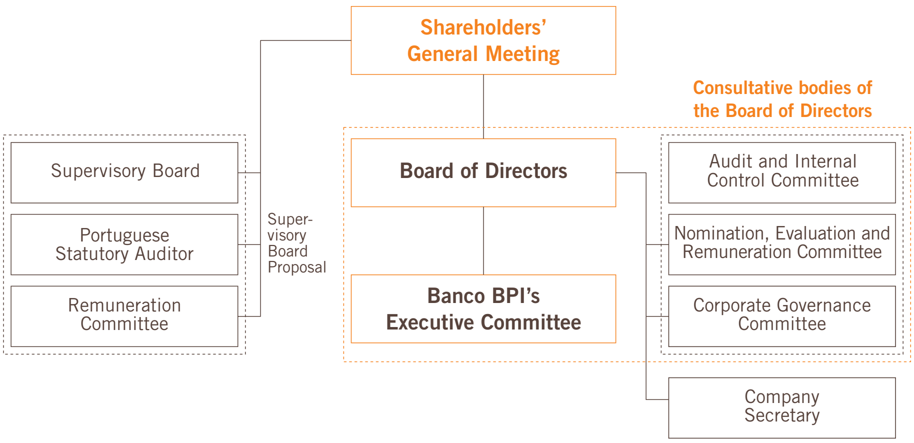
Within the ambit of the Board of Directors, three specialist commissions function, composed exclusively of non-executive members: (i) the **Audit and Internal Control Committee**, whose remit is to work especially close to the Executive Committee; (ii) the **Corporate Governance Committee**, which is charged with making pronouncements on matters relating to social responsibility, ethics, professional conduct, and environmental protection and (iii) the **Nominations, Evaluation and Remuneration Committee**, whose role is to give opinions on the filling of vacancies occurring on the governing bodies, on the choice of Directors to be appointed to the Executive Committee and on the evaluation and annual variable remuneration of this body's members.

- The oversight functions are attributed to the **Supervisory Board** (*Conselho Fiscal*) – whose key terms of reference include, overseeing management, supervising compliance with the Law and the company's Statutes, verifying the accounts, supervising the independence of the Portuguese Statutory Auditor and the external auditor, as well as evaluating the last-mentioned's work – and to the **Portuguese Statutory Auditor** (ROC), whose prime function is to examine and then certify the accounts.

- The **General Meeting** is composed of the Shareholders with voting rights – that is, all the owners of at least five hundred Banco BPI shares. It deliberates on the issues which are specifically attributed to it by the law or by the Statutes – including the election of the governing bodies, the approval of the directors' reports, the annual accounts, the distribution of profits, and capital increases –,as well as if so solicited by the Board of Directors, on matters dealing with the company's management.

The **Remuneration Committee**, comprising three Shareholders, is elected by the General Meeting. The Committee fixes the remuneration of the officers serving on Banco BPI's governing bodies From 2008, it is bound to observe the limits defined by the General Meeting as regards the fixed compensation of the members of the Board of Directors and the variable compensation of the Executive Committee.

The **Company Secretary** is appointed by the Board of Directors and performs the functions contemplated in the law and others attributed by the Bank.



The full version of the Regulations of the following-mentioned bodies can be consulted at the web site www.ir.bpi.pt or at the registered office of BPI, situated at Rua Tenente Valadim, 284, 4100-476 Oporto: Board of Directors, Executive Committee, Audit and Internal Control Committee, Corporate Governance Committee, Nominations, Evaluation and Remuneration Committee and Supervisory Board.

ELEGIBITY FOR THE MANAGEMENT AND SUPERVISORY BODIES – REQUISITES EMBODIED IN PORTUGUESE LAW

Requirements of integrity, professional experience and availability

According to the General Regime of Credit and Financial Institutions (*Regime Geral das Instituições de Crédito e Sociedades Financeiras* – RGICSF) for a specific person to be eligible to occupy a management or oversight position at a credit institution or financial company, it is imperative that such person meets a number of requisites and not be in any of the disqualification situations envisaged therein. The evaluation process is the responsibility of the Bank of Portugal, which for this purpose exchanges information with the Insurance Institute of Portugal (*Instituto de Seguros de Portugal*), the Securities Market Commission (*Comissão do Mercado de Valores Mobiliários* – CMVM) as well as with foreign supervision authorities, taking into consideration three aspects: the integrity of the persons concerned, their professional experience and their availability to exercise the office.

Integrity of the members of the management and supervisory bodies[1]

The RGICSF lays down that only "persons whose integrity and availability provide guarantees of sound and prudent management, taking into account in particular the security of the funds entrusted to the institution" can form part the management and supervisory bodies of a credit institution or financial company. In appraising integrity, account will be taken of "the manner in which the person concerned generally manages business enterprises or exercises the profession, especially in aspects where he displays an inability to decide in a pondered and scrupulous manner, or a tendency to not comply promptly with their obligations, or to behave in a way that is incompatible with the preservation of the market's confidence". Amongst other pertinent circumstances, an indicator of the lack of integrity is the fact that the person has been judged "responsible for the bankruptcy or insolvency of a company controlled by him, or in respect of which he was an administrator, director or manager", or has been found guilty of crimes such as favouring creditors, forgery, theft, extortion, breach of trust, corruption, issuing cheques without funds, prejudicial management, false declarations, money laundering, misuse of information, etc.

Professional experience[2]

The RGICSF considers that there is a presumption of "adequate experience when the person concerned has previously performed functions involving responsibility in the financial field in a competent manner".

Accumulation of positions[3]

The Bank of Portugal can oppose situations in which the members of the Board of Directors of a bank perform management functions at other companies "where it is of the opinion that the accumulation is capable of prejudicing the exercise of the functions which he is already carrying out, namely, because there exist grave conflicts of interest or, in the case of persons who are responsible for the institution's day-to-day management, there are significant impediments as concerns their availability for the office".

Supervisory Board (Conselho Fiscal)

The Commercial Companies Code stipulates that in the case of companies whose shares are listed on a regulated market, the supervisory board must include at least one member who has a university degree that is commensurate with the exercise of his / her functions and is well versed in auditing and accountancy. In such companies, the majority of the supervisory board's members must be independent.

According to article 414(5) of the CCC, persons are deemed to be independent if they are not associated to any specific interest group in the Company, nor find themselves in a situation capable of affecting their impartiality of analysis or decision making, in particular, by virtue of:

a) being the holder of or acting on behalf of or for the account of holders of a qualified holding of 2% or more of the Company's share capital;
b) having been re-elected for more than two terms of office, consecutive or interspersed.

1) Extracts from Article 30 of Chapter III of the RGICSF.
2) Extracts from Article 31 of Chapter III of the RGICSF.
3) Extracts from Article 33 of Chapter III of the RGICSF.

The CCC also sets out a number of disqualifications. In terms of article 414-A, the following cannot be elected or appointed as members of the Supervisory Board:

a) The beneficiaries of specific advantages of the company itself;
b) These who are directors of the company;
c) The members of the company's management bodies who are in a relationship of control or group with the company overseen;
d) The member of a body corporate who controls the company overseen;
e) Those who, in a direct or indirect manner, provide services or establish a significant commercial relationship with the company overseen or company in respect of which it has a controlling or group relationship;
f) Those who carry out functions at a rival company and who act in representation or for its account or who in any other manner are linked to the interests of the rival company;
g) The spouses, parents and other direct-line relatives and those up to the 3rd degree inclusive, in collateral line, of persons disqualified by force of the provisions of sub-paragraphs a), b), c), d) and f), as well as the spouses of the persons covered by the provisions of sub-paragraph e);
h) Those who exercise management or oversight functions at five companies, except firms of lawyers, firms of statutory auditors and statutory auditors, with the regime of article 76 of Decree-Law no 487 / 99 of 16 November applying to the latter;
i) The statutory auditors in respect of whom the other disqualifications envisaged in the respective legislation apply;
j) Interdicted persons, those with no legal capacity, the insolvent, the bankrupt and those sentenced with a penalty which entails the prohibition, even if only temporarily, of the exercise of public functions.

3.2. SHAREHOLDERS' GENERAL MEETING

The Shareholders' General Meeting (SGM) is the governing body composed of the Shareholders entitled to vote – that is, all Shareholders owning at least 500 Banco BPI shares. Shareholders holding less than the aforesaid minimum number of 500 shares, may pool their shares with other Shareholders in order to reach that number.

Banco BPI's statutes stipulate that the votes cast by a single Shareholder, in his own name or as the representative of another or others, which exceed 17.5% of the company's total votes, representing the share capital, shall not be counted.

The members of the General Meeting Committee were elected at the General Meeting of 23 April 2008 for the term which ends on 31 December 2010, while remaining in office until the new election which, as a rule, takes place at the GM for the approval of the accounts for the last financial year of their term of office.

3.2.1. Composition

COMPOSITION OF THE GENERAL MEETING COMMITTEE

Chairman	João Vieira de Castro
Deputy-Chairman	Manuel Cavaleiro Brandão
Secretaries	Alexandra Magalhães
	Luis Manuel Alves de Sousa Amorim
Company Secretary[1]	João Avides Moreira (in office)
	Fernando Leite da Silva (alternate)

3.2.2. Terms of reference

GENERAL MEETING'S PRINCIPAL TERMS OF REFERENCE

- Election of members of the Board of Directors, the Supervisory Board, the Remuneration Committee and Chairman, Deputy-Chairman and Secretaries of the General Meeting Committee, as well as the election of the Portuguese Statutory Auditor.
- Consideration of the Board of Directors' annual report, discussion and voting on the consolidated and individual accounts, as well as on the Portuguese Statutory Auditor's opinion.
- Evaluation of the Board of Directors' and the Portuguese Statutory Auditor's performance.
- Deliberation on the appropriation of the annual results.
- Definition of a maximum limit for the annual fixed remuneration of the members of the Board of Directors and for the percentage of consolidated profit which, not exceeding 5%, may be allocated each year to the variable remuneration of the members of the Executive Committee.
- Review of the strategic orientation and policies adopted.
- Deliberation on a long-term dividend policy proposed by the Board of Directors.
- Deliberate on the acquisition and sale of treasury stock.
- Deliberation on the capital increases and the issue of bonds convertible into shares or that confer the right to subscribe for shares.
- Deliberation on changes to the statutes.

1) In terms of article 446 B(a) and (b) of the Commercial Companies Code, the company secretary is responsible serving as secretary at the meetings of the governing bodies and to write up the minutes and sign these together with the members of the respective governing bodies and the Chairman of the General Meeting Committee, where this is the case.

3.2.3. Promotion of Shareholder participation at SGM

Banco BPI actively promotes the exercise of voting rights, whether directly – in person or by correspondence (postal or electronic) – or by representation.

As part of this policy, BPI has implemented a number of measures aimed at combating Shareholder absences at General Meetings:

- the possibility of voting by correspondence, either by post or electronically, and the placing at Shareholders' disposal of ballot papers;
- the ample disclosure of the holding of General Meetings (by post, electronic mail and through the Internet), the issues to be deliberated and the different forms of exercising the vote;
- the clear and detailed description in the text of the meeting notice, in the letter and the General Meeting preparatory documents[1] which are sent to Shareholders[2], of the procedures to be adopted for exercising the vote by correspondence or by way of representation (regime embodied in the statutes).

The proposals to be submitted for the consideration and deliberation in General Meeting, as well as the other information elements needed for the preparation of the meetings are placed at the Shareholders' disposal up to 15 days before the holding of the Meeting, at Banco BPI's registered office (Rua Tenente Valadim, 284, Oporto) and on the web site www.ir.bpi.pt. The dispatch of any one of the abovementioned elements including the ballot papers for the exercise of correspondence votes may also be requested from the e-mail disclosed publicly.

3.2.4. Attribution of voting right

A Shareholder can vote provided he owns at least 500[3] Banco BPI shares on the 5th day prior to the date set for the General Meeting. The registration of ownership must be proved to Banco BPI by 6 p.m. of the third working day prior to the date set for the meeting. Every 500 shares correspond to one vote.

3.2.5. Procedures relating to proxy representation

At its own initiative BPI pursues a policy of sending to Shareholders[4] the full content of proposed matters to be included in the order of business, as well as proxy forms, accompanied by a self-addressed postage-paid envelope.

Proxy representations must be communicated by letter addressed to the Chairman of the General Meeting Committee, with the signature duly certified by a notary, lawyer or legal clerk or certified by the company. This letter must be received at Banco BPI's head office by 6 p.m. on the fifth day prior to the date set for the General Meeting.

3.2.6. Procedures relating to postal voting

BPI sends annexed to the notice convening the General Meeting, ballot papers addressed to the Chairman of the General Meeting Committee, by means of which the Shareholder can express in a clear form his vote. Each ballot paper, available in Portuguese and English, must be signed and this signature duly certified (by a notary, lawyer or legal clerk). Ballot papers must be received at Banco BPI's head office by 6 p.m. on the third working day prior to the date set for the General Meeting.

Correspondence votes count for the formation of the General Meeting's constitutive quorum and are taken into account just like the other votes for the passing of resolutions. The votes cast by correspondence are deemed to be negative votes in relation to proposed resolutions after the date on which the said votes were cast.

The postal votes are opened by the Chairman of the General Meeting Committee, who is responsible for checking their authenticity, conformity with the rules and the non-existence of duplicate votes taking into account the presence of the respective Shareholders at the General Meeting.

The Chairman of the General Meeting Committee informs those present of the number and results of the votes received by correspondence.

The manner in which the scrutiny of votes cast by correspondence at the General Meeting is conducted is set out in documents made available by BPI for the exercise of voting by correspondence, while this is also described in a separate section of the Investor Relations web site devoted to this event.

The Company Secretary is charged with ensuring the confidentiality of the votes received by correspondence until the day of the General Meeting. On that date, this responsibility is transferred to the Chairman of the General Meeting Committee up to the moment of voting.

The postal vote cast by a Shareholder who is present or represented at the General Meeting shall be ignored.

3.2.7. Procedures relating to electronic means

BPI offers its Shareholders the possibility of casting votes by means of electronic mail. The procedures required for voting by electronic mail are in part similar to those required for postal voting: BPI sends beforehand to its Shareholders, as an annex to the General Meeting preparatory documents, a draft – available in Portuguese and English – that allows them to opt for the system of electronic voting. This draft can also be obtained from the web site www.ir.bpi.pt or upon request to the Investor Relations Division. The draft must be signed and the signature must be authenticated by a notary, lawyer or legal clerk.

1) Also available on the Internet at the web site www.ir.bpi.pt.
2) To Shareholders with at least ten voting rights.
3) After the General Meeting of 20 April 2006, where a reduction from 1 000 to 500 in the number of shares giving right to participate in the GM was approved.
4) Shareholders owning more than a specified number of shares (5 000, at the last GM's held).

In the draft the Shareholder is asked, amongst other details, to provide a password and indicate his email address. This document must be received at the Bank's head office together with the respective declaration of share deposit and blockage. BPI sends an email to the Shareholder indicating his counter password which, jointly with the initial password, will give him access to an electronic ballot paper on a page at the site www.ir.bpi.pt. The Shareholder can exercise his voting right until 6 p.m. of the third business day before that set for the Meeting.

3.2.8. Representative of the external auditor

The external auditor, through the partner responsible for the audit of Banco BPI's consolidated financial statements, is present at the Annual General Meetings, and is available to clarify any query related to the opinions issued on Banco BPI's individual or consolidated accounts.

3.2.9. Representative of the Remuneration Committee

Taking into account that the corporate entities elected to the Remuneration Committee indicated to exercise the respective functions three natural persons who are simultaneously members of Banco BPI's Board of Directors (more specifically the Committees' Chairman Dr. Carlos da Camara Pestana indicated by IPI – Itaúsa Portugal Investimentos, SGPS, S.A., and the members Eng. Armando Leite de Pinho indicated by Arsopi – Holding, S.A and Eng. Edgar Ferreira indicated by HVF, SGPS, S.A.), the presence of at least one member of the Remuneration Committee at the General Meetings is always assured.

3.2.10. Functioning rules

In terms of the law[1], Banco BPI's Annual General Meeting must be held before the end of May.

Notice of meeting

The Committee Chairman must convene the General Meeting extraordinarily whenever this is so requested by the Board of Directors, the Supervisory Board or by Shareholders owning shares corresponding to the minimum number imposed by prevailing law and who solicit this by way of a letter whose signatures are legally attested or certified by the company, which letter indicates in precise terms the matters to be included in the order of business and where the need for the General Meeting to take place is justified.

Constituent Quorum and required majority

The General Meeting can deliberate at its first convocation irrespective of the number of Shareholders present or represented, except if it deliberates on altering the Bank's statutes, merger, demerger, transformation, dissolution of the Company or other matters for which the law requires a qualified majority without specifying it. In these cases, it is necessary that Shareholders who own at least shares corresponding to a third of the share capital must be present or represented.

At the second convocation, the Meeting can deliberate irrespective of the number of Shareholders present or represented and the capital represented by them.

The motions under consideration must be approved by two thirds of the votes cast, with the exception of resolutions to amend the Statutes regarding the limitation of voting rights issued by a single Shareholder (article 12(5)(4) and article 30(2)), and to wind up the Company, both of which require the approval of 75% of the votes cast.

Inclusion of matters in the order of business

The Shareholder or Shareholders owning shares corresponding to at least 5% of the share capital can request that certain matters be included in the order of business of a General Meeting already convened or to be convened. For this purpose, a written request must be sent to the Chairman of the General Meeting Committee within five days of the last publication of the respective notice of meeting.

Right to information

During the course of General Meetings, any Shareholder can request that information be supplied so that he / she can form a substantiated opinion about the matters being deliberated.

The Shareholders' principal rights are embodied in the Commercial Companies Code (Decree-Law no. 76-A / 2006 of 29 March).

Rights:

- to information (CCC, Title IV, Chapter II, Section III – arts. 288 to 292);
- to profits (CCC, Title IV, Chapter II, Section IV – art. 294);
- to participate in the company's deliberations (CCC, Title I, Chapter III, Section II – art. 21).

1) In terms of article 376(1) of the Commercial Companies Code, the Shareholders' General Meeting must meet within three months from the date of the financial year end, or within five months in the case of companies which have to present consolidated accounts or which apply the equity accounting method.

3.2.11. Immobilisation of the shares in the case of suspension of the GM

The Board of Directors obtained from the Chairman of the General Meeting Committee the indication that in the case where a situation arises resulting in the suspension of the General Meeting session, in terms of the provisions of article 387 of the Commercial Companies Code, and where such suspension is for a period of more than working 5 days, its decision shall be:

- not to oblige the immobilisation during the period up until the session is resumed; and
- The usual immobilisation procedures and periods which are envisaged in the statutes must be observed for the session in which the order of business is resumed.

3.2.12. Human and logistical resources placed at the disposal of the Chairman of the GM Committee

The Chairman of the General Meeting Committee has the proper human and logistical back-up resources for the programming, preparation and conduct of the General Meeting to the extent that it is supported in the whole process by a multi-disciplinary team made up of the heads and support staff of the Legal, Investor Relations, Securities, Information Systems, Public Relations, Procurement, Outsourcing and Fixed Assets Divisions, and even by the Company Secretary and the Representative for Relations with the Market and the CMVM.

Besides the human back-up, BPI developed some years ago a computer support application for the organisation and realisation of General Meetings which permits it to make in a rapid, efficient and reliable manner the various tasks which take place at a General Meeting, such as the credentialing of the participating Shareholders, the ballot results, of the quorum present, etc.

The preparation of the annual Ordinary General Meeting (GM) begins about 2 months in advance with the holding of a general programming meeting of the event attended by the abovementioned representatives. The procedures to be adopted, the timings for their execution and the responsibilities of each person involved are defined at this meeting.

The principal functions performed by the divisions involved during the course of the process can be succinctly described in the following manner:

- Legal Division: coordination of the preparation of the documents (notice, motions, etc.) and support for the functioning of the GM in the juridical / legal aspects and the drafting of the proposed minute to be presented to the Committee Chairman.
- Investor Relations Division: coordination of the communication with the Shareholders and the market, including the management of the support channels via Internet and telephone.
- Securities Division: coordination and operational management of the procedures, including those encouraging Shareholder participation at the GM and the staging of the event (control of access, voting).
- Information Systems Division: management of the IT systems involved.
- Public Relations Division: support for the event.
- Procurement, Outsourcing and Fixed Assets: mailing.

3.2.13. Information about GM results

Banco BPI has disclosed since 2002, immediately after the General Meeting, information containing the percentage of the share capital present, the resolutions passed and the results of the votes cast through the publication of an announcement on the CMVM's information system (www.cmvm.pt) and on BPI's Investor Relations web site (www.ir.bpi.pt).

We believe that the disclosure of this information meets the objective advocated by CMVM Recommendation 1.5.1., not warranting the dissemination of the full text of the minutes, which text the Shareholders may consult, provided that the requirements contemplated in article 288 of the Commercial Companies Code are met.

As regards the attendance list, it is believed that in view of the legal rules relating to the protection of personal data a detailed and individualised attendance list of Shareholders present cannot be disclosed, with the result that information is only provided about the total number of Shareholders present and those represented.

Finally, it should be noted that the order of business at the GM meetings appear in the meeting notices publicised on the Bank's web site.

At the GM's held in the last five years (between 2004 and 2008) Shareholders owning a number of shares corresponding to the following percentages of the capital were present or represented:

General Meeting	% share capital present or represented
20 April 2004	60.90%
20 April 2005	56.50%
20 April 2006	67.50%
19 January 2007 – 10:00	77.57%
19 January 2007 – 11:30	79.31%
19 April 2007	64.83%
23 April 2008	62.15%

The motions presented in General Meeting have consistently been approved by all or almost all of the Shareholders present or represented thereat as can be seen from the following table.

Results of the motions presented at the Shareholders' Meetings held in the last five years (until 31 Dec. 2008)

	20 Apr. 04	20 Apr. 05	20 Apr. 06	19 Jan. 07 (10:00)	19 Jan. 07 (11:30)	19 Apr. 07	23 Apr. 08
Report and accounts	99.31%	99.91%	100.00%	-	-	100.00%	100.00%
Appropriation of results	99.99%	100.00%	100.00%	-	-	100.00%	100.00%
General appraisal of management and supervision[1]	99.99%	100.00%	100.00%	-	-	100.00%	100.00%
Authorisation for a capital increase from 760 000 000 euros to 900 000 000 euros	-	-	-	-	-	-	100.00%
Acquisition and disposal of treasury stock	99.99%	99.99%	-	-	-	99.30%	99.60%
Three-yearly election of governing bodies	-	99.99%[2]	-	-	-	-	99.60%[2]
Election of the members of the Remunerations Committee and definition of limits for the fixed and variable remunerations of the members of the Board of Directors	-	-	-	-	-	-	99.60%
Election of the Deputy-Chairman of the GM				99.99%			-
Amendments to the statutes	99.99%	-	77.4% to 96.7%	-	-	-	100.00%
Alteration to the composition of the Board of Directors	99.99%[3]	-	88.1% to 97.8%	-	-	-	-
Appointment of the members of the Audit Committee	-	-	97.40%	-	-	-	-
Approval of the long term dividend policy	-	-	-	-	-	99.90%	-
Authorisation for the BD to deliberate on the sale of the Bank's and BPI Vida's holdings in BCP's share capital	-	-	-	-	81.81%	-	-
Approval of the expansion programme for the branch network	-	-	-	-	81.80%	-	-

1) Proposed vote of confidence and praise to the members of the Board of Directors and the Supervisory Board presented by a Shareholder.
2) Proposed by a Shareholder.
3) At this Meeting, a motion was also unanimously approved proposing a vote of congratulations for the way in which the change in the Chairmanship of Banco BPI's Executive Committee took place, and a vote of praise for Artur Santos Silva for the manner in which he performed his functions as the Bank's chief executive since the BPI Group's founding in 1981.

3.2.14. Meeting held on 23 April 2008

In 2008 only one Shareholders' General Meeting was held, which took place on 23 April. 268 Shareholders were present or represented, owning 472 059 643 shares corresponding to the voting rights stemming from 62.11% of the capital. A further 16 Shareholders voted by correspondence (0.04%), holders of 321 295 shares, with the result that the capital entitled to vote totalled 62.15%.

Attendance at General Meeting of 23 April 2008

	No. Shareholders	No. shares (million)	% share capital
Total	284	472.4	62.15%
Present or represented	268	472.1	62.11%
Vote by correspondence	16	0.3	0.04%

The General Meeting Committee Chairman clarified to the Meeting regarding the fact that, by virtue of the rules embodied in article 12(4) and (5) of BPI's Statutes, the Shareholders Criteria CaixaCorp, S.A. and Catalunya de Valores, SGPS, Unipessoal, Lda., holders respectively of 114 000 000 and 76 185 268 shares which would correspond to, if they were separate entities, 228 000 and 152 370 votes, would see this number of votes reduced to 159 445 votes, in the first case, and to 106 555 votes, in the second.

Similarly and by application of the same rule, the Shareholder IPI – Itaúsa Portugal Investimentos, SGPS, Lda. and the Shareholder Carlos da Câmara Pestana, in this case by virtue of his capacity of director of the aforesaid company, holders respectively of 142 880 000 and 300 000 shares, which corresponded if treated as independent entities to 285 760 and 600 votes, saw these votes reduced to 265 443 votes for the former and 557 votes for the latter.

Results of the vote of the first General Meeting of 23 April 2008

	Percentage of the votes cast[1]	
	In favour	**Against**
Banco BPI's individual and consolidated Directors' report and accounts relating to 2007	100.00%	
Appropriation of net profit for 2007 (dividend of 0.187 euro)	100.00%	
General review of the management and supervision (vote of confidence and praise for the Board of Directors and Audit Committee)	100.00%	
Share capital increase from 760 000 000 euros to 900 000 000 euros	100.00%	
Amendments to the statutes	100.00%	
Election of the governing bodies for the three year period of 2008 / 2010	99.60%	0.40%
Election of the members of the Remunerations Committee and definition of limits for the fixed and variable remunerations of the members of the Board of Directors	99.60%	0.40%
Acquisition and sale of own shares	99.60%	0.40%

1) Abstentions are not counted as votes cast.

3.2.15. Annual General Meeting scheduled for 22 April 2009

The Annual General Meeting relating to the 2008 financial year is scheduled for 22 April 2009, at 3 p.m. at the Fundação de Serralves, in the city of Oporto.

Preparatory information for the General Shareholders' Meeting of 22 April 2009 and available information media

	Communication channels								
	Made available by BPI						Other channels		
					Postal mail				
	In person[1]	Internet (www.ir.bpi.pt)	E-mail (ag22Abril2009@bancobpi.pt)	Information phone line about the GSM (226 073 333)	At BPI's initiative	At Shareholders' request[2]	CMVM's Web site (www.cmvm.pt)	Media	Date available on BPI channels
Items required by law or regulation[3]									
Notice of meeting	✓	✓	✓	–	✓[4]	✓	✓	✓	18 March 09
Board of Directors' motions:									
2008 report and accounts[5]	✓	✓	✓	–	–	✓	✓	–	7 April 09
Appropriation of 2008 net profit	✓	✓	✓	–	–	✓	✓	–	7 April 09
General review of the Company's management and supervision[6]	✓	✓	✓	–	–	✓	–	–	7 April 09
Other motions that do not involve the alteration of statutes[6]	✓	✓	✓	–	–	✓	✓	–	7 April 09
Other motions that involve the alteration of statutes	✓	✓	✓	–	–	✓	✓	–	18 March 09
Additional items made available by BPI									
Specimen proxy voting forms	✓	✓	✓	–	✓[4]	✓	–	–	7 April 09
Request for the issue of a registration and imobilisation declaration	✓	✓	✓	–	✓[4]	✓	–	–	7 April 09
Ballot papers for the exercise of postal voting	✓	✓	✓	–	✓[4]	✓	–	–	7 April 09
Draft forms for the exercise of voting by electronic means	✓	✓	✓	–	✓[4]	✓	–	–	7 April 09
Clarification of matters	✓[7]	✓	✓	✓	–	✓	–	–	Permanent
Banco BPI's Statutes and Regulations	✓	✓	✓	–	–	✓	–	–	Permanent
Results of voting on the proposals	✓	✓	✓	✓	–	✓	✓	–	22 April 09

1) At Banco BPI's head office (Investors Relations Division, Rua Tenente Valadim, no. 284, 3rd floor, Porto).
2) Postal address: Shareholders' General Meeting – April 2008, Departamento de Títulos – Área de Fundos e Serviços, Rua Tenente Valadim, 284, 4100-476 Porto.
3) Companies Code (article 289) and CMVM Regulation no. 1 / 2007 – Corporate Governance.
4) Sent to Shareholders entitled to ten or more voting rights.
5) Directors' Report, individual and consolidated accounts, legal certification of accounts and opinion of the Supervisory Board.
6) Concerning these matters (except the election of governing body members) the Shareholders can present proposals during the course of the AGM or before its realisation. In this latter situation, and should they inform Banco BPI, the Bank will disclose them. The dates referred to are valid for the Board of Directors' proposals.
7) By Investor Relations Division.

3.3. BOARD OF DIRECTORS

The Board of Directors is the governing body that has been vested with the widest powers to manage and represent the Company, without prejudice to the specific powers which the law has conferred on the Supervisory Board. It is responsible for formulating the BPI Group's major strategic policies.

3.3.1. Composition

Banco BPI's Board of Directors is presently composed of 23 members, seven of whom make up the Executive Committee.

The Board of Directors is composed of a minimum number of eleven and a maximum number of twenty five members, elected by the General Meeting. They shall appoint a Chairman from amongst their number and if they deem it appropriate, one or more Deputy-Chairmen.

Where a legal person is elected, it shall nominate a natural person to exercise the office in his own name, and it shall replace such person in the case of definitive impediment, renouncement or removal by the legal person which nominated such person.

Structure of Banco BPI's Board of Directors

At 31 December 2008

		Consultative committee's of the Board of Directors			Non-executive members	
	Executive Committee	Audit and Internal Control Committee	Corporate Governance Committee	Nominations, Evaluation and Remunerations Committee	Independence referencial[1] (under the terms of CMVM's Reg.1 / 2007)	Incompatibility referencial[2] (under the terms of CMVM's Reg.1 / 2007)
Chairman						
Artur Santos Silva		Chairman	Chairman	Chairman	b)	✓
Deputy-Chairman						
Carlos da Câmara Pestana				Member	a) b)	✓
Fernando Ulrich	Chairman	-	-	-	-	-
Ruy Octávio Matos de Carvalho		Deputy-Chairman			b)	✓
Members						
Alfredo Rezende de Almeida		Member			b)	✓
António Domingues	Deputy-Chairman	-	-	-	-	-
António Farinha Morais	Member	-	-	-	-	-
António Lobo Xavier			Member		Independent	✓
Armando Leite de Pinho				Member	b)	c)
Carlos Moreira da Silva			Member		Independent	c)
Edgar Alves Ferreira			Member		a)	✓
Henri Penchas		Member			a)	c)
Herbert Walter[3]				Member	a)	c)
Isidro Fainé Casas					a) b)	c)
José Pena do Amaral	Member	-	-	-	-	-
Juan Maria Nin					a)	c)
Klaus Dührkop					a) b)	✓
Manuel Ferreira da Silva	Member	-	-	-	-	-
Marcelino Armenter Vidal		Member		Member	a)	c)
Maria Celeste Hagatong	Member	-	-	-	-	-
Pedro Barreto	Member	-	-	-	-	-
Roberto Egydio Setúbal					a) b)	c)
Tomaz Jervell			Member		b)	c)

1) According to the independence requirements applicable to the members of the Supervisory Board envisaged in article 414(5) of the CCC and which, by virtue of a CMVM recommendation, serve as reference for the non-executive members of the Board of Directors:
   a) The director concerned is not the owner of a qualified holding of 2% or more of the company's capital; the director concerned occupies management position(s) at (an) entity(ies) owning a qualified holding of 2% or more of Banco BPI's capital or in (an) entity (ies) of that group, circumstance which, in the opinion of the Board of Directors, does not mean, nor does it have as a consequence, that the aforesaid director must be considered to be a person who acts in the name or on behalf of the abovementioned entity(ies); if however a broad interpretation is given to the expression "acting in the name or on behalf of entities owning a qualified holding of 2% or more of the company's capital", in such a manner as to deem that such action exists by the mere fact of being a director of the aforementioned entity(ies), then the director indicated falls under that situation.
   b) Was re-elected for two more terms, continuous or interspersed.

2) According to the disqualification rules applicable to the members of the Supervisory Board envisaged in art. 414-A of the CCC and which by virtue of a CMVM recommendation serve as reference for the non-executive members of the Board of Directors:
   c) Exercises management or oversight functions at five or more companies.
   ✓ The director concerned is not covered by any of the situations mentioned in article 414-A(1) of the CCC which constitute the reference in question.

3) Indicated by Allianz Europe, Ltd. to occupy the position in his own name.

3.3.2. Independence of the non-executive members

The table presented in point 3.3.1 relating to the composition of the Board of Directors, depicts the individual situation of each one of Banco BPI's 16 non-executive Directors as regards the independence requisite envisaged in CMVM Regulation no. 1 / 2007.

On the other hand, BPI's Board of Directors presents in the declaration of the present report's compliance (page 324), its assessment, duly founded, with respect to the Independence of its members in the light of the abovementioned Independence criterion and in consonance with the principles and recommendations of the European Union relating to the Independence of the Board of Directors' non-executive members, according to which, the fixing of the criteria for the determination of Independence of its members is fundamentally the responsibility of the actual Board of Directors, which may consider that despite a certain director not complying with any of the criteria adopted at national level for assessing the independence of the Directors, he / she may be deemed to be independent, due to the specific circumstances of the person or the company, while the opposite is similarly applicable.

The Board of Directors concludes in the aforementioned assessment that the actual involvement of the group of non-executive members, and the contribution which each one makes to the Bank's development, fruit of the complementarity and relevance of their knowledge, judgmental skills and professional experience, ensure that there is an independent decision-making process.

3.3.3. Disqualification criterion

The annex to CMVM Regulation no. 1 / 2007 of the structure of the corporate governance report establishes a duty of information which consists of the identification of the non-executive members of the Board of Directors who, although not directly covered by the disqualification rules of Article 414 (1)-A of the Commercial Companies Code applicable to the members of the Supervisory Board, do not find themselves in any of the situations contemplated therein (with the exception of paragraph b).

At 31 December 2008 and on the date of the conclusion of this report, seven directors, the Chairman Artur Santos Silva, the Vice-chairmen Carlos Câmara Pestana and Ruy de Carvalho, and the members Alfredo Rezende de Almeida, António Lobo Xavier, Edgar Alves Ferreira and Klaus Dührkop were not covered by any of the situations envisaged in the abovementioned disqualification rules. Nine directors are covered by one of the envisaged situations by virtue of exercising management or oversight functions at five or more companies.

3.3.4. Board of Directors' terms of reference

PRINCIPAL TERMS OF REFERENCE OF THE BOARD OF DIRECTORS

- To appoint the Executive Committee from amongst their members.
- To define the BPI Group's general policies: for this purpose, the BPI Group shall mean the group of credit institutions and financial companies controlled directly or indirectly by Banco BPI, S.A., including the entities with management contract to be assumed by BPI.
- To approve the strategic plan and operating plans and budgets, both annual and pluri-annual, and the alterations thereto, and to periodically monitor their execution.
- To prepare the documents forming part of the annual report and accounts and the proposed appropriation of net income, to be presented at the General Meeting.
- To take the initiative to propose any amendments to the statutes and capital increases, as well as bond issues which do not fall within its powers, presenting the corresponding proposals to the General Meeting.
- To approve the code of conduct of the companies controlled fully by the BPI Group.

Furthermore, the Board of Directors is responsible for practising all the other acts which are necessary or appropriate for the pursuance of the business activities falling within its objects clause and, in particular:

- to represent the company in and out of court, as plaintiff and defendant, to institute and contest any legal or arbitration proceedings, to confess, withdraw or reach a compromise in any legal actions or to abide by arbitrators' decision;
- to acquire, dispose of or encumber any assets or rights;
- to deliberate, in the terms of paragraph two of Article three of the Articles of Association, on the company's participation in the equity capital of other companies and in partnership association (joint venture) contracts, in complementary corporate groupings and in European economic-interest groupings;
- to approve shareholdings in banks and insurance companies, as well as their disposal;
- to approve loan operations to companies or groups of companies where the exposure exceeds 300 M.€;
- to appoint the Directors of the banks controlled by BPI;

- to appoint authorised signatories to perform certain acts or categories of acts, defining the extension of the respective mandates.

The Board of Directors is also responsible for the following:

- to delegate to an Executive Committee, composed of three to nine members, the day-to-day management of the Company, subject to the limits to be fixed in the resolution approving such delegation;
- to co-opt directors to fill any vacancies which may occur;
- to appoint a Company Secretary and an alternate Secretary;
- to draw up a set of internal rules of procedure and approve the functioning regulations for the Executive Committee to be appointed, as well as for the Audit and Internal Control Committee, the Nominations, Evaluation and Remuneration Committee and the Corporate Governance Committee; these last two committees must prepare reports (at least annually) for the Board of Directors' review and approval.

The Board of Directors' powers are subordinated to the resolutions of the Shareholders and to the intervention of the Audit Committee, in the cases contemplated in the Law and in the Statutes.

3.3.5. Chairman of the Board of Directors

The Chairman of Banco BPI's Board of Directors is Artur Santos Silva.

Artur Santos Silva was simultaneously Chairman of the Board of Directors and Chairman of the Executive Committee up until the Shareholders' General Meeting of 20 April 2004. On that date, he ceased executive functions in terms of article 29(3) of the Bank's Statutes, which stipulate that directors who are members of the Executive Committee cease functions on this Committee once the accounts for the year in which they reach the age of 62 are approved. The introduction of this age limit into the Bank's statutes resulted from a proposal made to the Board of Directors by Artur Santos Silva himself in 1998.

The Chairman of the Board of Directors is responsible for coordinating the Board's activity, chairing the respective meetings and overseeing the execution of its resolutions. It is also the Chairman's duty to act as the institution's front-line representative before the public and other authorities.

Artur Santos Silva (Chairman)

Date of Birth	22 May 1941
Academic qualifications	**1985:** Stanford Executive Program, Stanford University **1963:** Law graduate, Coimbra University
Management and oversight positions held at BPI Group	Chairman of the Board of Directors of Banco BPI
Professional experience	**1977-78:** Deputy-Governor of the Bank of Portugal **1975-76:** Secretary of State of the Treasury **1968-75:** Manager at Banco Português do Atlântico **1963-67:** Assistant lecturer at the Coimbra University Law Faculty, in the chairs Public Finance and Political Economics

3.3.6. Board of Directors' meetings

The Board of Directors meets at least every quarter and always when convened by its Chairman or by two Directors.

The meetings are held each year on the dates set, at the very latest, at the last meeting of the previous year. Such dates shall be notified immediately in writing to the members who did not attend the meeting at which they were set.

The meetings shall be convened in writing, with a minimum notice period of 10 days, while the notice of the meeting must contain the order of business.

Each of the Directors must notify the Company Secretary up to five days before the appointed date if he / she will be present.

3.3.7. Order of business for meetings

The Chairman shall draw up the order of business for each meeting of the Board of Directors which shall be sent to its members, together with the respective notice of meeting in the case of meetings not set in the previous year; in the case of meetings to be held on a date which was set in the previous year, the order of business shall be sent at least seven days beforehand.

The documents relating to the meetings, except those relating to financial information, shall be sent up to seven days prior thereto in their original version in Portuguese, accompanied by the respective summaries in English.

The approval of the minutes of the previous meeting must mandatorily form part of the order of business of each meeting, as well as the review of the information concerning the BPI Group's situation and of the performance of its business.

The order of business for the last meeting of each year must mandatorily include approval of the Annual Operating Plan and Budget of the BPI Group and the banks controlled by it, as well as the calendar of the meetings for the same period if such has not yet been set.

The following must mandatorily form part of the order of business of the preparatory meeting of the General Meeting:

- a resolution on the report and accounts relating to the previous financial year;
- the drafting of a proposal for the appropriation of net profit to be tabled at the General Meeting.

3.3.8. Functioning of the meetings

The meetings of the Board of Directors shall be presided over by its Chairman and in his absence or impediments by one of the Deputy-Chairmen, in the order in which the Board was appointed. In their absence, the Board of Directors must choose who must perform the respective functions at such meeting.

It is the Chairman of the Board of Directors function to conduct the meeting and to formulate in the appropriate manner the proposals to be submitted for the Board's decision.

Whenever he deems it appropriate, the Chairman or whoever substitutes him / her can delegate to one of the members the task of preparing a report on any of the matters submitted for the Board's consideration.

The meetings of the Board of Directors shall be held in Portuguese, without prejudice to the organisation of a simultaneous translation.

3.3.9. Participation at meetings

The Directors and senior Employees of the Banks or other companies of the BPI Group and/or their consultants may be summoned to attend meetings of the Board of Directors whenever this is beneficial to the good progress of proceedings.

The meetings of the Board of Directors shall also be attended by the Company Secretary or his alternate, whose function it is to assist the Chairman in formulating the resolutions, organising the matters to be dealt with at the meetings, in particular, ensuring that the pertinent documents are sent to all the members of the Board of Directors, and to draw up the respective minutes.

For the performance of their functions and whenever they consider it appropriate, the members of the Supervisory Board, jointly or separately, may attend the meetings of the Board of Directors.

3.3.10. Resolutions

The Board of Directors shall be deemed to be validly constituted and in a position to deliberate provided that the majority of its members are present or represented, but none of them can represent at each meeting more than one member. The proxy shall take the form of a letter addressed to the Chairman and cannot be used more than once.

The resolutions of the Board of Directors shall be passed by an absolute majority of the votes cast by the members present or represented, with the Chairman having the casting vote in the event of a tie.

In exceptional circumstances or for reasons of acknowledged urgency, the Chairman of the Board of Directors may resort to resolutions being passed through the circulation of documents amongst all the Board members, provided that all these give their prior agreement to this form of resolution.

The circulation of documents shall be done by mail, fax or electronic mail, while the response of each member must be given via one of these channels in a reasonable period set by the Chairman in each case, in accordance with the urgency and complexity of the matter for consideration.

3.3.11. Minutes

With respect to each meeting of the Board of Directors, the Company Secretary or the respective Alternate, shall draw up a draft minute which shall contain the proposals presented, the resolutions passed in relation thereto and the votes cast by any member during the meeting. The draft minutes shall be written in Portuguese, with an English translation.

The minutes shall be written up in conformity with applicable legal requirements and recorded in a proper minute book.

Whenever it becomes necessary to ensure the immediate production of all its effects, the resolutions of the Board shall be reduced immediately to writing.

3.3.12. Information provided to the non-executive members

With the object of keeping the non-executive directors permanently acquainted with the Group's affairs, they are sent monthly information concerning the Group's consolidated economic and financial situation, as well as the performance of the principal business units, including the situation regarding Banco BPI's pension fund. This information gives an account of the most important changes that took place and compares, whenever possible, monthly and accumulated trends with budgeted and previous-year figures.

On the other hand, the Chairman of the Executive Committee sends to the Board of Directors' Chairman the notices of meetings and makes available the minutes of the respective meetings. The non-executive directors are regularly informed of the main decisions taken by the Executive Committee.

3.3.13. Rules relating to election and dismissal

Members of the Board of Directors are elected in their personal capacity for terms of three years at the Shareholders General Meeting, while re-election is always possible.

As referred to in chapter 3, the members of the Board of Directors are subject to the scrutiny of and registration with the Bank of Portugal. If the central bank is of the opinion that the candidate member does not meet the integrity, professional experience and availability requirements that ensure "a sound and prudent management taking into consideration in particular the security of the funds entrusted", the Bank of Portugal may turn down his / her registration.

In terms of article 401 of the CCC, should subsequent to the director's appointment, some incapacity or disqualification which constitutes an impediment to such appointment occur and the director does not relinquish the position or does not remove the supervening incompatibility within 30 days, then the Supervisory Board must declare the termination of his / her functions. The Board of Directors must then appoint by co-option another to replace him / her. This co-option must be ratified at the first Meeting thereafter.

A director can be dismissed by a resolution passed by a simple majority at a Shareholders' General Meeting.

Portuguese law does not provide for structures of the "classified" or "staggered boards" type, or any other election rules which have as their prime object making the replacement of the members of the Board of Directors[1] a more difficult task. Similarly, the "Cumulative Voting"[2] system or something similar is not permitted.

3.3.14. Induction of new Directors

It is also important to point out that when new directors are admitted, they are given a summary of the principal legal, regulatory and administrative procedures required of them within the scope of their new functions.

3.3.15. Liability and adherence to the codes of conduct

Portuguese law[3] provides that the directors are jointly liable to the company and to the company's creditors[4] for culpable non-compliance with legal requirements and statutory duties.

3.3.16. Article 64 of the CCC – Duties of care and loyalty

The Commercial Companies Code also stipulates that the Directors must observe duties of care, revealing the appropriate availability, technical competence and knowledge of the company's business commensurate with their functions, employing in this domain the diligence of a scrupulous and thorough manager. On the other hand, the company is also subjected to the duty of loyalty, taking into consideration the long-term interests of both the Shareholders and the other relevant parties for the company's sustainability, such as the Employees, Customers and Creditors.

The members of the Board of Directors are bound to a strict duty of confidentiality concerning the matters discussed at the board meetings.

These members of the Board of Directors are bound in the same manner to strict duties of information and with the object of ensuring that in the performance of their functions they cannot be placed in a situation in which there are or may be conflicts of interest.

CONFLICTS OF INTEREST

(Article 11 of the Board of Directors' Regulations)

- Members of the Board of Directors must disclose any interest, direct or indirect, which they, any member of their families or entities with which they have professional ties, may have in a company in respect of which the possibility is being considered of acquiring a participating interest, or in respect of which the BPI Group's Banks or companies are considering granting a loan or provide any service.
- In the circumstances referred in the preceding paragraph, they must declare the nature and extent of any such interest and, in the case where this is substantial, they must refrain from taking part in the discussion and/or voting on any proposal that the said operation refers to.

In the appendix to this report (pages 420 to 435), information is provided concerning the academic background, professional experience and a list of the positions held by the members of Banco BPI's Board of Directors at the BPI Group or other companies.

1) The law only provides (article 391(2) of the Companies Code) that "the company's statutes may stipulate that the election of directors must be approved by votes corresponding to a specified percentage of the capital or that the election of some of them, which cannot be more than a third of the total, must also be approved by a majority of the votes attaching to certain shares, but does not permit the attribution to certain categories of shares the right to appoint directors".
2) Election system which basically allows "subdividing" the voting rights, enabling a Shareholder to concentrate his votes on the election of a specific director. It is therefore a system which facilitates the election of a director representing minority Shareholders who may not be aligned with the dominant Shareholders.
3) Companies Code – Chapter VII: "Civil responsibility for the constitution, management and supervision of the company".
4) When the company's net assets are inadequate to meet the aforementioned debts.

3.3.17. Exercise of the Board of Directors' functions in 2008 and up until 6 March 2009

The Board of Directors met 15 times in 2008 and two times between 1 January 2009 and 6 March 2009, having recorded an average attendance rate of 72% (excluding attendances by representation mandate).

It also met on 12 March 2009 for the purpose of approving the content of the motions to be tabled at the GM of 22 April 2009.

During the 2008 financial year and at the three meetings of 2009, Banco BPI's Board of Directors deliberated on and approved amongst others the following issues:

Main deliberations of the Board of Directors

Dates	Deliberations / Matters
	Approval of plans and budgets
2008: 6 Mar.	Consideration / analysis of estimated results for 2008.
2008: 11 Dec.	Consideration / analysis of estimated results for 2008.
2008: 29 Dec.	Consideration / analysis and approval of the Plan and Budget for 2009.
	Annual report and accounts and proposed appropriation of net profit
2008: 24 Jan.	Consideration / analysis and approval of the 2007 consolidated accounts, as well as deliberation on their public release.
2008: 24 Jan.	Consideration / analysis and approval of the proposal to be presented to the AGM of 22 April 2008, that a dividend of 0.187 euro per share in relation to 2007 be distributed in 2008.
2008: 6 Mar.	Approval of the draft annual Report to be presented at the AGM of 23 April 2008.
2008: 6 Mar.	Consideration / analysis of the consolidated accounts at 31 January 2008.
2008: 22 Apr.	Consideration / analysis of the consolidated accounts at 31 March 2008 as well as deliberation on their release.
2008: 25 Jul.	Consideration / analysis of the consolidated accounts at 30 June 2008 as well as deliberation on their release.
2008: 24 Oct.	Consideration / analysis of the consolidated accounts at 30 September 2008 as well as deliberation on their release.
2009: 23 Jan.	Consideration / analysis and approval of the 2008 consolidated accounts, as well as deliberation on their release.
2009: 23 Jan.	Consideration / analysis and approval of the proposed dividend distribution for the 2008 financial year, to present to the AGM on 22 April 2009 of 0.067 euro per share.
2009: 6 Mar.	Approval of the draft Annual Report to be presented at the AGM of 22 April 2009.
	Initiatives for presentation of proposals to the Shareholders' General Meeting
2008: 6 Mar.	Approval of the draft notice convening the AGM of 23 April 2008.
2008: 17 Mar.	Approval of the proposed alteration to Banco BPI's Statutes to be submitted for the AGM's approval at its meeting on 23 April 2008.
2008: 17 Mar.	Approval of the proposed increase of Banco BPI's capital to be submitted for the AGM's approval at its meeting on 23 April 2008.
2008: 17 Mar.	Approval of the proposed definition of limits for annual fixed remuneration of the members of the Board of Directors and of the variable remuneration of the members of the Executive Committee, the last-mentioned as a percentage of net profit for the year referred to in article 28(3) of Banco BPI's Statutes, to be submitted for the AGM's approval at its meeting on 23 April 2008.
2009: 6 Mar.	Approval of the proposed notice of meeting and the proposals to be presented by the BD to the AGM to be held on 22 April 2009.
	Analysis of the trend in the principal shareholdings and strategic partnerships
2008: 11 Jan.	Approval of the position to be taken by Banco BPI at BCP's AGM convened for 15 January 2008.
2008: 24 Jan., 6 Mar.	Consideration / analysis of the performance of the Bank's investment portfolio, in particular the BCP holding.
2008: 14 Apr.	Approval of the sale on the stock market of the share subscription rights granted as part of the public subscription operation relating to BCP's capital increase.
2008: 19 May	Approval of the progressive sale on the stock market of the BCP shareholding owned by Banco BPI and BPI Vida – Companhia de Seguros de Vida.
	Monitoring the trend in the BPI Group pension funds' pension obligations and assets
2008: 24 Jan., 6 Mar., 22 Apr., 25 Jul., 24 Oct., 11 Dec. 2009: 23 Jan., 6 Mar.	Consideration / analysis of retirement and survivor pension obligations and the respective cover by the pension fund, as well as the rate of return achieved by this.
	Monitoring the Bank's exposure to larger risks
2008: 24 Jan., 6 Mar., 22 Apr., 25 Jul., 24 Oct., 11 Dec. 2009: 23 Jan., 6 Mar.	Consideration / analysis of credit risk exposures in excess of 300 M.€.

Main deliberations of the Board of Directors (continued)

Dates	Deliberations / Matters
	Bond issue
2008: 24 Jan.	Approval of the renewal / review of the Euro Medium Term Note Programme (EMTN Programme).
2009: 23 Jan.	Approval of the renewal / review of the Euro Medium Term Note Programme (EMTN Programme).
	Internal functioning
2008: 24 Jan., 6 Mar., 22 Apr.	Information to the Chairman of the Board of Directors and Chairman of the Audit Committee on this body's activity.
2008: 25 Jul., 24 Oct., 11 Dec. **2009: 23 Jan., 6 Mar.**	Information about the activity of the Audit and Internal Control Committee.
2008: 6 Mar.	Information of the Chairman of the Board of Directors and the Chairman of the Audit Committee on this body's activity, including the opinion issued on the public consultation of the CMVM, the Bank of Portugal and the Insurance Institute of Portugal on Internal Control.
2008: 23 Apr.	Appointment of the Executive Committee of the Board of Directors and of the Company Secretary.
2008: 25 Jul.	Approval of the Audit and Internal Control Committee's Regulations.
2008: 25 Jul.	Appointment of the members of the Audit and Internal Control Committee, of the Nominations, Evaluation and Remuneration Committee, the Corporate Governance Committee and the Alternate Company Secretary.
	Other matters of general interest to the Company
2008: 24 Jan., 06 Mar., 22 Apr., 25 Jul., 24 Oct., 11 Dec. **2009: 23 Jan. and 06 Mar.**	Analysis of the behaviour of the Banco BPI shares.
2008: 11 Jan., 24 Jan., 6 Mar., 22 Apr., 25 Jul., 4 Sep., 24 Oct., 4 Dec., 11 Dec.	Monitoring the developments relating to the disposal of 49.9% of the capital of BFA.
2008: 24 Jan., 6 Mar., 22 Apr., 25 Jul., 24 Oct.	Monitoring the developments relating to the equity interest in Companhia de Seguros Allianz Portugal, S.A. and the renegotiation of the commercial cooperation concluded in 1995 between Companhia de Seguros Allianz and Banco BPI.
2008: 24 Jan., 6 Mar., 22 Apr., 25 Jul., 24 Oct., 11 Dec. **2009: 23 Jan. and 6 Mar.**	Consideration / analysis on the situation of the Financial and Credit Markets.
2008: 6 Mar.	Approval of the proposed alteration of Banco Português de Investimento's Statutes.
2008: 23 Apr.	Approval of Banco BPI's capital increase approved at the AGM of 22 April 2008.
2008: 19 May	Approval of the amount of the capital increase, number of new shares to be issued, the premium and the conditions to which it will be subject.
2008: 24 Oct.	Assessment of the prospects for 2009.
2008: 29 Dec.	Approval of the plan for 200 early retirements.
2009: 6 Mar.	Consideration / analysis of the consolidated accounts at 31 January 2009.
2009: 6 Mar.	Consideration / analysis on the execution of the early-retirement programme approved at the meeting of 29 December 2008.

3.4. EXECUTIVE COMMITTEE OF THE BOARD OF DIRECTORS

The Executive Committee has the widest management powers to conduct the Group's day-to-day activity, the exercise of which is the object of permanent monitoring by the Board of Directors. Those powers are delegated by the Board of Directors and are specifically set out at any moment in the regulations governing the body's functioning. Hence, the Executive Committee is barred from performing all the management acts that are not contemplated in the list of responsibilities forming part of the respective regulation.

3.4.1. Composition

The Executive Committee of Banco BPI's Board of Directors (Executive Committee, CECA) is presently composed of seven professional executive Directors who are independent from any Shareholders or specific groups.

COMPOSITION OF THE EXECUTIVE COMMITTEE

Chairman	Fernando Ulrich
Deputy-Chairman	António Domingues
Members	José Pena do Amaral
	Maria Celeste Hagatong
	Manuel Ferreira da Silva
	António Farinha Morais
	Pedro Barreto

Principal areas of responsibility of the members of the Executive Committee of Banco BPI's Board of Directors

Executive Committee

			Deputy-Chairman
			
	António Farinha Morais	**Maria Celeste Hagatong**	**António Domingues**
Principal areas of responsibility at the BPI Group	Real Estate Financing, Cards, Personal Loans and Automatic Banking, Insurance, Individuals Credit Risk, Operations, Securities, Procurement, Outsourcing and Fixed Assets, Human Resources, Training, Legal, Compliance.	Corporate banking, Institutional banking and State Business Sector, Project Finance, Credit Risk, Corporate Marketing, Office for Angola, Madrid Branch, Construction Finance.	Financial, Information Systems, International, Banco de Fomento Angola.

All the members of the Executive Committee play an active role in the day-to-day management of the Group's business, and are responsible for one or more specific business areas in accordance with their profile and their individual specialist areas, and corresponding to the distribution of the responsibilities which at any moment and in the Executive Committee's judgment, best contributes to that body's effective and balanced functioning. Without prejudice to the greater or lesser focus of one or other member in a particular area, the decision-making process in matters relating to the Group's strategic direction is undertaken on a collective basis and is the object of permanent monitoring by the Board of Directors.

It is the BPI Group's policy that the persons making up the Executive Committee only occupy other positions by indication of and after approval by the Bank.

3.4.2. Chairman of the Executive Committee

The Chairman of the Board of Directors' Executive Committee is Fernando Ulrich. He was appointed unanimously for the first time to assume the executive leadership of the Bank by the Board of Directors on 3 December 2003, such appointment taking effect from the General Meeting held on 20 April 2004. He was re-elected at the General Meeting of 20 April 2005 and again at the SGM of 23 April 2008, for a term of three years which ends at 31 December 2010, maintaining in functions, just like the other governing body members, up until the new election of these bodies which, as a rule, occurs at the GM for the approval of the accounts for the year of the last term of office. He was in 2005 and in 2008 once again unanimously appointed by the Board of Directors to serve as the Chairman of the Executive Committee.

The terms of reference of the Chairmen of the Board of Directors and of the Executive Committee are clearly demarcated through the existence of two autonomous regulations which encapsulate the functions and responsibilities of each one.

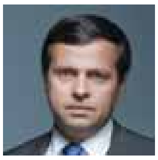
Chairman

Fernando Ulrich

Planning and Accounting, Asset Management, Private Banking, Audit.

José Pena do Amaral

Individuals Marketing, Remote Channels, Communication and Brand Management.



Manuel Ferreira da Silva

Investment Banking, Private Equity, Investor Relations, Risk Control and Analysis, Financial and Economic Studies.

Pedro Barreto

Individuals and Small Businesses, Emigration, Commercial Partnerships.

3.4.3. Terms of reference

PRINCIPAL TERMS OF REFERENCE OF THE EXECUTIVE COMMITTEE

Pursuant to the resolution of the Board of Directors, the day-to-day management of the Company shall be vested in the respective Executive Committee of the Board of Directors, encompassing all management powers necessary or convenient to conduct banking business under the terms and to the extent permitted by law, and namely, such powers to decide and represent the Company in the following:

- credit granting;
- provision of remunerated personal guarantees;
- provision of real guarantees for securities, deemed necessary or convenient to pursue all activities comprised in the Company's object;
- to carry out foreign exchange transactions;
- to carry out deposit-taking transactions;
- to issue of cash bonds and financial instruments of a similar nature;
- to subscribe, acquire, dispose of or encumber shareholdings in any companies, other than shareholdings in banks and insurance companies;
- to acquire, dispose of or encumber any other securities;
- to acquire, dispose of and encumber movable and immovable assets;
- to acquire services;
- to recruit staff, definition of levels, categories, remuneration conditions and other Employee benefits, as well as promotion to executive positions;
- to exercise disciplinary power and impose sanctions;
- to set up or close branches or agencies;
- to appoint a person to represent the Bank at general meetings of associated companies, establishing how votes shall be cast;
- to appoint persons to perform any duty assigned to the bank, as well as the persons who the Bank may elect to perform any duty, except for members of the Board of Directors of the banks controlled by the Company;
- to issue instructions binding the companies forming part of the group fully controlled by the Company;
- to represent the Bank in court or elsewhere, actively or passively, including to institute and prosecute any suits, confess, admit or waive any proceeding and abide by the arbitrator's decision;
- to appoint proxies, with or without powers of attorney, to do specific acts or classes of acts, defining the extent of their terms of office.

With regard to lending or financing operations and to the remunerated provision of personal guarantees, these cannot result in the involvement in relation to a single entity (or if it forms part of a group, in relation to the group) of more than EUR 300 million. Above this amount, any involvement must be decided at the plenary meeting of the Board of Directors.

3.4.4. Executive Committee meetings

The Executive Committee meets at least once a month for the purpose of dealing with matters of general interest relating to Banco BPI and its subsidiaries. It normally meets on a weekly basis.

During 2008 the Executive Committee met on 37 occasions.

3.4.5. Functioning rules

The Executive Committee can only adopt resolutions when the majority of its members are present, while representation is not permitted.

The resolutions of the Board of Directors' Executive Committee are adopted by an absolute majority of the votes, with the Chairman having the casting vote.

The Chairman is responsible for coordinating the activities Board of Directors' Executive Committee, chairing the respective meetings and overseeing the execution of its resolutions.

In the Chairman's absence or impediment, the functions referred to in the preceding paragraph will be undertaken by the Deputy-Chairman, or in his absence, by the longest-serving member and, in the case of equal service periods, by the eldest.

The directors who are members of the Executive Committee relinquish their positions on the Committee once the accounts relating to the financial year in which they celebrate their sixty-second birthday are approved.

3.4.6. Information to the Board of Directors and to the Supervisory Board

The Chairman of the Executive Committee sends to the Chairman of the Board of Directors and to the Chairman of the Supervisory Board, for his knowledge, the notices of that Committee's meetings prior to their realisation. The minutes of the respective meetings are also made available.

The members of the Executive Committee furnish in a timely and proper manner the information solicited from them by other members of governing bodies.

3.4.7. Specialist Executive Committees

Bearing in mind the importance that credit and market risks assume in banking activity, two specialist committees were created – the Executive Committee for Credit Risk and the Executive Committee for Market Risk, which comprise, besides the members of the Executive Committee, the members of the Group's senior management responsible for the respective areas.

3.4.7.1. Executive Committee for Credit Risks

The Executive Committee for Credit Risk is the body which monitors and decides on the concession and recovery of loans, analysing mandatorily all the exposures to any one entity involving more than a defined limit. Besides members of the Executive Committee, also participating are the principal staff members of Corporate Banking.

Composition of the Executive Committee for Credit Risks

Fernando Ulrich	Chairman of the Executive Committee
António Domingues	Deputy-Chairman of the Executive Committee
José Pena do Amaral	Executive Committee member
Maria Celeste Hagatong	Executive Committee member
Manuel Ferreira da Silva	Executive Committee member
António Farinha Morais	Executive Committee member
Pedro Barreto	Executive Committee member
Francisco Costa	General Manager and responsible for the Southern Large Corporates Division and Madrid Branch
Maria do Carmo Oliveira	General Manager and responsible for the Northern Large Corporates Division
Miguel Alves	Director of Banco Português de Investimento and responsible for the Project Finance Division
Luís Câmara Pestana	Central Manager for the Credit Risks Division
Joaquim Pinheiro	Central Manager of the Southern and Islands Corporate Division
Pedro Fernandes	Central Manager of the Center Corporate Division
Filipe Cartaxo	Central Manager of the Institutional Banking / State Corporate Sector Division
João Azevedo Gomes	Coordinating Manager of the Northern Corporate Division – Porto Region Coordination Area
Miguel Ribeiro	Coordinating Manager of the Northern Corporate Division – North Region Coordination Area
Pedro Coelho	Coordinating Manager of the Southern Large Corporates Division

3.4.7.2. Executive Committee for Market Risk

The Executive Committee for Market Risk is the body charged with analysing the conformity of the positions and mechanisms associated with the evaluation of interest rate, currency and equities risks. Besides members of the Executive Committee, this body comprises the heads of the relevant Divisions.

Composition of the Executive Committee for Market Risks

Fernando Ulrich	Chairman of the Executive Committee
António Domingues	Deputy-Chairman of the Executive Committee
José Pena do Amaral	Executive Committee member
Maria Celeste Hagatong	Executive Committee member
Manuel Ferreira da Silva	Executive Committee member
António Farinha Morais	Executive Committee member
Pedro Barreto	Executive Committee member
Isabel Castelo Branco	Central Manager responsible for Banco BPI's and Banco Português de Investimento's Financial Divisions
Henrique Cabral Menezes	Banco Português de Investimento's Director responsible for the Equities Department
Rui Martins dos Santos	General Manager for Banco BPI responsible for RIsk Analysis and Control Division and the Economics Research Department

The policy, procedures and allocation of powers amongst the Group's various bodies and departments on matters relating to the control and management of the Group's risks – credit risk, market risk, liquidity risk and operational risk – are described in detail in chapter 4 of the present Corporate Governance Report and in a separate chapter of the Directors' Report, which must be read together.

3.5. SUPERVISORY BOARD (CONSELHO FISCAL)

The composition of the Supervisory Board (*Conselho Fiscal*) is governed by the provisions of the law, the Statutes and its internal regulations.

3.5.1. Composition

The Supervisory Board is composed of a Chairman and two members in office, as well as two alternates.

The members of the Supervisory Board, including its Chairman and, where this is the case, one or more Deputy-Chairmen, are elected by the General Meeting.

The members of the Supervisory Board possess technical qualifications – namely in the areas of law, accountancy, auditing and financial management – and professional experience, including operational knowledge of the banking industry, all of which enable them to discharge in a effective manner with the responsibilities entrusted to them.

Composition of Banco BPI's Supervisory Board (Conselho Fiscal) At 31 December 2008

	Independence (according to art. 414, no. 5 CCC)	Disqualification (according to art. 414-A, no. 1 CCC)	Date of first appointment	End of current term[1]	Nationality
Chairman					
Abel António Pinto dos Reis	Complies	Complies	23 Apr. 08	31 Dec. 2010	Portuguese
Members					
Jorge de Figueiredo Dias	-	Complies	21 Apr. 99	31 Dec. 2010	Portuguese
José Neves Adelino	Complies	Complies	23 Apr. 08	31 Dec. 2010	Portuguese

1) General Meeting to be held in 2011, at which the 2010 accounts will be approved.
Note: it is envisaged that at the General Meeting to be held on 22 April 2009 two alternate members will be elected.

3.5.2. Independence requirements and disqualification rules

Portuguese law, in articles 414 and 414-A of the Commercial Companies Code (CCC), lays down a series of independence requirements and situations of disqualification. The description of this regime in this report is presented in the section "Management and Oversight Bodies – Requirements enshrined in Portuguese law" (page 337).

The situation of each one of the members of the Supervisory Board in the light of the aforementioned provisions is presented in the above table, underlining the compliance by all the members of the Supervisory Board with all the criteria relating to disqualification and independence, with the exception, relating to one member, of the independence criterion of article 414(c) of the CCC on the grounds of having been re-elected for more than two terms of office on BPI governing bodies.

The Chairman of the Supervisory Board complies with all the criteria relating to the abovementioned disqualification and independence, and possesses the appropriate technical competencies for the performance of his functions, as evidenced in his *curriculum vitae* presented in an annex to this report on (page 424).

3.5.3. Terms of reference

The Supervisory Board's core terms of reference entail overseeing the management of the Company, supervising compliance with the Law and the Statutes, verifying the true and fair presentation of the company's annual report and accounts, overseeing the statutory audit and the independence of the Portuguese Statutory Auditor and of the External Auditor, as well as evaluating the latter's work.

SUPERVISORY BOARD'S PRINCIPAL TERMS OF REFERENCE

In the performance of the legally and statutorily-attributed functions, namely those envisaged in article 420 of the Commercial Companies Code, it is the Supervisory Board's function:

- to ensure observance of the legal and regulatory provisions, the statutes and other regulations issued by the supervisory authorities, as well as of the general policies, standards and practices instituted internally;
- to ensure at Banco BPI and other Group companies subject to supervision on a consolidated basis, the pursuance of the fundamental objective fixed in the area of internal control and risk management by the Bank of Portugal and by the Securities Market Commission in the supervision directives directed at credit institutions and financial companies;

- evaluate the reliability of the prudential reports relating to the Group and the Group companies subject to this obligation;
- to verify the appropriateness of and to supervise compliance with the accounting policies, criteria and practices adopted and the proper state of the supporting documents;
- to express an opinion on the report, accounts and proposals presented by the Board of Directors;
- to oversee the process involving the preparation and disclosure of financial information;

As regards the Portuguese Statutory Auditor:

- it has to propose the respective appointment at the General Meeting;
- it has to oversee the review of the company's annual report;
- it has to verify the Portuguese Statutory Auditor's independence and, in this regard, to consider and decide, after having heard the Audit and Internal Control Committee, on the provision of additional services by the Portuguese Statutory Auditor to the company and Group companies, as well as on the respective conditions.

In what concerns the company's External Auditor:

- to present to the Board of Directors the proposal relating to the External Auditor to be contracted by the company, including not only the proposal as to whom should provide such services, but also the proposal relating to the respective remuneration;
- to represent the company for all purposes in dealings with the External Auditor, in particular, being the company's interlocutor with him and the first recipient of the relevant reports;
- to ensure that the company provides the External Auditor with all the proper conditions so that he can provide his services;
- to oversee the External Auditor's independence and in this regard to consider and decide, after having heard the Audit and Internal Control Committee, on the provision by the External Auditor of additional services to the company and to the Group companies, as well as on the respective conditions;
- to evaluate annually the work done by the External Auditor;
- to accompany the inspections conducted by the Bank of Portugal, CMVM, the Insurance Institute of Portugal, the Directorate-General of Taxes and the General Inspectorate of Finance at Banco BPI and at the other Group companies subject to supervision on a consolidated basis.
- to certify the effectiveness of the internal control, internal audit and risk management systems, carrying out for this purpose:
  - a) an assessment of the operational procedures, with a view to verifying the existence of an efficient management of the respective activities, through proper management of risks and complete, reliable and timely accounting and financial information, as well as of an adequate monitoring system, through, namely:
    - i) evaluation of operational procedures taking into account the certification of the existence of a proper control and risk management environment, in particular, as regards the following risks:
      - operational risk;
      - compliance risk;
      - credit risk;
      - market risk;
      - interest rate risk:
      - currency risk;
      - liquidity risk;
      - reputational risk.
    - ii) keeping abreast of the work plans of the internal and external audits and evaluating the conclusions of the respective audit work, transmitting to the Board of Directors the recommendations which it deems opportune concerning the matters audited;
  - b) to review the annual reports produced by the areas responsible for the functions of:
    - i) compliance
    - ii) risk management
    - iii) internal audit
  - c) to review the opinion of the Portuguese Statutory Auditor on the adequacy and effectiveness of the internal control system underlying the preparation and disclosure of financial information;
  - d) to issue an annual opinion under the terms defined by the Bank of Portugal, on:
    - i) the efficacy, adequacy and coherence of the internal control, risk management and internal audit systems at Banco BPI and the Group;
    - ii) the internal control reports prepared by the Boards of Directors of Banco BPI, the Group and the entities subject to the Bank of Portugal's supervision on a consolidated basis.
  - e) to receive and follow up communications of irregularities presented by Shareholders, Employees of the company and others.

3.5.4. Functioning

Meetings and resolutions

The Supervisory Board meets ordinarily at least once every two months and also whenever its Chairman deems this necessary or when requested by any of its members.

In urgent cases, the Supervisory Board can meet without observing the prior formalities, providing that its members manifest the wish to meet and deliberate on a particular matter.

Besides the members of the Supervisory Board, the Portuguese Statutory Auditor, Directors, senior staff members or even third parties may be present at the respective meetings, provided they are invited by the Chairman or whoever substitutes him at this meeting, according to the utility of this in the light of the matters to be analysed.

The resolutions of the Supervisory Board are passed by a majority, with those members dissenting with these having to insert into the minutes the motives for their disagreement.

Minutes

Minutes of each meeting must be written up in the respective book or on loose sheets, and must be signed by all those who were present.

The minutes must always mention the members present at the meeting, as well as giving a summary of the matters dealt with and the decisions taken.

The draft minutes must circulate for the approval of all the Board members, but only subject to formal deliberation at the following meeting.

Support services

The Supervisory Board, besides the advisors allocated to it, may request the Board of Directors when it this deems necessary, the collaboration of one or more persons with experience in the areas of its terms of reference, to provide information and to carry out work for the purpose of substantiating the respective analyses and conclusions.

3.5.5. Supervisory Board's representation of the company in relations with the External Auditor

Banco BPI's Supervisory Board represents the company in all respects in dealings with the External Auditor, in the terms defined in the law, the Statutes and in the CMVM's Recommendation II.4.4. relating to this issue. In this respect, it is responsible for proposing the provider of these services, the respective remuneration, ensuring that the proper conditions exist within the company for the provision of services, as well as being the company's first interlocutor and the first recipient of the respective reports.

The Supervisory Board which is in office was elected in April 2008 in the wake of the modification to the governance model approved at that time (from the Anglo-Saxon model to the Latin model). At the date of its election, the current External Auditor was already in office, while the respective remuneration had already been fixed. Accordingly, the External Auditor in office was not proposed by the Supervisory Board, while the respective remuneration has not yet been fixed by it. The Supervisory Board will fix the External Auditor's fees for 2009.

3.5.6. Coordination between the Supervisory Board and the Audit and Internal Control Committee

In the terms laid down by the respective statutes, there is within the ambit of the Board of Directors an Audit and Internal Control Committee (AICC), formed by non-executive members. The existence of this Committee is warranted, amongst other reasons, by the following:

- Existence of an experience which for many years proved to be very positive involving the functioning of as structure within the ambit of the Board of Directors which has as its mission monitoring and overseeing the work of the Executive Committee;
- Conviction that the non-executive members of the Board of Directors are in a particularly favourable position to exercise the function of monitoring and overseeing the Executive Committee.

The AICC therefore plays a very important role of monitoring and overseeing the Executive Committee, role which complements but does not substitute the role which in this ambit and according to the Law and the Statutes is performed by the Supervisory Board.

The coordination orientation between the Supervisory Board and the Audit and Internal Control Committee is assured between the Chairman of the Supervisory Board and that Committee's Chairman.

As referred to further on when dealing with the functioning of the Audit and Internal Control Committee, the Supervisory Board's members can participate in that Committee's meetings, and have access to all the documentation distributed for those meetings, hearing the explanations given by those responsible for each one of the areas object of analysis, and asking the questions and requesting the clarification which the documents under review may necessitate.

As referred to previously, it should be underlined that the coordination between the Supervisory Board and the AICC has shown itself to be efficient.

3.5.7. Coordination between the Supervisory Board and the Board of Directors

The coordination orientation between the Supervisory Board and the Board of Directors is assured by the Chairman of the Supervisory Board and by the Director designated by the Board of Directors for this purpose.

The members of the Supervisory Board who participate in the Board of Directors meetings, in terms of articles 421 and 422 of the Commercial Companies Code, must give prior notification to the other members of their intention to participate and must subsequently inform the other members about the matters relating to the Supervisory Board's functions that were dealt with at those meetings.

The Supervisory Board may request information from the Executive Committee of the Board of Directors.

3.5.8. Coordination between the Supervisory Board and the Company's Management

The Supervisory Board, whenever it considers this of interest, may with the knowledge of the Executive Committee, request from those responsible for the Company's various divisions information that it deems necessary for the execution of its functions.

3.5.9. Rules relating to the appointment, replacement and dismissal of the members of the Supervisory Board

The members of the Supervisory Board are elected by the General Meeting, in terms of article 415 of the CCC. When the GM does not do so, the Supervisory Board must designate its Chairman. The rules for the substitution of the members of the Supervisory Board appear in the same article 415. The General Meeting can dismiss, in the terms of article 419 of the CCC, the members of the Supervisory Board, provided this is done with just cause.

3.5.10. Annual report of the work carried out by the Supervisory Board

Since it was created at the GM of 23 April 2008, and until the end of the year, the Supervisory Board met 8 times with a 100% attendance rate.

In compliance with the functions attributed to it by article 420 of the CCC, the Supervisory Board prepares annually a report on its activity and issues an opinion on the annual report and accounts and on the proposed appropriation of net profit presented by the Board of Directors to the General Meeting.

The Supervisory Board's Report and Opinion, besides forming part of the Annual Report and Accounts, is the object of disclosure together with the annual report at the Investor Relations web site at www.ir.bpi.pt

3.5.11. Evaluation of the External Auditor by the Supervisory Board

DECLARATION

"Banco BPI's Supervisory Board declares, for the purposes of point II.4.5 of the Corporate Governance Code, that it oversaw the work of the External Auditor, concluding that this was performed in accordance with the statutory audit and review standards and satisfied the monitoring requirements relating to the company's accounts."

Supervisory Board

Abel Pinto dos Reis – Chairman

Jorge Figueiredo Dias – Member

José Neves Adelino – Member

3.6. AUDIT AND INTERNAL CONTROL COMMITTEE

The Audit and Internal Control Committee is a consultative body of the Board of Directors and its role, without prejudice to the functions attributed to the Supervisory Board, involves monitoring the Executive Committee's work, overseeing the preparation and disclosure of financial information and checking the effectiveness of the internal control, risk management and internal audit systems.

3.6.1. Composition

The Audit and Internal Control Committee is composed of three to five members of the Board of Directors who do not form part of the Executive Committee envisaged in article 18 of the company's Statutes. The members of the Audit and Internal Control Committee are appointed by the Board of Directors, which shall also designate a Chairman and a Deputy-Chairman.

COMPOSITION OF THE AUDIT AND INTERNAL CONTROL COMMITTEE

Chairman	Artur Santos Silva
Deputy-Chairman	Ruy Matos de Carvalho
Members	Alfredo Rezende de Almeida
	Henri Penchas
	Marcelino Armenter Vidal

3.6.2. Terms of reference

PRINCIPAL TERMS OF REFERENCE OF THE AUDIT AND INTERNAL CONTROL COMMITTEE

Without prejudice to the legal terms of reference attributed to the Supervisory Board, the Audit and Internal Control Committee is responsible for:

- monitoring the activity of the Executive Committee;
- ensuring observance of the legal and regulatory provisions, the statutes and other regulations issued by the supervisory authorities, as well as of the general policies, standards and practices instituted internally;
- ensuring the appropriateness of and to supervise compliance with the accounting policies, criteria and practices adopted and the proper state of the supporting documents;
- monitoring the statutory audit;
- tracking the process involving the preparation and disclosure of financial information;
- overseeing and promoting the efficacy of the internal control, internal audit and risk management systems;
- ensuring the statutory auditor's independence, namely, when he / she / they provide additional services to the company;

In the performance of the functions "to ensure observance of the legal and regulatory provisions, the statutes and other regulations issued by the supervisory authorities, as well as of the general policies, standards and practices instituted internally" the Audit and Internal Control Committee must, in particular:

- promote at Banco BPI and other Group companies subject to supervision on a consolidated basis, the pursuance of the fundamental objective fixed in the area of internal control and risk management by the Bank of Portugal and by the Securities Market Commission in the supervision directives directed at credit institutions and financial companies;
- evaluate the reliability of the prudential reports relating to the Group and the Group companies subject to this obligation;
- monitor all the inspections carried out by the Bank of Portugal, the CMVM, and Insurance Institute of Portugal the Directorate-General of Taxes and the General Inspectorate of Finance at Banco BPI and other >Group companies subject to supervision on a consolidated basis.

In discharging the function "to ensure the appropriateness of and to supervise compliance with the accounting policies, criteria and practices adopted and the proper state of the supporting documents", "to monitor the statutory audit", "to issue an opinion on the report, the accounts and the proposals presented by the Directors" and "to follow the process for the preparation and dissemination of financial information", the Audit and Internal Control Committee is responsible for:

- the financial statements relating to Banco BPI and the opinions of the External Auditors thereon;
- the reliability of the accounting information;
- the computation of corporate income tax;
- the performance of Banco BPI' and other Group companies' pension funds.

In discharging the function "to oversee and promote the efficacy of the internal control, internal audit and risk management systems", the Audit and Internal Control Committee is in relation to Banco BPI responsible for:

As regards the internal control system:

- evaluating operational procedures, with a view to promoting to the efficient management of the respective activities, through a proper environment of control, solid risk management, efficient information systems and communication and effective monitoring of the internal control system;
- monitoring the internal and external activity plans, assessing the conclusions of the respective audit work and transmitting to the Executive Committee and the Supervisory Board the recommendations which its deems opportune concerning the aspects audited;
- reviewing the Board of Directors' annual internal control report and reading the Supervisory Board's annual opinion on the adequacy and effectiveness of the internal control system and the Statutory Auditor's opinion on the internal control system underlying the preparation and dissemination of financial information;

As regards risk management:

Operational risk
- evaluating the effectiveness and adequacy of the operational procedures and monitoring the measures taken for their improvement;
- appraising the operational risk management model;
- evaluating the effectiveness and adequacy of the IT systems, namely as regards the applications' documentation and data, applications and equipment security;
- verifying the existence and security of assets;
- appraising the control of risks stemming from outsourcing activities;
- being informed about the aggregate amount of operational losses, the most important claims and, on an immediate basis, of individual losses of more than 2 million euro;
- monitoring the development and updating of the business continuity plan;
- evaluating the reliability of the management information system, both in the business and budgetary control area, and in the risk control area;
- being informed about the main statistical data relating to Customers' complaints;
- being kept informed about the Bank's activity in the prevention of involvement in money-laundering operations, the principal processes related to this crime and, on an immediate basis, of situations involving more than 1 million euro.

Compliance risk
- evaluating the effectiveness of compliance-risk management, reviewing the procedures instituted and the breaches detected;
- evaluating the effectiveness of the supervision and control system for Banco BPI's stock brokerage business;
- Keeping informed about the more important legal and contractual risk situations identified.

Reputational risk
- evaluating the quality of service provided to Customers and respective control, namely through the analysis of the procedures relating to the handling of complaints and to the IQS (service quality survey);
- appraising the communication processes involving Shareholders and investors, Customers and the Directorate-General for Taxes;
- evaluating the communication plan in crisis situations;
- evaluating the control of compliance with the BPI Group's Code of Conduct and being informed about shortcomings detected in this control, as well as breaches of the Code;
- being kept informed rating agencies' reports on the rating attributed to Banco BPI.

Credit risk
- monitoring the application of the Basel II Accord, the Community Directives and the Bank of Portugal's guidelines concerning this topic, as well as of the risk-measurement models and the calculation of own funds adopted internally;
- appraising the consistency and efficacy of the credit-risk management models, notably the rating and scoring[G] systems;
- appraising the impairment-analysis, models and the behaviour of impairment losses by credit and Customer segments;
- reviewing the quantification of economic provisions adjusted to the risk implicit in Banco BPI's loan portfolio;
- reviewing the most significant changes in credit-risk exposures of more than 75 million euro and less than 300 million euro, as well as of Customers with exposures of more than 25 million euro without impairment, but whose situation warrants monitoring;
- reviewing the evolution of defaults in excess of 100 thousand euro and ninety days by Customers with exposure of more than 500 thousand euro, as well as the credit risk exposures of the twenty Customers with the greatest impairment but without legal proceedings instituted.

The Group's financial risks

- evaluating the management model, situation and trend in market, interest rate, liquidity, settlement of foreign exchange operations and credit derivatives risks, including in relation to liquidity risk, the assessment of the respective contingency plan.

As regards the internal audit system:

- reviewing the Internal Audit activity plans;
- obtaining information, periodically updated, if the areas or matters covered by the audits carried out by the Internal Audit department in the last 3 years;
- reviewing the activities undertaken in each half year by Internal Audit;
- monitoring the evolution of the principal matters falling with Internal Audit's terms of reference.

In discharging the function "to oversee and promote the efficacy of the internal control, internal audit and risk management systems", the Audit and Internal Control Committee is still responsible, in relation to the BPI Group:

As regards to the internal control and internal audit systems: ▷

- to comply with the abovementioned functions relating to the internal control system and the internal audit system relating to the Group companies subject to supervision on a consolidated basis;

As regards the risk management system:

- to comply with the abovementioned functions relating to the risk-management system relating to the Group companies subject to supervision on a consolidated basis, with the adaptations resulting from the nature, characteristics and own activity of each one.

In discharging the function "to ensure the statutory auditor's independence, namely, when he / she / they provide additional services to the company", the Audit and Internal Control Committee is responsible for:

- supervising the activity of the Statutory Auditor;
- submetting to the Supervisory Board, the fees payable to the Statutory Auditor for the provision of the audit service to the Bank and to the other Group companies;
- submetting to the Supervisory Board, the approval of the contracting of additional services to be provided by the Statutory Auditor, as well as the respective remuneration terms.

3.6.3. Functioning

The Audit and Internal Control Committee shall meet at least every two months or whenever convened by its Chairman. The meetings shall be held in each year on the dates set, at the very latest, at the last meeting of the previous year.

The notice of each meeting to be sent by the Chairman to the members of the Audit and Internal Control Committee at least seven days in advance must contain the respective order of business. Succinct minutes are recorded of the meetings of the Audit and Internal Control Committee, containing the principal issues dealt with and the approved conclusions. The Board of Directors is made aware of the minutes.

The documents relating to the meeting shall be sent at least seven days prior to the date set for its realisation.

The meetings of the Audit and Internal Control Committee shall be chaired by its Chairman, or by the Deputy-Chairman in his absence, who shall conduct the respective proceedings.

The meetings of the Audit and Internal Control Committee shall be attended, without the right to vote, by the Chairman of the Executive Committee of the Board of Directors, the members of the Supervisory Board, the manager responsible for the internal audit area of the BPI Group, the Portuguese Statutory Auditor, as well as other staff whenever this is considered appropriate.

The directors and managers responsible for the areas which are being reviewed may also be summoned to participate at the meetings of the Audit and Internal Control Committee, whenever this is considered appropriate for the satisfactory progress of the proceedings.

3.6.4. Support structures

The Audit and Internal Control Committee can when it deems necessary appoint one or more support staff members with experience gained in the areas of his / her expertise, to provide information and carry out work aimed at substantiating the respective analyses and conclusions. The provision of information shall include in particular:

- the progress of the projects and studies relating to the internal control system under way at the Banco BPI and other Group companies subject to supervision on a consolidated basis;
- the progress of the initiatives and regulation-setting activity of the national and international banking-supervision institutions in the area of internal control.

The Audit and Internal Control Committee has at its disposal a secretariat managed by an Employee who is functionally and hierarchically subordinate to the Audit and Internal Control Committee Chairman.

The Audit and Internal Control Committee may also request the collaboration of a staff member to lend support to the secretariat in the preparation and holding of meetings and the drawing up of the respective minutes.

3.6.5. Activity

During 2008 the Audit and Internal Control Committee met six times. The average attendance at these meetings was 83%. In 2009, and up until the approval of this report, the Audit and Internal Control Committee met twice with an attendance rate of 80%.

REPORT OF THE WORK OF THE AUDIT AND INTERNAL CONTROL COMMITTEE IN 2008

I – INTRODUCTION

By resolution passed at the Shareholders' General Meeting of 23 April 2008, the company's management and oversight model was altered, with the Latin model replacing the Anglo-Saxon model that had until then been in force. Accordingly in terms of article 278(1) of the Commercial Companies Code, the Bank's management and oversight functions are now entrusted to a Board of Directors, a Supervisory Board and a Portuguese Statutory Auditor.

Consequently the Audit Committee was extinguished on that date. In the model previously adopted, the Audit Board was the company's oversight body, responsible for the functions and role now vested in the Supervisory Board.

Meantime, it was also decided at the aforesaid General Meeting – bearing in mind the positive experience of the existence since 1999 of a body with similar characteristics – to create as a body to advise and support to the Board of Directors, the present Audit and Internal Control Committee. This Committee has as its mission, without prejudice to the role legally attributed to the Supervisory Board in these matters, the task of accompanying the work of the Executive Committee, overseeing the process involving the preparation and disclosure of financial information, and checking the effectiveness of the internal control and risk management systems, the internal audit function and the external auditors' independence.

The main terms of reference of the Audit and Internal Control Committee, described in the respective regulations, are summarised as follows:

- To keep abreast of the work of the Executive Committee;
- To ensure observance of legal, regulatory and statutory provisions, and the standards issued by the supervision authorities, as well as the general policies, standards and practices instituted internally;
- To check the appropriateness of and to supervise compliance with the accounting policies, criteria and practices adopted and the proper state of the supporting documents;
- To review the statutory audit;
- To monitor the preparation and disclosure of the financial information;
- To evaluate and improve the effectiveness of the internal control, risk management and internal audit systems.

In terms of the regulations, the Audit and Internal Control Committee is presently composed of five non-executive Directors.

Considering the interest for the discharge of the functions legally attributed to the Supervisory Board of the matters dealt with at the meetings of the Audit and Internal Control Committee, the Supervisory Board's members have participated in the abovementioned meetings.

In terms of the respective regulations, the Chairman of the Executive Committee of the Board of Directors, the representative from the Portuguese Statutory Auditor (Deloitte e Associados, S.R.O.C.) and the head of the Audit and Inspection Division have also participated at the meetings, but without the right to vote.

In addition, the Directors and Managers responsible for the areas whose matters are being reviewed have also been summoned to attend the meetings.

The Committee met at least bi-monthly or whenever convened by its Chairman, while the annual calendar of meetings was set at the last meeting of the previous year.

Minutes are written up of the meetings setting out the main issues addressed and the conclusions approved, details of which are made known to the Board of Directors at their next meeting following that of the Committee.

II – ACTIVITY IN 2008

During 2008, the Audit and Internal Control Committee held five meetings.

The analyses effected and the decisions taken were mainly founded on the work performed by the External Auditors, by the Audit and Inspection Division and by the Bank's various Divisions within the ambit of their respective functions. Where this was the case, they were also backed up by inspections and by the communications of the competent supervision authorities.

The following is a summary of the work carried out by the Committee in 2008 as part of its terms of reference:

1. Overseeing observance of the law, the supervision authorities' standards, the company's statutes and the internal rules

The Committee supervised compliance with legal, regulatory and internal provisions in the various areas encompassed by the audit and review work covering internal and external audit procedures. To this end, not only were the conclusions of these procedural reviews and work (which were submitted regularly during the year) analysed, but it also monitored compliance with the resulting recommendations.

As part of its work of accompanying the inspections conducted by the supervision authorities, the Committee was informed at the October meeting of the progress of the Bank of Portugal's inspections under way focused on the area of mortgage loans to individuals.

On the other hand, it analysed in depth the new internal control standards introduced by Bank of Portugal Notice no. 5 / 2008, in force since 2 July, as well as the measures to be taken for their implementation at the BPI Group.

Thus, at the July and October meetings and together with the Chairman of the Executive Committee, the procedures envisaged to give compliance to the requirements of the aforesaid Notice, namely as concerns their incidence on the internal control systems, as well as with respect to the preparation of the annual internal control reports, were analysed in detail.

Finally, it should be noted that the Committee reviewed at the June meeting the report issued by the Audit and Inspection Division on the reliability of the prudential reports addressed to the Bank of Portugal.

2. Supervision of compliance with the accounting policies and practices, review of the statutory audit and of the process involving the preparation and dissemination of financial information

Supervision of compliance with accounting policies, criteria and practices and verifying the reliability of the financial information were also undertaken primarily through appraisal of the findings of the audits and reviews of procedures conducted during the year by the external and internal audit teams.

Moreover, the Committee analysed in detail the Group's results relating to the second and third quarters of 2008 and, already in January 2009, the results relating to December 2008.

The Committee also reviewed the principal conclusions of the overall audit procedures covering Banco BPI's and Banco Português de Investimento's financial statements performed by Deloitte in respect of 31 March 2008 and 30 September 2008, having considered the comments issued on them to be relevant. It also carried out an identical examination of Banco de Fomento Angola's financial statements to 30 June 2008.

Also subjected to review were certain specific matters relating to the supervision of accounting policies and practices, amongst which the compilation of the Forms 22 (annual tax returns) for Banco BPI and Banco Português de Investimento, which were the object of the external auditors' opinion presented at the June meeting.

In addition, the Committee monitored regularly during the year the performance of the Banco BPI Pension Fund, enquiring about the investment policy pursued and being kept informed about the actuarial assumptions used in calculating the respective liabilities and alterations introduced thereto, which are considered to be duly justified.

3. Monitoring and evaluating the effectiveness of the internal control system

The evaluation and promotion of the efficacy of the internal control systems within the BPI Group was a permanent concern of the Committee.

Based on the guidelines embodied in the rules issued by the Bank of Portugal in this domain (in particular, Notice no. 3 / 2006, as amended by Notice no. 5 / 2008), the Committee regularly evaluated the Group companies' operational procedures, including those of the branches and subsidiaries, and those instituted with respect to Banco BPI's and Banco Português de Investimento's specific areas or issues.

The analysis carried out was essentially based on the conclusions of the procedural reviews conducted by the external auditors, as well as on the findings of Internal Audit's audit and inspection work and on the presentations and clarifications which are the responsibility of the relevant Boards and Divisions. The recommendations deemed important were then transmitted to the Executive Committee.

The information furnished periodically by the Internal Audit unit on the degree of compliance and the forecast of the periods for implementation of the recommendations formulated by that Audit and by the external auditors also constituted an important indicator. Another item for review entailed the regular presentation by Internal Audit of the tables indicating the areas and themes covered by the audits conducted by that Division over the past three years.

Efforts were therefore made to promote the adequate control of risk management, ensuring on the other hand, the efficacy and desirable extent of the internal and external audits.

The various initiatives undertaken in these domains will be described in more detail in the chapters dedicated to verifying the effectiveness of risk management and to the overseeing of audit work.

In more specific fields, it should be pointed out the review undertaken at the July meeting of the principal characteristics of the Risk Evaluation Model developed by the Bank of Portugal for use by the respective technical staff in the execution of their supervisory work.

In addition to this, at the October meeting, the Committee learnt about the requirements and guidelines laid down by the Bank of Portugal, as well as of the methodology adopted internally for the implementation of the self-assessment of the adequacy of internal capital ("ICAAP – Internal Capital Adequacy Assessment Process"), with the object of the correct assessment of risks incurred by the Bank and the adequacy of internal capital *vis-à-vis* the respective risk profile.

Finally mention is made of the careful analysis carried out of the document "Economic-financial risks – Domestic Operations", prepared by the Planning Division with reference to September and December 2008, which contains a summary of the risks attaching to Banco BPI's domestic business having an impact on capital and earnings. This document's usefulness in defining strategies and policies in the various areas of the Bank's operations was recognised and will be updated quarterly.

As regards compliance with the reporting duties to the supervision authorities on the adequacy and effectiveness of the internal control systems installed, in the terms set out in the said Bank of Portugal Notice no. 5 / 2008 and in CMVM Regulation no. 3 / 2008, the Committee analysed:

- the reports on the risk management, compliance and internal audit functions at the BPI Group, which were compiled by the respective heads and used in the preparation of the internal control reports, in accordance with the aforementioned regulatory requirements;
- the annual internal control reports of all the Group companies subject to supervision on a consolidated basis;
- the opinions of the respective oversight bodies and statutory auditors, which are designed to accompany the internal control reports;
- the annual report on BPI Vida's organisational structure and the risk-management and internal control systems, sent to the Insurance Institute of Portugal, and Deloitte's report addressing the same subject.

4. Monitoring and assessing the effectiveness of the risk-management system

a) Operational risk

One of the principal means used in assessing the control of operational risk involved the appraisal of the findings and conclusions resulting from the audits and review procedures conducted by the internal and external auditors, in conjunction with the heads of the Divisions which were the object of these reviews, with a view to analysing and improving the internal controls implemented.

The analysis carried out of these conclusions and recommendations permitted identifying the most important shortcomings and, where this is the case, resulted in the issue of guidelines or the transmission of suggestions to the Executive Committee regarding the issues at stake.

During 2008, the procedures' audit and review analysed according to that method encompassed the following areas:

(i) External auditors' procedures review:

- BPI Gestão de Activos
- Review of IRC tax returns
- Construction Financing Division
- BFA – Central controls over branch activity
- BFA – General IT controls
- Project Finance Division
- BFA – Deposits area
- Banco Português de Investimento – Private Banking Division

- Individuals' Loan Recovery and Litigation Division – Recovery Area and Pre-judicial Restructuring
- BPI GIF – Asset management, risk management, compliance and general IT controls
- BPI Suisse – Asset management and general IT controls

(ii) Banco BPI's Audit and Inspection Division's audits
- Equities Department (Banco Português de Investimento) / Madrid branch (follow-up of Deloitte's recommendations)
- Trading and Arbitrage Division
- Cards – Attribution and recovery of loans written off
- BPI Gestão de Activos – Security in operations executed on the financial markets

(iii) BFA's Audit and Inspection Division audits
- Corporate Banking – analysis and approval of credit and control of defaults (follow-up of Deloitte's recommendations)
- Foreign Operations Area (follow-up of Deloitte's recommendations)

On the other hand, it was informed at the July meeting of all the occurrences which generated losses in the first half of 2008.

At the same meeting, the Audit and Inspection Division informed about the work done by it in that half year as regards the prevention and suppression of the crime of money laundering.

b) Credit risk

A customary item on the Committee's work agenda is the analysis of developments in the situation and liabilities of Customers who are the object of monitoring by the Credit Risk Division, and who find themselves in the following situations:

- defaults of more than 100 thousand euro of Customers with exposure of more than 500 thousand euro;
- twenty largest individual impairments;
- Customers with exposure of more than 25 million euro, without impairment, but warranting special monitoring.

In addition, the July and December meetings analysed the situation of Customers with credit risk of more than 75 million euro but less than 300 million euro, while exposures above the latter limit are analysed by the Board of Directors.

The consideration of these matters was always backed by clarifications given by the Director and the Central Manager responsible for that division, with special incidence on the cases flagging greater risk or larger size.

Also analysed were the reports presented by the external auditors on the quantification of sufficient economic provisions relative to the risk implicit in Banco BPI's and Banco Português de Investimento's loan portfolios with reference to 30 June 2008.

Moreover, special attention was paid to the opinions and suggestions formulated by those auditors, with a view to refining the existing impairment models and the review of certain specific impairment analyses.

The concentration of credit risk was also the object of the Committee's attention, which in this regard, acquainted itself at the October meeting with the credit concentration levels to companies in Portugal and at the Madrid branch, having transmitted to the Executive Committee the recommendation that a policy dealing with this matter be defined and regulated. In this same arena, the Committee studied the document prepared by the Planning Division, describing the credit-risk concentration criteria used by the leading rating companies and these companies' comments on the concentration of that risk at Banco BPI and comparable Iberian banks.

c) Financial risks

In evaluating the management and trend in the Group's financial risks, the Committee continued to pay special attention throughout the year to analysing the impact of the turmoil observed in the monetary and financial markets, and the attendant risks.

Accordingly, at all the Committee's meetings detailed information was provided regarding the crisis in progress with the objective of not only obtaining information about the principal developments, but also to exchange opinions with those in charge of the Group's principal areas involved in activities linked to the financial markets.

Furthermore, all the meetings followed attentively the situation and unfolding of events and latest developments in those areas, as well as undertaking the in-depth analysis of the concrete actions taken and strategy adopted.

In this regard, the Finance Division regularly furnished detailed information about the chief aspects relating to the funding structure and the Bank's liquidity situation, namely the evolution of Customer resources, long-term debt and the medium and long-term liquidity projections; management of the bond portfolio, including its composition and trend of the main components; analysis of counterparties and respective ratings; exposure to country risk.

Also permanently monitored as referred to earlier were the general trend and tendencies in the asset management market and, more specifically, the investment policies and results of BPI Gestão de Activos.

d) Reputational risk
In this domain, the Committee analysed at the October meeting the findings of the follow-up realised by Internal Audit to compliance with the Group's Code of Conduct, having investigated the motives for the breaches detected and recommended improvements to the respective text.

Timely reviews were also undertaken of their conclusions of the monitoring reports of the rating companies Fitch Ratings (October 2008), Standard & Poor's (June 2008) and Moody's (September 2008).

e) Compliance risk
The Committee received information at the December meeting about the organisational structure implemented and the objectives defined for the Compliance Division, created in September 2008, through the transfer and broadening of the role attributed in this area to the Legal Division, Organisation Division and the Audit and Inspection Division (as regards the prevention of money laundering).

It also learnt about the compliance weaknesses detected in 2008 by that Division, including the respective degree of risk, the corrective measures envisaged and the implementation timetable.

5. Monitoring the effectiveness of and overseeing internal audit activity

The monitoring of the Audit and Inspection Division's work and the control over its efficacy were undertaken during the year by the Committee through:

- the approval of the four-monthly audit plans;
- the review of the activity undertaken by the Division in each half year;
- the four-monthly analysis of the audits performed in the last three years and the underlying criteria;
- the analysis of the principal findings of the half-yearly audits.

In endorsing the audit plans, the Committee was concerned with guaranteeing as regards the central services and the Group companies, adequate distribution of the audit work over the major risk areas and, as regards the commercial network, the greatest coverage possible of the branches and corporate centres, namely, by means of distance audits.

Another important contribution to the measurement of audit activity (internal and external) entailed the already-mentioned periodic verification of the implementation of the recommendations issued by the Audit and Inspection Division and by the external auditors.

Moreover, with the object of evaluating that Division's organisational and functional models, the Committee examined at the December meeting the rules and procedures in force in the planning and execution of the various types of audit and inspection initiatives, as well as the actions for preventing money laundering, undertaken by the Audit and Inspection Division until this task was transferred to the Compliance Division on 1 September 2008.

6. Evaluation of the Portuguese Statutory Auditor's independence and activity

The Committee supervised and evaluated throughout the year the activity and independence of the Portuguese Statutory Auditor, namely as regards the provision of additional services.

In this regard, the Committee proposed to the Supervisory Board the approval of the proposed collaboration of those auditors in non-audit-related work and the corresponding fees, namely the provision of tax-related services, the preparation of financial information, the checking of the internal control system and the review of the requisites for calculating the solvency ratio[G].

Besides the above, it considered the findings of the procedural reviews performed by the auditors and followed through the implementation of the resulting recommendations.

3.7. PORTUGUESE STATUTORY AUDITOR

The Portuguese Statutory Auditor is responsible for performing all the examinations and all the attest work needed to audit and certify the accounts.

The Portuguese Statutory Auditor is appointed by the General Meeting, following a proposal by the Supervisory Board. This can be a natural person or a firm with the status of Portuguese Statutory Auditor. In addition to the member in office, an alternate member must be appointed.

3.7.1. Portuguese Statutory Auditor[1]

In office	Deloitte & Associados, SROC, S.A., represented by Augusta Francisco
Alternate	Carlos Luís Oliveira de Melo Loureiro

3.7.2. Terms of reference

PRINCIPAL FUNCTIONS OF THE PORTUGUESE STATUTORY AUDITOR

- Verifying that the books, accounting records and supporting documents are in a fit and proper state.
- Examining when deemed necessary and in the manner it considers appropriate the cash balance and the inventory of any type of assets or amounts belonging to the company or received by it as security, deposit or for whatever other reason.
- Attesting to the accuracy and reliability of the annual report and accounts.
- Checking that the accounting policies and valuation criteria adopted by the Company result in a true and fair view of the assets and liabilities and its profit or loss for the period.

3.7.3. Liability and adherence to the codes of conduct (ROC)

Portuguese law provides that the Portuguese Statutory Auditor (Portuguese Statutory Auditor – ROC) is liable to the company, the Shareholders and the creditors, as well as enshrining the Portuguese Statutory Auditor's duty of vigilance.

3.8. CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is a consultative body of the Board of Directors. Its function is, besides its core mission of supporting and advising the Board of Directors on matters relating to corporate governance, to make pronouncements on matters within the scope of corporate social responsibility, ethics, professional conduct and environmental protection. The Committee prepares an annual report on the functioning of the company's corporate governance structure.

3.8.1. Composition

The Corporate Governance Committee is composed of three to five members (currently five) of the Board of Directors who do not form part of the Executive Committee (provided for in article 16(3)(a) of the Company's Statutes).

If not a member of the Executive Committee, the Chairman of the Board of Directors will form part of and chair the Corporate Governance Committee, which shall appoint a Deputy-Chairman from amongst its members, as well as the Chairman where, in relation to the Chairman of the Board of Directors, that situation does not apply.

COMPOSITION OF THE CORPORATE GOVERNANCE COMMITTEE

Chairman	Artur Santos Silva
Members	António Lobo Xavier
	Carlos Moreira da Silva
	Edgar Alves Ferreira
	Tomaz Jervell

1) Members re-elected at the Shareholders' General Meeting of 23 April 2008 up to the end of the 2008 / 2010 term of office.

3.8.2. Terms of reference

PRINCIPAL TERMS OF REFERENCE OF THE CORPORATE GOVERNANCE COMMITTEE

It is the function of the Corporate Governance Committee to support and advise the Board of Directors:

- on refining the BPI Group's governance and oversight model, with the object of promoting compliance with the principles and practices which ensure a diligent, effective and balanced management of the Shareholders' and other stakeholders' interests; ▷
- on the definition of policies aimed at the exercise of corporate responsibility and protection of the environment;
- on the preparation and implementation of rules of conduct, designed to impose the observance of stringent principles of ethics and conduct in the performance of the functions attributed to the members of the BPI Group's governing bodies and to Employees.

In the performance of its duties as regards the refining of BPI Group's governance and oversight model, it is the function of the Corporate Governance Committee, namely:

- to ensure compliance with the guiding principles of the BPI Group's governance policy;
- to prepare annually for the Board of Directors a report on the functioning of the governance structure implanted, which includes an opinion on this structure's efficiency and the performance of the bodies comprising it, as well as the proposals which it considers appropriate for its improvement;
- without prejudice to the annual report referred to in the preceding paragraph, to propose to the Board of Directors, whenever it deems this appropriate or when solicited, measures directed at refining the corporate governance model implanted and to facilitate the pursuance of the respective objectives, in particular as concerns:
  - the structure, division of duties and functioning of the governing bodies,
  - the exercise of corporate rights by BPI Group entities,
  - the promotion of the right to vote and Shareholder representation,
  - the promotion of relations with investors and transparency of information to the market,
- to inform the Board of Directors of any situations or occurrences of which it has knowledge and which, in its opinion, amount to non-compliance with the established governance rules and practices or which may prejudice the application of the respective guiding principles;
- to monitor and analyse latest practices and guidelines on corporate governance produced by national and international bodies with a view to their possible incorporation into the BPI Group's model.

With regard to corporate responsibility and environmental protection, the Corporate Governance Committee shall give support to the Board of Directors in the definition of the policy guidelines to be followed in these domains by the BPI Group, taking into account their approval by the Shareholders' General Meeting.

It is also responsible for pronouncing, at its initiative or when requested by the Board of Directors, on issues related to these matters, and specifically with the execution of the social solidarity, education, research and cultural patronage policies pursued by the BPI Group.

Within the ambit of its function of drafting and implementing standards of ethical and deontological conduct, the Corporate Governance Committee is responsible for, in particular:

- proposing to the Board of Directors the measures it considers adequate for fostering a culture of ethics and professional conduct at the heart of the BPI Group, and its dissemination to the various hierarchical levels at the companies belonging to its universe;
- refining and updating the BPI Group's Code of Conduct, presenting to the Board of Directors proposals in this regard;
- promoting, guiding and overseeing the effective compliance with the BPI Group's Code of Conduct, as well as with the Codes of Conduct of the Professional associations applicable to the BPI Group's companies or their Employees.

3.8.3. Functioning

The Corporate Governance Committee shall meet whenever it is convened by the respective Chairman or by two of its members and, in particular, whenever it has to give an opinion on matters within its jurisdiction, indicated in Article 2(1) of this Regulation.

The meetings of the Corporate Governance Committee must be convened with ten days prior notice, indicating the matters to be dealt with.

At the meetings of the Corporate Governance Committee the Company Secretary shall prepare succinct minutes containing the principal matters addressed and the conclusions drawn.

3.8.4. Activity in the year

ACTIVITY OF THE CORPORATE GOVERNANCE COMMITTEE

4 March 2008

The Corporate Governance Committee met on 4 March 2008, having issued a favourable opinion on the amendment to Banco BPI's Statutes proposed by the Chairman of the Board of Directors to this governing body; and, considered and approved the BPI Group's 2007 Corporate Governance Report.

2 March 2009

The Corporate Governance Committee met on 2 March 2009, having issued a favourable opinion on the proposal to alter the rule contained in article 12(4) of Banco BPI's Statutes which provides that the votes cast by a single Shareholder and by persons related to such Shareholder which exceed 17.5% of the total votes corresponding to the share capital shall not be counted, whereby the limit on the counting of votes under review be raised to 20% of the total of the votes corresponding to the share capital.

The Committee also considered and approved the BPI Group's Corporate Governance Report in 2008.

3.9. NOMINATIONS, EVALUATION AND REMUNERATION COMMITTEE

The Nominations, Evaluation and Remuneration Committee is a consultative body of the Board of Directors and was created in 2006. Its function is to give opinions on the filling of vacancies that may occur on the governing bodies, on the choice of Directors to be appointed to the Executive Committee and on the appraisal and fixing of this Executive Committee's compensation.

3.9.1. Composition

The Nominations, Evaluation and Remuneration Committee is composed of three to five members (currently five) of the Board of Directors who do not form part of the Executive Committee envisaged in article 16(3)(a) of the Company's Statutes.

If not a member of the Executive Committee, the Chairman of the Board of Directors will form part of and chair the Nominations, Evaluation and Remuneration Committee, which shall appoint a Deputy-Chairman from amongst its members, as well as the Chairman where, in relation to the Chairman of the Board of Directors, that situation does not apply. ▷

At least one of the Members of the Nominations, Evaluation and Remuneration Committee must meet the following requirements:

- not be associated with any specific interest group in the Company;
- not be in a situation capable of affecting his / her impartiality of analysis or decision making, namely by reason of being the holder or acting in the name of or on behalf of the holders of qualified shareholdings of 2% or more in the Company.

COMPOSITION OF THE NOMINATIONS, EVALUATION AND REMUNERATION COMMITTEE

Chairman	Artur Santos Silva
Members	Armando Leite de Pinho
	Carlos da Câmara Pestana
	Herbert Walter
	Marcelino Armenter Vidal

3.9.2. Terms of reference

PRINCIPAL TERMS OF REFERENCE OF THE NOMINATIONS, EVALUATION AND REMUNERATION COMMITTEE

It is the function of the Nomination, Evaluation and Remuneration Committee to support and advise the Board of Directors:

- on the filling of vacancies occurring on the governing bodies;
- on the choice of Directors to be appointed to the Executive Committee; ▷
- on the conduct of the process involving the annual evaluation of the members of the Executive Committee;
- on the preparation of the report to be submitted to the Remuneration Committee envisaged in Article 28(2) of the Company's statutes, relating to the fixing of the variable remuneration of the members of the Executive Committee.

In its support functions for the filling of vacancies on the governing bodies and for the appointment of Executive Directors, the Nomination, Evaluation and Remuneration Committee shall:

- prepare and update all the qualifications, knowledge and professional experience required for the performance of the functions attributed to the members of the various governing bodies and of the Executive Committee;
- monitor the selection and appointment of the senior personnel of the BPI group companies in order to ensure that there is an available recruitment base of future members of governing bodies and Executive Directors;
- prepare a substantiated report for the Board of Directors, identifying the persons who in its opinion possess the most suitable profile to fill a vacancy whenever this occurs on the governing bodies or on the Executive Committee.

Within the scope of the annual evaluation and fixing of the variable remuneration of the members of the Executive Committee, the Nomination, Evaluation and Remuneration Committee is responsible for proposing to the Board of Directors the criteria to be used in this process, which should include proper appraisal of merit, individual performance and contribution to the Executive Committee's efficiency.

The Nomination, Evaluation and Remuneration Committee is also responsible for reporting to the Board of Directors on the recommendations which the latter makes to the Remuneration Committee envisaged in Article 28(2) of the Companies Statutes relating to the definition and alterations to the general remuneration policy of the Executive Committee, as well as to the variable remuneration programmes based on Banco BPI shares or options (i.e. the share incentive scheme).

The remuneration policy in force at the BPI Group is more fully described in chapter 7 of the present report (pages 386 to 403).

3.9.3. Functioning

The Nominations, Evaluation and Remuneration Committee meets whenever convened by the respective Chairman or by two of its members and, in particular, whenever it has to give an opinion on matters falling under its terms of reference, as indicated in article 2(1) of this regulation.

The meetings of the Nominations, Evaluation and Remuneration Committee must be convened with ten days prior notice, which notice must indicate the matters to be dealt with. ▷

At the meetings of the Nominations, Evaluation and Remuneration Committee, the Company Secretary shall prepare succinct minutes of the matters dealt with and the respective conclusions arrived at.

3.9.4. Activity in the year

ACTIVITY OF THE NOMINATIONS, EVALUATION AND REMUNERATION COMMITTEE

6 March 2008

The Nominations, Evaluation and Remuneration Committee met on 6 March 2008, having deliberated:

- after having held individual meetings with the Members of the Executive Committee, to propose to the Board of Directors the opinion to give to the Remuneration Committee with a view to fixing the amount of the variable remuneration which should be granted to them for their performance in 2007;
- to propose to the Board of Directors that the latter proposes to the Remuneration Committee an interpretation of the pension regime applicable to the members of the Executive Committee from Banco Português de Investimento and from Banco BPI (when dependent on BPI SGPS);
- to propose to the Board of Directors a recommendation to present to the Remuneration Committee on the remuneration policy to be submitted to the General Meeting of 23 April 2008 in the terms of article 28(3) of Banco BPI's Statutes;
- the decision to propose to the Board of Directors the opinion to present to the Remuneration Committee within the ambit of the preparation of a proposed individual remuneration policy for the members of the Executive Committee;
- to propose to the Board the content of a recommendation to be presented by it to the Remuneration Committee on the modes of composition between shares and options to buy shares, of the portion of the variable remuneration of the members of the Executive Committee corresponding to the 2007 RVA.

18 and 25 February 2009

The Nominations, Evaluation and Remuneration Committee met on 18 and 25 February 2008 with the following order of business:

- Evaluation and remuneration of the members of the Executive Committee – after having realised the individual meetings with each one of the members of the Executive Committee, it was decided to propose to the Board of Directors the opinion to be put forward to the Remuneration Committee with a view to fixing the amounts of the variable remuneration which should be granted to them for their performance in 2008;
- 2008 RVA – The Committee deliberated recommending to the Board of Directors that, considering the abnormal situation of the equities market, the members of the Executive Committee of the Board of Directors may opt to receive the variable remuneration relating to 2008 in cash or according to the RVA rules in force, in line with what had been decided for the rest of the BPI Group's Employees.

3.10. REMUNERATION COMMITTEE

The Remuneration Committee is composed of three shareholders elected by the General Meeting. The Remuneration Committee's function is to fix the remuneration of the members of Banco BPI's governing bodies. Insofar as the fixed remuneration of the members of the Board of the Directors and the variable remuneration of the Executive Committee are concerned, it must observe the limits laid down by the General Meeting.

3.10.1. Composition

The Remuneration Committee is composed of three shareholders elected for three-year terms by the General Meeting, and who in turn elect a Chairman (who has the casting vote).

The following Shareholders presently comprise the Committee:

REMUNERATION COMMITTEE COMPOSITION

Chairman	IPI – Itaúsa Portugal Investimentos, SGPS, Lda., represented by Carlos da Câmara Pestana
Members	Arsopi – Holding, SGPS, S.A., represented by Armando Costa Leite de Pinho
	HVF, SGPS, S.A., represented by Edgar Alves Ferreira

None of the members designated to the Remuneration Committee form part of the Board of Directors. However, the individual persons who the designated members indicated to occupy the respective positions on the Remuneration Committee also form part of the Board of Directors.

3.10.2. Terms of reference

The Remuneration Committee's function is to fix the remuneration of the members of Banco BPI's governing bodies, and to formulate the remuneration policy and the retirement regime to apply to members of Banco BPI's Executive Committee and to members of Banco Português de Investimento's Board of Directors. The Committee also carries out the evaluation of the members of Banco BPI's Executive Committee and of Banco Português de Investimento's Board of Directors with a view to determining their respective annual variable remuneration.

According to the Statutes (article 28) at the time of the appointment of the Remuneration Committee by the General Meeting, the latter shall prescribe for each term the limits of the fixed remuneration for all the members of the Board of Directors and the percentage of net profit (not exceeding 5%) that can be allocated to the variable remuneration of the Executive Committee.

No Director has the power to fix his / her own remuneration. The principles, criteria and amounts involved in fixing the remuneration of the members of Banco BPI's governing bodies are covered in greater detail in chapter eight ("Remuneration") of the present report.

3.10.3. Activity in the year

The three members of the Remuneration Committee were present at the following meetings. The attendance level was 100%.

REMUNERATION COMMITTEE'S ACTIVITY

6 March 2008

The Committee deliberated following a recommendation of the Nominations, Evaluation and Remuneration Committee to fix the amounts of the variable remuneration of the members of the Executive Committee relating to 2007.

As concerns the remuneration policy to be submitted to the General Meeting, the Committee decided in terms of the recommendation of the Nominations, Evaluation and Remuneration Committee the terms of the aforementioned proposal.

The Committee also approved the proposed interpretation to be given regarding the application of the pension regime to the executive directors who previously performed management functions at the BPI Group's banks.

Finally the Committee approved the recommendation of the Nominations, Evaluation and Remuneration Committee relating to the application of the 2007 RVA programme.

23 April 2008

Also met on 23 April 2008 having, after taking into consideration the election which occurred at the AGM held on the same date, deliberated:

- to fix the remuneration of the Chairman, Deputy-Chairman and Secretaries of the General Meeting Committee for the period 2008 / 2010;
- to fix the remuneration of the non-executive members of Banco BPI, S.A.'s Board of Directors for the period 2008 / 2010;
- to fix the remuneration of the members of the Executive Committee of Banco BPI, S.A.'s Board of Directors for the period 2008 / 2010;
- paying attention to the provisions of article 422-A of the Commercial Companies Code, to fix the remuneration of the members of Banco BPI, S.A.'s Supervisory Board for the period 2008 / 2010;

- to fix the value of the attendance vouchers to be granted to the members of the Audit and Internal Control Committee for the period 2008 / 2010;
- to fix the value of the attendance vouchers to be granted to the members of the Corporate Governance Committee, for the period 2008 / 2010;
- to fix the value of the attendance vouchers to be granted to the members of the Nominations, Evaluation and Remuneration Committee for the period 2008 / 2010;
- that the monthly remuneration of the Chairman of the Board of Directors and of the members of the Executive Committee of Banco BPI, S.A.'s Board of Directors will be adjusted annually by the application of the identical rates of increase which under the Vertical Collective Employment Accord for the Banking Sector will be applied to the level 18 remuneration relating to 2009 and 2010;
- that, in relation to the 2007 RVA, the attribution price of shares to the members of the Executive Committee and to the other directors of Banco Português de Investimento, S.A. be calculated as the simple arithmetic average of the weighted daily average prices of the 10 stock exchange sessions prior to the attribution date (between 7 and 20 March 2008, inclusive), applying this criteria to future RVA programmes;
- that the choice of the composition of the RVA by the members of the Executive Committee and by the other directors of Banco Português de Investimento, can be made on the date on which the variable remuneration becomes available, without any restrictions.

11 March 2009

The Committee, bearing in mind the recommendation contained in the Corporate Governance Code disclosed by the CMVM, approved the declaration to be presented to the General Meeting on remuneration policy, as well as on the characteristics of the retirement-benefits system covering the members of the management and oversight bodies.

The Committee also approved the amounts of the variable remuneration of the members of the Executive Committee relating to 2008, in consonance with the content of the recommendation of the Nominations, Evaluation and Remuneration Committee.

The Committee deliberated also to issue a positive opinion on the proposal presented by the Executive Committee of Banco BPI, S.A.'s Board of Directors, in terms of which the members of the Board of Directors of Banco Português de Investimento, S.A. who do not form part of Banco BPI, S.A.'s Executive Committee, be granted:

- a supplement to the fixed monthly salary of € 2 500 to the extent and whilst they perform the aforesaid directors' functions;
- cumulatively with the retirement regime which they already benefit from and during the period they perform management functions, a supplementary defined-contribution retirement-pension plan, the monthly contribution of which corresponds to 12.5% of such supplementary remuneration.

As regards the Variable Remuneration Programme (RVA) relating to 2008, following the recommendation of the Nominations, Evaluation and Remuneration Committee and taking cognisance of the equity market's abnormal situation, it favourably appraised the resolution passed by the Board of Directors whereby the members of the Board of Directors' Executive Committee may opt to receive the variable remuneration in cash or according to the RVA rules in force, in line with what had been decided for the BPI Group's other Employees.

3.10.4. Responsibility and adherence to codes of conduct

The members of the Remuneration Committee are bound by a strict duty of confidentiality with respect to the matters discussed at the Committee's meetings.

3.10.5. Representation at the AGM

The Remuneration Committee is represented at the Shareholders' Annual General Meetings through the presence of at least one of its members.

3.11. COMPANY SECRETARY

The Company Secretary is appointed by the Board of Directors. The duration of his / her functions coincides with the term of office of the members of the Board of Directors which appointed him / her. In the case of the secretary's absence or impediment, his / her functions will be performed by the alternate secretary.

3.11.1. Company Secretary

In Office	João Avides Moreira
Alternate	Fernando Leite da Silva

3.11.2. Terms of reference

PRINCIPAL TERMS OF REFERENCE OF THE COMPANY SECRETARY

In addition to the other functions attributed by the Bank, the Company Secretary performs the functions contemplated in the law:

- to serve as secretary at the meetings of the governing bodies;
- to record the minutes and sign them together with the members of the respective governing bodies and the Chairman of the General Meeting Committee, when this is the case;
- to keep, store and maintain in proper order the minute books and loose minute sheets, the list of presences, the share register, as well as attending to the routine matters relating to these;
- to expedite the legal notices convening the meetings of all the governing bodies;
- to authenticate the signatures of the members of the governing bodies placed on the company's documents;
- to certify that all the copies or transcriptions extracted from the company's books or of filed documents are genuine, complete and up-to-date;
- to satisfy within the scope of the terms of reference, the requests formulated by Shareholders in the exercise of their right to information and to furnish the information solicited from the members of the governing bodies which exercise oversight functions covering the deliberations of the Board of Directors or of the Executive Committee;
- to certify the content, total or partial, of the company's statutes in force, as well as the identity of the members of the company's various bodies and which are the powers vested in them;
- to certify the up-dated copies of the statutes, deliberations of the Shareholders and of management, and of the entries in force appearing in the company's books, as well as ensuring that they are handed over to or sent to the owners of the shares who have requested them and have paid the respective cost;
- to authenticate with his / her initials all the documentation submitted to the General Meeting and that referred to in the respective minutes;
- to promote the registration of the company's acts subject to this requirement.

3.12. MANAGEMENT OF OTHER PRINCIPAL BPI GROUP ENTITIES

3.12.1. Banco Português de Investimento's management

Banco Português de Investimento, S.A.'s governing bodies were elected for the term 2007-2009.

Banco Português de Investimento is the Group unit specialising in investment banking, namely Corporate Finance, Equities and Private Banking.

Banco Português de Investimento's Board of Directors is made up of eight members, of whom two, the Chairman and the Deputy-Chairman, are non-executive directors, and six are executive directors who constitute the Executive Committee responsible for the day-to-day business management. This body is presided over by Manuel Ferreira da Silva, executive Board member of the entity heading the Group, Banco BPI.

The Board of Directors can only pass resolutions when the majority of its members are present or represented. Resolutions can only be passed by an absolute majority of votes, with the Chairman having the casting vote. Any Director can be represented at a meeting by another Board member, by means of a letter addressed to the Chairman, although each proxy instrument may not be used more than once.

As is the case at Banco BPI, all the members of the Board of Directors are bound by strict confidentiality rules concerning the matters discussed at the Board's meetings, as well as by a set of internal rules. These are embodied in a code of conduct aimed at safeguarding against conflicts of interest or situations involving the abuse of privileged information. This issue is dealt with in greater detail under point 9 – Code of Ethics and Professional Conduct, of this report (pages 406 to 412).

Banco Português de Investimento's Board of Directors composition

Directors	Executive	Non-executive
Fernando Ulrich		Chairman
António Domingues		Deputy-Chairman
Manuel Ferreira da Silva	Chairman	
Alexandre Lucena e Vale	•	
Carlos Jaime Casqueiro	•	
Henrique Cabral Menezes	•	
João Pedro Oliveira e Costa	•	
José Miguel Morais Alves	•	

Banco Português de Investimento's Executive Committee composition

Directors	Areas of responsibility
Manuel Ferreira da Silva	Chairman
Alexandre Lucena e Vale	Legal Affairs and Human Resources
Carlos Jaime Casqueiro	Corporate Finance
Henrique Cabral Menezes	Equities
João Pedro Oliveira e Costa	Private Banking
José Miguel Morais Alves	Project Finance

3.12.2. Banco de Fomento Angola's management

Structure and functioning rules

Banco de Fomento S.A.R.L. – 50.1% held by Banco BPI – is an Angolan-law bank engaged in commercial banking business in the Republic of Angola.

In terms of the relevant Statutes, Banco de Fomento Angola, S.A. (BFA) is managed by a Board of Directors composed of an uneven number of members, with a minimum of three and a maximum of eleven (currently eleven), which can delegate the day-to-day running of the company to an Executive Committee, composed of three or five directors (currently five).

The Board of Directors, which is attributed the widest powers to manage and represent the company, meets every quarter and whenever convened by its Chairman or at the request of more than half of the Directors. The Executive Committee meets at least once a month. The resolutions of the Board of Directors and the Executive Committee are recorded in the minutes.

The Board of Directors and the Executive Committee can only deliberate in the presence of the majority of their members, with their resolutions being adopted by a majority of votes. The Chairman has the casting vote.

PRINCIPAL TERMS OF REFERENCE OF THE EXECUTIVE COMMITTEE

- Granting of loans, provision of personal guarantees and acquisition, disposal or encumbering of negotiable securities, provided that this does not result in an involvement in one only entity or group of more than USD 7.5 million.
- Realisation of foreign-exchange operations.
- Realisation of deposit-taking operations.
- Acquisition, disposal and encumbering of movable and immovable assets or the acquisition of services up to an individual amount of USD 1 million.
- Admissions, definition of Employees' levels and categories, in the terms envisaged in the budget and in the decisions approved by the Board of Directors.
- Exercise of disciplinary power and application of any sanctions.
- Opening or closure of branches or agencies.
- Representation of BFA in and out of court.
- Constitution of authorised signatories for performing certain acts or categories of acts, defining the extension of the respective mandates.

All the members of Banco de Fomento Angola's governing bodies form part of the BPI Group's Management staff; they are bound by strict rules of confidentiality and are subject to a set of rules designed to prevent the existence of conflicts of interest or the abuse of privileged information, at the same adhering to the best practices and principles of good and prudent management.

BFA's Chair of the General Meeting composition

Rui de Faria Lélis	Chairman
Alexandre Lucena e Vale	Secretary

BFA's Board of Directors composition

	Board of Directors	Executive Committee
Fernando Ulrich	Chairman	
António Domingues	Deputy-Chairman	
Isabel dos Santos	Deputy-Chairwoman	
José Pena do Amaral	Member	
Mário Silva	Member	
Diogo Santa Marta	Member	
Emídio Costa Pinheiro	Member	Chairman
Carlos Alberto Ferreira	Member	Member
Mariana Assis	Member	Member
António Matias	Member	Member
Rodrigo Marques Guimarães	Member	Member

The current members of the Executive Committee reside permanently in Angola and are responsible for the following areas.

BFA's Executive Committee composition

Directors	Areas of responsibility
Emídio Pinheiro	Chairman of the Executive Committee, Finance and Marketing
Carlos Ferreira	Human Resources, Operations, Information Systems, Organisation, Audit and Inspection, Material Resources;
Mariana Assis	Accounting, Planning and Control
António Matias	Individuals' and Small Businesses Banking, Loans to Individuals and Businesses Division
Rodrigo Marques Guimarães	Corporate Banking, Legal, Corporate Credit Risk

In order to facilitate contact between the various members of BFA's senior management and Banco BPI, BFA's head office possesses a video-conferencing system which allows Luanda to connect to Banco BPI's main premises in Lisbon and Oporto.

LEGAL AND REGULATORY FRAMEWORK GOVERNING BFA'S ACTIVITY

1. Financial Institutions Act

The basic enactment for Financial Institutions (Law 1 / 99, revised by Law 13 / 05) regulates the process for the establishment, exercise of activity, supervision and funding of financial institutions, banking and non-banking (namely, financial-lending, micro-credit, leasing companies subject to the jurisdiction of the Angolan Central bank (*Banco Nacional de Angola*) or financial holding, asset management, investment fund, real-estate management and investment companies, subject to the jurisdiction of the Securities Market Supervisory Body).

The regulations require, amongst other aspects, that:

- the credit institutions with head office in Angola adopt the form of public limited companies;
- they have a share capital that is not less than the legal minimum and which is represented by nominative shares;
- the transactions between residents of blocks of shares representing more than 10% of the capital or any transaction involving non residents, are subject to the central bank's authorisation (Banco Nacional de Angola, BNA);
- the public deed of incorporation, the members of the management and supervisory bodies, as well as agreements entered into between Shareholders, are subject to registration at the Banco Nacional de Angola;
- the activity and the annual report and accounts are subject to external audit by a company recognised and established in Angola.

Law no. 13 / 05 prescribes that the supervisory entities for financial institutions are Banco Nacional de Angola, the Insurance Supervision Institute (Instituto de Supervisão de Seguros) and the Securities Market Supervisory Body (Organismo de Supervisão do Mercado de Valores Mobiliários).

The Act also prescribes in a separate chapter rules of conduct on matters such as: professional confidentiality, cooperation with the supervisory entities of other States, conflicts of interest of members of governing bodies and the defence of competition.

Similarly, the prudential and supervisory rules are described in greater detail in a separate chapter, embracing in particular, prudential relations and limits, supervisory procedures and the affirmation of sound and prudent management rules, as well as the duty to supply information to the supervisory body.

2. Supervision

As a bank subject to Angolan law, BFA is subject to the supervision of Banco Nacional de Angola which, according to its Organic Law, has as its principal objectives the preservation of the national currency's value and the stability of the financial system. To this end, the BNA is vested with powers to regulate and supervise the banking system.

Subsidiary, BFA as an entity invested in by Banco BPI, is subject in terms of Portuguese banking legislation and complementary regulations, to supervision on a consolidated basis by the Bank of Portugal.

3. Principal prudential rules

Share capital and minimum own funds

Notice 04 / 07 fixes the new minimum amounts for share capital and regulatory own funds for financial institutions (for banks it is KZ 600 mn i.e. roughly USD 8 mn).

This Notice revoked Notice 04 / 98 which fixed as the minimum amount of share capital for commercial and investment banks the local currency equivalent of USD 4 mn.

Adequacy of own funds

Notice 05 / 2007 defines the general formula for the calculation of the Regulatory Solvency Ratio (RSR) and prescribes a minimum RSR of 10%. It provides that complementary own funds can correspond to a maximum of 100% of the amount of Basis Own Funds after making the deductions envisaged for their calculation.

Instruction 05 / 07 classifies assets according to their degree of risk and fixes the respective weightings for calculating RSR.

RSR = FPR / [APR + (CRC / minimum ratio)] * 100

In which,

FPR = Regulatory Own Funds

APR = Risk Weighted Assets

CRC = Capital for Currency Risk and gold, that is, amounts exposed to market risk arising from variations in the exchange rate and in the gold price, multiplied by the respective factors determining the own funds requirement.

Currency position limit

Notice 06 / 07 defines the basis for calculating the exposure to currency risk and lays down limits for currency position, namely: 100% of Regulatory Own Funds for long positions and 40% for short positions.

Instruction 06 / 07 defines the formula for calculating the amount of capital required to cover currency risk. Revokes Notice 06 / 03 which defined as the currency position limit an open position (asset or liability) up to 20% of regulatory own funds.

Fixed asset limits

Notice 07 / 07 fixes the limit for resources invested in fixed assets. The amount of fixed assets less depreciation and amortisation deducted from financial investments cannot exceed 50% of Regulatory Own Funds.

Limits on risk concentrations involving one single Customer or group

Notice 08 / 07 defines the concept of Customer and provides that:

- the maximum exposure limit per Customer cannot exceed 25% of regulatory own funds (the revoked Notice 05 / 96 fixed that limit at 30% of Own Funds)
- the maximum exposure limit for the 20 largest debtors cannot exceed 300% of regulatory own funds.

Classification of risk levels on lending operations

Notice 09 / 07 prescribes that financial institutions must classify the loans granted and the guarantees given according to 7 levels, both on the estimated basis of probable losses, according to the debtor, the operations and the guarantees, and on the basis of the delays registered in debt servicing.

The classification of loans according to risk levels must be reviewed every 12 months and on a monthly basis in accordance with the delays in the payment of capital or charges. The minimum and maximum levels of provisions by risk levels are defined which are based on the capital overdue and the loans not yet due.

Monetary Adjustment

Notice 10 / 07 sets out new rules for monetary adjustment based on the Consumer Price Index (CPI). The variation in the Fixed Assets and Own Funds accounts is now added to the respective balance, with the exception of the share capital account which is recorded in the "Share Capital Monetary Adjustment Reserve". The existing balances on the accounts "Own Funds Maintenance Reserve" and "Provision for Maintenance of Own Funds" shall be transferred to the "Share Capital Monetary Adjustment Reserve" account.

In the previous legislation, the monetary adjustment (share capital + reserves + retained earnings) was done monthly based on the currency variation occurring in the period, through the creation of a Provision for Maintenance of own funds. At the end of the year, the Provision for maintenance of own funds account was written off against the Reserve for the maintenance of own funds account.

Revaluation of fixed properties for own use

Notice 11 / 07 define the rules for properties for own use. Previously, the revaluation of tangible fixed assets was carried out monthly based on the currency variation occurring in the period. The variation in the tangible fixed asset accounts was added to the respective balances (fixed asset account and respective depreciation) and in the Fixed Asset Revaluation account.

According to the new legislation, the revaluation is done based on the change in the property's market value as per a valuation certificate.

Establishment of overseas branches and acquisitions of participating interests

Notice 12 / 07 regulates the conditions and procedures governing the setting up of branches abroad and the acquisitions of participating interests.

Relative to previous legislation, this Notice introduces the requirement for prior Banco Nacional de Angola authorisation. The previous legislation limited the direct or indirect interest to 15% of the investor financial institution's own funds. On the other hand, the overall amount of the qualified shareholdings (direct or indirect shareholding of more than 10% of the share capital or voting rights) in companies could not exceed 60% of the investor financial institution's own funds.

Formation of financial institutions

Notice 13 / 07 regulates the procedures for the formation of financial institutions in Angola.

Publication of results

Notice 15 / 07 lays down the rules / procedures and frequency for the preparation of consolidated financial statements by financial institutions authorised to carry on business by BNA.

In relation to previous legislation, this regulation introduces the obligation to publish quarterly financial statements.

Mandatory reserves

Instruction 04 / 07 set a coefficient of 15% on the calculation-base figure (deposits of residents and non residents, in local or foreign currency, including resources tied to currency operations). With the coming into effect of this new Instruction it is no longer possible to maintain up to 5% in TBC's or Direct Public Debt Securities issued in national currency and with a maturity of more than 91 days.

The reserve requirement is calculated weekly on the arithmetical average of the balances of the business days of the penultimate week.

Procedures of the system of management, settlement and custody of securities issued by the national treasury and by BNA

Notice 01 / 08 defines the requirements for participation in the Assets Market Management System (Sistema de Gestão de Mercado de Activos – SIGMA) in terms of the entering into contracts between the participants and the BNA and the need to comply with the rules laid down in SIGMA's manual of standards and procedures.

4. The Group's functional organisation chart

Executive management, supervision and control

The composition and functions of the BPI Group's management, supervisory and control bodies are detailed in points 3.1. to 3.11. of this report.

BPI Group functions

The BPI Group units grouped according to their functions are under the direct command of Banco BPI's Executive Committee.

Central structures

These structures embrace the entire universe of shared services (of the back-office[G] kind) which act as direct support to the Group's other units by undertaking the development and maintenance of its operational, physical and technological infrastructure.

Credit risks

The Executive Committee for Credit Risk is the body that takes the principal decisions concerning matters relating to the concession, monitoring and recovery of lending operations. At a more operational level, credit risk management is centralised at the Credit Risk Division which manages in an integrated fashion the Customer segments – small businesses, companies, institutional banking and project finance[G] –, and at the Individuals Credit Risk Division which manages the Individual Customers segment. The manner in which the various risks are managed at the BPI Group is comprehensively dealt with in a separate chapter in the Directors' Report.

Market risk

The Executive Committee for Market Risks is the body that makes the main decisions concerning the activities which entail market risks for BPI. It is primarily responsible for formulating overall strategy and operating regulations, fixing the limits for treasury exposures to be adhered by the Finance Division, and defining the parameters for the management of long-term structural positions (interest rate or currency risks) and fixing the global limits for value-at-risk (VaR).

Marketing

The marketing function is carried out in a segregated manner according to the segmentation between Individuals and Small Businesses, on the one hand, and Companies on the other. The Individuals and Small Businesses Marketing Division concentrates above on the management of the systems CRM (Customer Relationship Management) and on the coordination of the sales function, including responsibility for developing new products and services. The Companies Marketing Division handles all aspects relating to communication, information and the management of databases associated with commercial activity directed at corporate Customers.

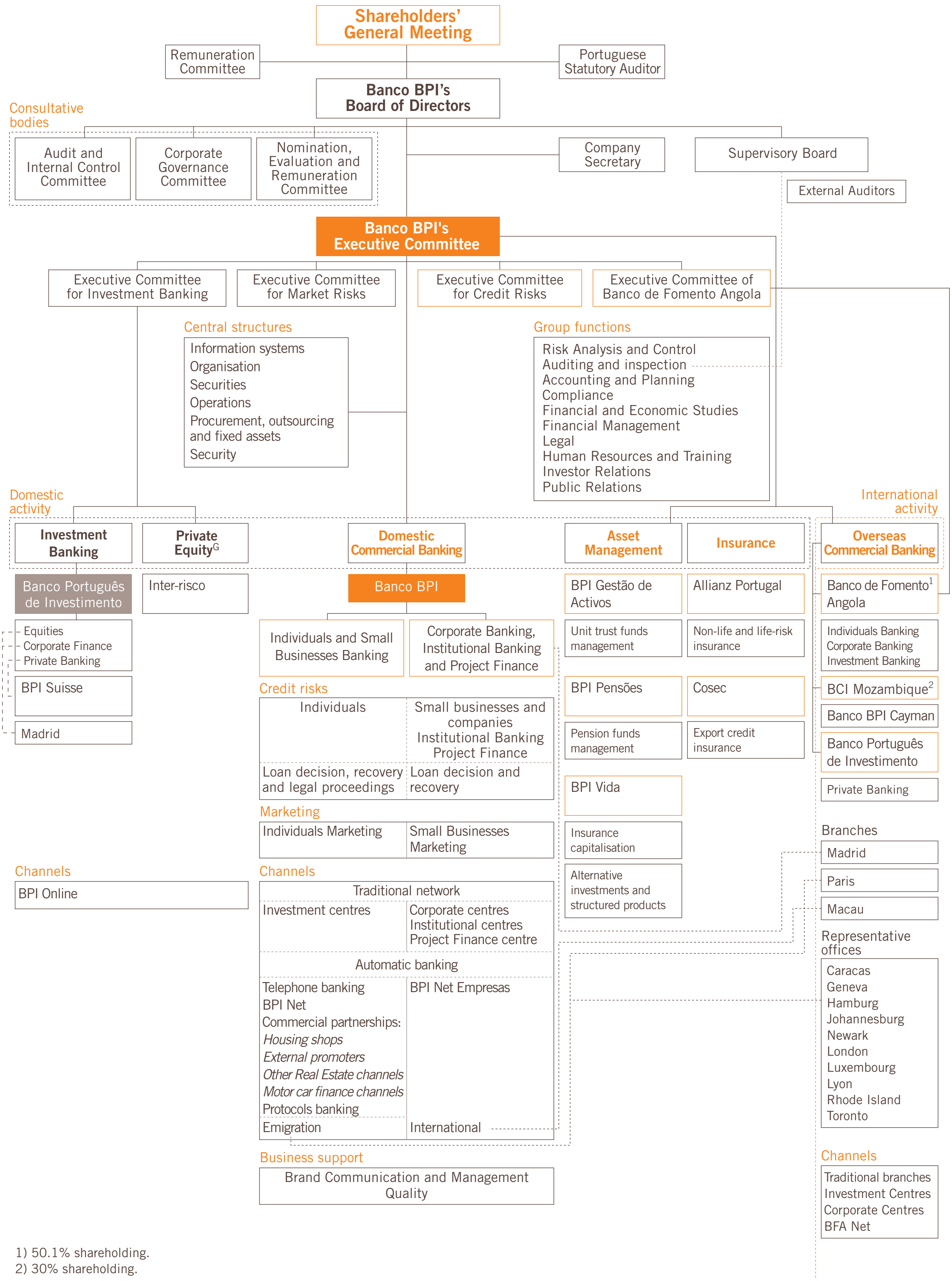
Channels

BPI possesses a fully-integrated, multi-channel distribution network, fully integrated, composed of 700 retail branches, 34 investment centres, Automated Banking (ATMs), agents network, remote access channels, online brokerage, specialised branches and structures dedicated to the corporate and institutional segment (46 corporate centres, one project finance centre and six institutional Client centres). Outside Portugal, BPI is engaged in commercial banking business in Angola and Mozambique, through two local-law banks – Banco de Fomento Angola (50.1% held by the BPI Group) and Banco Comercial e de Investimentos (30% held by the BPI Group). It also has a number of branches and representative offices which essentially provide support to Portuguese emigrant communities.

Brand, quality and training

Quality, communication and brand management are managed by the same member of Banco BPI's Executive Committee. This situation has in its sights the goal of giving priority to the quality of service, which dictates the close coordination of quality programmes with the brand communication and development programmes. This coordination also extends to the training area, a critical element in securing high service standards.

THE BPI GROUP'S FUNCTIONAL ORGANISATION CHART



1) 50.1% shareholding.
2) 30% shareholding.

5. Risk management

5.1. RISK MANAGEMENT PRINCIPLES

Risk management at the BPI Group is based on the permanent identification and analysis of exposure to different risks – credit risk, country risk[G], market risks, liquidity risk, operating and legal risks or other – and on the adoption of strategies aimed at maximising profitability within predefined (and duly supervised) limits. Management is complemented *a posteriori* by analysis of performance indicators.

5.2. DIVISION OF RESPONSIBILITIES IN RISK CONTROL AND MANAGEMENT

The policy, procedures and allocation of powers amongst the Group's various bodies and departments on matters relating to the control and management of the Group's risks are described in detail in a separate chapter of the Directors' Report and are incorporated into this document by way of reference.
In 2008, the Group's International Division was integrated into the Financial Division.

Matrix of responsibilities for risk management and control

	Identification and analysis of exposure	Strategy	Limits and control	Recovery	Evaluation of performance
Credit / counterparty risk	**DACR**: rating and scoring models (Probabilities of Default), and loss given default for all loan segments **DACR** and **DF**: external rating identification for debt securities and for credit to financial institutions **DRC**: Corporate rating; Expert System for Small Businesses **DRCP**: Individuals Expert System **DACR**: exposure to derivatives **DACR**: overall analysis of exposure to credit risk	**CECA** and **CERC**: overall strategy and approval of substantial operations Credit Board, **DRC** and **DRCP**: approval of operations	**CECA**, **CERC**, Credit Board, **DRC**, **DRCP**, **DACR**, **DF**, **DTA**: limits **CECA**, **CACI**, **CERC**, Credit Board, **DACR**, **Internal and External Auditors**[1], **Bank of Portugal**: control	**DJ** **DRC**: Small Businesses **DRCP**: Individuals	**CECA, CERM, CERC** **DP, DACR,** **all other Divisions**
Country risk	**DIG**: analysis of individual country risk with recourse to external ratings and analyses **DACR**: analysis of overall exposure	**CECA** and **CERM**: overall strategy **DF**, **DA, DTA, DIAPE**: operations	**CECA**, **CERM**		
Market risk	**DACR**: analysis of risk by books / instruments and global risks – interest rates, currencies, shares, commodities, other.	**CECA** and **CERM**: overall strategy **DF, DA, DIAPE** and **DTA:** operations	**CECA**, **CERM**, **DACR**, **DF**, **DA** and **DTA**: limits **CECA**, **CACI**, **CERM**, **DACR**, **DC**, **Internal and External Auditors**[1], **Bank of Portugal**: control		
Liquidity risk	**DF**, **DA, DIAPE** and **DTA:** individual risk analysis of liquidity, by instrument **DACR**: analysis of overall liquidity risk	**CECA** and **CERM**: overall strategy			
Operating risks	**DACR**: analysis of overall exposure **DORG** and **all the Divisions**: identification of critical points	**CECA**: overall organisation **Operating Risk Committee** **DORG**: regulations	**CECA**, **CERM**, **DORG**, **DACR**: rules and limits **CECA**, **CACI**, **DORG**, **DACR**, **DC**, **Internal and External Auditors**[1], **Bank of Portugal**: control	**DJ**, **DAI**, **DO**, **Commercial Divisions**	**CECA, DORG**
Legal risks	**DJ**		**CECA**, **CACI**, **DJ**, **DC**, **Internal and External Auditors**[1], **Bank of Portugal**: control	**DJ**	

CACI – Comissão de Auditoria e de Controlo Interno (Audit and Internal Control Committee)
CECA – Comissão Executiva do Conselho de Administração (Board of Directors Executive Committee)
CERC – Comissão Executiva de Riscos de Crédito (Credit Risk Executive Committee)
CERM – Comissão Executiva de Riscos de Mercado (Market Risk Executive Committee)
DA – Departamento de Acções (Equity Department)
DACR – Direcção de Análise e Controlo de Riscos (Risk Analysis and Control Division)
DAI – Direcção de Auditoria interna (Internal Audit Division)
DC – Direcção de Compliance (Compliance Division)
DF – Direcção Financeira (Finance Division)
DIAPE – Direcção de Investimentos Alternativos e Produtos Estruturados (Alternative Investments and Structured Products Division)
DJ – Direcção Jurídica (Legal Division)
DO – Direcção de Operações (Operations Division)
DORG – Direcção da Organização (Organisation Division)
DP – Direcção de Planeamento (Planning Division)
DRC – Direcção de Riscos de Crédito (Credit Risk Division)
DRCP – Direcção de Riscos de Crédito a Particulares (Individuals Credit Risk Division)
DTA – Direcção de *Trading* e Arbitragem (Trading and Arbitrage Division)

1) As part of the execution of the audit and statutory audit of the BPI Group's accounts, the external auditors also contribute to the process of controlling the various risks to which the Group is exposed.

6. External auditors

Deloitte & Associados, SROC, S.A. (Deloitte), a member firm of the international network Deloitte Touche Tohmatsu, is the BPI Group's external auditors / Portuguese Statutory Auditor and was elected in the General of Meeting of 23 April 2008 for the 2008 / 2010 three year period. The partner in charge of the audit of Banco BPI's consolidated financial statements is Maria Augusta Cardador Francisco.

According to the provisions of the Commercial Companies Code, the proposal for the appointment of the Portuguese Statutory Auditor is submitted to the GM by the Supervisory Board.

6.1. INDEPENDENCE

BPI recognises and subscribes to the concerns manifested, amongst others, by the CMVM (Securities Market Commission), by the European Commission and by IOSCO – International Organization of Securities Commissions, amongst other entities, regarding the safeguarding of auditors' independence *vis-à-vis* the audit Client. BPI believes that this independence is essential for ensuring the public's trust in the reliability of their reports and in the credibility of the financial information published.

BPI is of the opinion that its auditors are independent within the context of the regulatory and professional requirements applicable and that their objectivity is not compromised. BPI has incorporated into its governance practices and policies several mechanisms which safeguard the independence of the auditors.

Namely, the company which audits the BPI Group's accounts, as well as the persons in charge of the relevant audit work, has to the best of BPI's knowledge, no interest – effective or imminent – financial, commercial, employment, family or of any other nature – other than those which result from the normal course of their professional activity – in BPI Group companies, capable of leading a reasonable and informed third party to conclude that such interests could compromise the auditor's independence.

On the other hand, the Portuguese Statutory Auditors Act provides that anyone who has served in the last three years as a member of a company's administrative or management bodies, cannot exercise the function of auditor of the same company. In the same manner, the Portuguese Statutory Auditor who in the last three years has acted as the Portuguese Statutory Auditor of companies or entities, is barred from exercising functions as a member of such companies' or entities' administrative or management bodies.

BPI has adopted the principle of not entering into employment contract s with any person that has in the past been partner of the audit firm which has provided audit services to any BPI Group companies before at least three years have elapsed since the cessation of the provision of such services.

DELOITTE'S POLICIES AND PROCEDURES

Deloitte & Associados, SROC S.A. (Deloitte), an audit firm registered with the CMVM and appointed by BPI, has, according to information supplied by it to BPI, implemented policies and procedures designed to ensure that its national and world-wide network provides quality services and complies with all the applicable independence and ethical rules.

QUALITY CONTROL SYSTEM

The functioning of the quality control system, independence and ethics is assured, in the first place, by the appointment at global and national levels of partners with vast experience in auditing (Reputation and Risk Leaders), without responsibilities for day-to-day management. Their role in the respective jurisdiction entails being at the forefront of all the matters relating to quality, reputation and independence at the Deloitte organisation. Their main duties include:

- the definition of policies and procedures relating to the acceptance and retention of clients and engagements, as well as the evaluation of the risks attaching to those clients and engagements, and the monitoring thereof;
- the definition of policies, and the issue and disclosure of rules governing standards and quality procedures, independence rules, ethics and professional conduct;
- following up changes in the regulation of the various services offered by Deloitte;
- the implementation and maintenance of mechanisms and processes aimed at quality, independence and ethics, with particular focus on the controls over the mechanisms for identifying conflicts, approval and consultation (between the different service lines and between the different countries or jurisdictions);
- the management and updating of the global list of Deloitte's Public Interest Clients ("International Restricted Entities List");
- the analysis of the information produced by the software GIMS – Global Independence Monitoring System (which encompasses clients, persons from Deloitte, as well as services provided);
- the control of the annual Deloitte staff independence confirmation process and the conduct of test programmes and periodic inspections;
- the application of disciplinary procedures in the case of any breach of the rules laid down for independence and ethics.

Quality

Deloitte's quality-control policies embrace, amongst others, the following aspects:

- standards relating to the recruitment of professional staff;
- programming of Employees' professional careers;
- definition and development of the specific competencies of the teams allocated to each Client or department.

In addition:

- all the services or clients prior to their acceptance by Deloitte are assessed for the risks involved.
- according to the grading given to those risks, actions are identified and control mechanisms implemented aimed at their monitoring. In order to document and record this process, Deloitte uses a centralised system called DRMS (Deloitte Risk Management System), which also includes the evaluation of conflicts of independence and interest and the assessment of the client's reputation;
- all the services provided to clients are subject to the quality review by other Deloitte partners who are independent in relation to the team which provided in the first place services to those clients;
- the quality levels are further reinforced by centres of excellence for technical matters and for specialisation located in various parts of the world, which the responsible partners can have access to in order to guarantee that in each country the technical quality of the services provided is safeguarded;
- as a global organisation, Deloitte is the object of internal quality control undertaken by partners from other Deloitte member firms at least once every three years. The implementation plan for the recommendations arising from their reviews is controlled and monitored regularly;
- in Portugal, Deloitte is subject to the external quality control undertaken by the Ordem dos Revisores Oficiais de Contas (Portuguese Institute of Statutory Auditors). Deloitte & Associados, SROC S.A. is registered with the PCAOB (Public Company Accounting Oversight Board) and, consequently, is equally subject to its supervision.

Independence and ethics

Independence and ethics policies and practices are based on those issued by IFAC (International Federation of Accountants) and are complemented by national or other more stringent rules, as laid down in the Portuguese Statutory Auditors Bill (cf. Decree-Law no. 487 / 99 of 16 November, as amended by Decree-Law no. 224 / 2008, of 20 November) and those issued by the SEC (U.S. Securities and Exchange Commission), enshrined in the Sarbanes Oxley Act and in the Eighth Directive of the European Parliament and of the Council of 17 May 2006 relating to the statutory audit of annual and consolidated accounts. The disclosure of the independence and ethics control system is assured by means of strict standards which are periodically updated and made available to all persons working for the Deloitte firm via Intranet.

In the process of accepting clients and engagements, any threats to independence are identified and evaluated, at the same time as possible preventative measures are taken and implemented in order to mitigate or reduce any such threats.

Internal training courses are held regularly dealing with independence and ethics, attendance of which is compulsory.

6.2. LIABILITY

In terms of the law[1], auditors[2] are jointly and severally liable for the "damages caused to the issuers or to third parties for any shortcomings in their reports or opinions". ▷

6.3. REMUNERATION

The remuneration paid to Deloitte and its network[3] for services rendered to BPI Group companies in 2008 amounted to 1.8 M.€. This figure is broken down in the table below according to the nature of the work performed and the company to whom the services were provided.

Figures in thousands of euros

Type of service	Banco BPI	Banco de Fomento Angola	Banco Português de Investimento	BPI Gestão de Activos	Other companies of BPI Group[1]	Total	% of total
Statutory audit	599	75	118	123	181	1 096	60%
Other attest services	243	132	31	26	72	505	28%
Tax consulting	76			4		80	4%
Other services	145					145	8%
Total	**1 064**	**207**	**149**	**153**	**252**	**1 826**	**100%**

1) By order of importance (decreasing) according to the amount paid: BPI Vida, Banco BPI – Offshore de Macau, Sofinac, BPI Pensões, BPI Suisse, Capital Finance, Banco BPI Cayman, BPI Suisse, Inter Risco, BPI Fiduciaire, BPI – Locação de Equipamentos, BPI Rent, Douro-SGPS, Eurolocação e BPI Madeira.

Deloitte and its network did not provide any service to the BPI Group in areas such as financial information technology, internal audit, valuations, legal defence, recruitment, amongst others, which are capable of generating situations of conflict of interest and impairment to the quality of the audit and statutory audit work. ▷

All the services provided by Deloitte, including the respective remuneration terms are, irrespective of their nature, the object of prior review and approval by the Supervisory Board, thus constituting an additional mechanism safeguarding the independence of the External Auditor.

1) Article 10 of the Securities Code.
2) In terms of article 10 of the Securities Code, the term "auditors" includes "the Portuguese statutory auditors and other persons who have signed the report or the opinion" (paragraph 1a) and "the firms of Portuguese statutory auditors and other audit companies, provided that the documents audited have been signed by one of their members / partners" (paragraph 1b).
3) BPI's "Network" of auditors include Deloitte and Deloitte & Associados, SROC, S.A., and is in accordance with the definition of "Network" laid down by the European Commission in its Recommendation C (2002) 1873, of 16 May 2002.

7. Remuneration

7.1. REMUNERATION POLICY

7.1.1. Principles

BPI's remuneration policy is founded on five pillars.

Performance

The remuneration packages of BPI's Executive Directors and Employees are directly associated with the performance levels attained:

- by the Bank;
- by the business or business-support unit to which the person concerned is associated;
- by their individual merit.

The criteria used in ascertaining the performance level and relative weight of each one of the aforementioned areas vary according to the functions and degree of responsibility of the person concerned.

Competitiveness

BPI seeks to offer its Directors and Employees remuneration packages which are competitive taking into account market practice for a given area of specialisation, degree of responsibility and geographical area.

With this policy, BPI aims to attract and retain the most efficient and lucrative people who display the most potential for the organisation.

Strategy

The remuneration which is awarded to a specific Employee is also influenced by BPI's specific needs and priorities at any given moment, as well as by the importance and singularity of the person's contribution to the organisation.

Equity

BPI remuneration practices are founded on uniform, consistent, fair and balanced criteria.

Alignment with the Shareholders

All the Directors, Managers, and all Employees whose annual variable remuneration is equal to or exceeds 2 500 euros have remuneration packages which include a portion which is anchored to the performance of Banco BPI shares on the stock exchange.

7.1.2. Principal components

The remuneration attributed to BPI Group Directors and Employees includes a fixed and a variable component.

7.1.2.1. Resolutions at General Meetings

In General Meeting, the resolution for the election of the Remuneration Committee defines a maximum limit – valid for the term of office of the governing bodies which begins on that date – for the fixed annual remuneration of the members of the Board of Directors and for the maximum percentage of the consolidated profits for the year which, not exceeding five per cent, in each year can be allocated to the variable remuneration of the members of the Executive Committee.

For the 2008-2010 term, the following lines were laid down:

- Annual limit for the fixed remuneration of the members of the Board of Directors: 3.2 M.€;
- Maximum percentage of the consolidated profit for the year which in each year can be allocated to the variable remuneration of the members of the Board of Directors who form part of the Executive Committee: 1.5%.

7.1.2.2. Variable remuneration

The variable remuneration component increases with each one's level of responsibility and is set according to each one's merit.

The annual attribution of variable remuneration to the Group's senior staff with the highest responsibility results from the individual assessment undertaken by Banco BPI's Executive Committee.

7.1.2.3. RVA programme

In 2001 the BPI Group instituted the Variable Remuneration in Shares Programme (Portuguese initials RVA) which consists of the granting of part of the variable remuneration in the form of shares and options to buy[G] BPI shares: The RVA Scheme encompasses the members of Banco BPI's Executive Committee, the Board of Directors of Banco Português de Investimento and those Employees whose variable remuneration is 2 500 euro or more. The weight of the RVA Scheme on variable remuneration rises with the level of responsibility, oscillating between a minimum of 10% and a maximum of 50%.

In points 7.2., 7.9. and 7.10. detailed information is provided about this important instrument for strengthening the alignment of Employees' and Directors' interests with those of the Shareholders.

Employees of the individuals and small businesses commercial network also benefit from the Incentive and Motivation System, which constitutes a component of variable remuneration which is awarded according to the commercial performance. This component's specific conditions are revised quarterly.

7.1.2.4. Optional RVA in 2008

In respect of the 2008 financial year, the Board of Directors decided exceptionally that the RVA programme would be optional, with the Executive Directors and Employees covered by it being able to opt for:

- receiving variable remuneration wholly in cash;
- reducing the weight of the RVA component on variable remuneration to 50% of the amount envisaged in the Programme's rules, or
- the maintenance of the relative weight of the RVA envisaged in the aforesaid rules.

In its deliberation, the Board of Directors took into consideration the exceptional circumstances experienced in the financial markets, notably in the equity markets and the fact that the amount of the variable remuneration to the Executive Directors and Employees had undergone a very expressive decrease in the year – in the order of 60% in overall terms.

7.1.3. Profit sharing

Banco BPI has a policy of not remunerating its directors[1] in the form of a share in the net profit. Nonetheless, article 28 of Banco BPI's statutes provides that a maximum limit is deliberated in General Meeting – valid for the term of the governing bodies which commences on that date – for a percentage of consolidated profits for the year which in each year can be allocated to overall variable remuneration awarded to the Executive Committee. Still in terms of the Statutes, this limit cannot exceed 5% of consolidated net profit for the year.

For the 2008-2010 term of office, the General Meeting set an annual limit of 1.5% of consolidated net profit for the year.

The overall amount of directors' compensation is recorded in the caption personnel costs.

1) As well as the Employees.

Adoption of Recommendation II.1.5.2 of the Corporate Governance Code issued by the CMVM relating to the remuneration policy of the members of the Management and Oversight Bodies and of other Managers[1]

At the General Meeting held on 23 April 2008, the following directives relating to the remuneration policy of the members of the governing bodies for the 2008-2010 term of office were approved:

- Limit of the annual fixed remuneration of the group of members of the Board of Directors: € 3 200 000;
- Maximum percentage of the consolidated net profit for the year which can be allocated annually to the variable remuneration of the group of members of the Board of Directors who form part of the Executive Committee: 1.5%.

The Remuneration Committee defined with respect to the remuneration of the Supervisory Board, the following rules:

- Remuneration of the Supervisory Board chairman: € 3 750 per month;
- Remuneration of the Supervisory Board members: € 3 250 per month; these remunerations will be paid 14 times each year.

Throughout 2008, the above directives were fully observed.

In fact, and as regards the members of the Board of Directors who make up the Executive Committee, the variable remuneration suffered a decrease of 60% relative to the amount paid relating to 2007, representing 1.21% of the consolidated net profit.

Consequently and for the group of the seven members of the Board of Directors who make up the Executive Committee, the overall annual remuneration for 2008 fell by 42% relative to 2007, making a total of € 3 688 235.

It is worth noting that in relation to the Board of Directors members who make up the Executive Committee, the amount of remuneration earned for the exercise of functions at other companies in representation of Banco BPI is deducted from the variable remuneration defined by the Remuneration Committee.

During the course of 2008, the above guidelines were fully observed.

The Remuneration Committee will present to the GM of 22 April 2009 a declaration on the subject under review.

Compliance with the recommendation concerned as regards the remuneration policy of the other managers, within the meaning of article 248-B(3) of the Securities Code, will be assured to the extent that this policy appears in the declaration to be presented by the Board of Directors to the AGM to be held in April 2009.

1) Within the meaning of article 248.B (3) of the Securities Code.

Adoption of Recommendation II.1.5.4 of the Corporate Governance Code issued by the CMVM relating to the share incentive scheme, as well as retirement-benefit systems which the members of the management and oversight bodies and other managers benefit from[1]

The BPI Group has since the beginning of 2001 a variable remuneration in shares programme (RVA programme) whose beneficiaries are the Group's Executive Directors and Employees, and which entails annually the granting of a part of the variable remuneration in the form of Banco BPI shares and options to buy Banco BPI shares.

As explained in greater detail further on, in a section of this report dedicated to the objectives of the RVA, the RVA scheme constitutes an important instrument for the management of the Group's human resources and reinforces the alignment of the Directors' and Employees' interests with the ultimate goal of Management and the Shareholders – the creation of value – given that the income earned by Directors and Employees alike becomes intrinsically associated with the appreciation of the BPI share on the stock exchange, while the relative importance of the RVA incentive scheme rises with the level of responsibility. Indeed, the proportion of the RVA incentives in the variable remuneration of the Chairman and Vice-Chairman of the Executive Committee is 50%, and 40% for the other members of the Executive Committee.

The general lines of the RVA were approved by the General Board (governing body which existed until 1999) and which, in terms of the law then in force, was necessarily composed of Shareholders).

At the GM of 21 April 1999, the Chairman of the Board of Directors placed for the Shareholders' consideration a proposal to authorise the acquisition and disposal of treasury shares by the Company, which acquisitions and disposals were destined, amongst other purposes, to make possible the execution of the aforesaid incentive scheme. This proposal is renewed every year for the same purpose.

In addition, at the General Meeting of 20 April 2005 the Chairman of the Board of Directors presented to the Shareholders the objectives, characteristics, composition and extent of the share incentive scheme (RVA) adopted by Banco BPI, having disclosed the figures relating to the application of the RVA scheme.

It was thus considered that the RVA scheme was not only approved by a body which was composed of Shareholders but was also the object of reference in proposals submitted and approved by the said Shareholders' General Meeting, as a result of which Banco BPI believes that it complies with this recommendation.

Compliance with the recommendation under review as regards the principal characteristics of the system of retirement benefits will be assured to the extent that there will be presented to the AGM to be held in April 2009 by the Remuneration Committee and by the Board of Directors, declarations relating to the Directors and to the other Managers within the meaning of article 248B(3) of the Securities Code, respectively.

1) Within the meaning of article 248.B (3) of the Securities Code.

7.2. SHARE INCENTIVE SCHEME

7.2.1. Concept

The BPI Group has a variable remuneration programme in shares (Portuguese initials – RVA) which entails the awarding of a portion of the variable remuneration in the form of Banco BPI shares and share options[G]. This programme has been in force at the Group since the beginning of the 2001 financial year.

7.2.2. Beneficiaries

The programme encompasses Banco BPI's Executive Committee and Banco Português de Investimento's Board of Directors, and all Employees whose annual variable remuneration is equal to or exceeds 2 500 euros[1].

7.2.3. Objectives

- Encourages individual merit, given that since it is a variable component of remuneration, the amount thereof grows in step with the individual's performance and merit.
- Aligns the interests of the Directors and Employees with those of the Shareholders. This stimulus is intensified by the existence of the option to buy BPI shares, thereby permitting the leveraging of the gains from the future appreciation of the shares, while a negative trend in the share price results in a nil value of the options.
- Regarding the shares component of the variable remuneration, it boosts fidelity and retains talents – given that the RVA incentive is made available to the beneficiary in phases, from the award date to the end of the third year thereafter, and under the condition that the beneficiary maintains a connection with the Group. This effect is all the more important the higher the individual's responsibility and merit and constitutes an important means for the positive selection of human resources.

TOTAL REMUNERATION

Fixed remuneration

Variable remuneration[1]

Composition of variable remuneration	% of variable remuneration in cash	% of variable remuneration in shares and options
Chairman and Deputy-Chairman of the Executive Committee	50%	50%
Other Directors of the Executive Committee	60%	40%
Other members of the Investment Bank Board of Directors	65%	35%
Managerial staff	85% to 70%	15% to 30%
Other Employees	90%	10%

Variable remuneration in cash (€)

RVA (€)

Composition of RVA (subject to RVA beneficiaries choice)	% of RVA in shares	% of RVA in options
	100%	0%
	75%	25%
	50%	50%
	25%[2]	75%[2]
	0%[2]	100%[2]

Variable remuneration in shares (€)

Variable remuneration in options (€)

1) In the 2008 RVA, the directors and employees were granted the option to choose between receiving the variable remuneration wholly in cash or being subject to the RVA scheme according to the terms applicable to each one of them.
2) Additional combinations adopted for the 2007 and 2008 RVA programmes.

Main characteristics of the RVA Scheme

Type	Granting of Banco BPI shares and share options
Dilution	The execution of the share incentive scheme does not contemplate the issue of capital.
Settlement (attribution of shares and exercise of options)	The attribution of shares and the exercise of options is effected by recourse to the treasury stock portfolio constituted for this purpose.
Frequency	Regular annual attribution programme.
Period to which it refers	The RVA remuneration is a component of variable remuneration, which is calculated based on the assessment of the performance for the year to which the award refers and therefore represents remuneration for services rendered.
Accounting treatment of the attribution cost	The value of the RVA incentive granted is recorded as personnel costs, considering for this purpose the market value of the shares (average quoted price in the last ten stock exchange sessions prior to the grant) and the fair value of the options. The attribution cost is deferred on a straight-line basis from the beginning of the year to which the attribution refers and the date it becomes available to Employees (in the case of the Share Scheme: 25% on the grant date and the balance at the end of each one of the three ensuing years; in the case of the Options Scheme, at the beginning of the exercise period[G]).
Accounting treatment of the cover cost (in-house)	BPI provides its own cover for the options using for this purpose portfolios of own shares. The gains and losses realised on the treasury stock portfolio to cover the options plan are recorded directly in Shareholders' equity, thereby not affecting net profit for the year. On the options exercise date, the gains or losses corresponding to the difference between the exercise price[G] and the average acquisition cost of own shares is recognised in Shareholders' equity.
Annual limit of the RVA scheme	Number of shares attributed and shares underlying the options attributed: 2% share capital.
Cumulative limit of the RVA scheme	Number of shares underlying the options in existence at any given moment, exercisable or not: 5% share capital.
Value of the shares attributed	Average of the market share price for the last 10 sessions before the attribution date.
Value of the options attributed	At-the-money, with the exercise price corresponding to the average of the market share price for the last 10 sessions before the attribution date.
Availability of the shares	25% immediately and the remainder at the end of each of the following 3 years.
Exercise of the options	In the period falling between the 90th[1] day and the end of the 5th year after the award date.
Possibility of repricing the options	No.
Transferability of the options	Not tradable.
No. of existing options as a % of capital[2]	2.2%

1) For the options granted under the 2005 and following RVA. For the options granted under the RVA 2001 to RVA 2004 programmes, the exercise period began a year after the award date and ended at the end of the fifth year from the award date.

2) Position at the end of 2008.

7.3. REMUNERATION OF MEMBERS OF BANCO BPI'S GOVERNING BODIES

7.3.1. Rules for awarding and competent bodies

The Remuneration Committee is the governing body responsible for setting the amount of the annual remuneration to be paid to the members of Banco BPI's governing bodies.

The following table details the manner of remunerating the governing bodies, attribution rules and competent deciding bodies.

Remuneration structure of Banco BPI's governing bodies

	Remuneration – Fixed – Normal	Remuneration – Fixed – Attendance allowances	Remuneration – Variable – Cash	Remuneration – Variable – Scheme	Rules – Fixed	Rules – Variable	Deciding body
Chairman of the GM Committee	✓	–	–	–	✓	–	Remuneration Committee
Board of Directors – Members of the Executive Committee (CECA) – Chairman and Deputy-Chairman	✓	–	✓	✓	The amount of annual fixed remuneration is defined every three years by the General Meeting, Art. 28(2) and (3), in the deliberation which precedes the election of the Remuneration Committee. In subsequent years, the fixed remuneration is adjusted according to the increase stipulated by the ACTV – Vertical Collective Employment Agreement, for level 18.	GM defines every three years the maximum percentage of annual consolidated net profit which, not exceeding 1.5% each year, can be allocated to variable remuneration. The Remuneration Committee decides each year within the limits set by the GM, and based on the recommendations of the Nominations, Evaluation and Remuneration Committee, the variable remuneration to be granted to each member of the Executive Committee. Variable remuneration is determined each year on the basis of individual[1] and collective performance. Weight of the RVA scheme on variable remuneration is 50% for the Chairman and Deputy-Chairman and 40% for the other members of the Executive Committee.	General Meeting, Remuneration Committee, based on the opinion of the Nominations, Evaluation and Remuneration Committee.
Board of Directors – Members of the Executive Committee (CECA) – Other members	✓	–	✓	✓			
Board of Directors – Chairman of the Board of Directors	✓	–	–		Maximum amount of remuneration (fixed) is fixed at the start of the 3-year mandate. In subsequent years, the fixed remuneration is adjusted according to the increase stipulated by the ACTV – Vertical Collective Employment Agreement, for level 18.	–	General Meeting
Board of Directors – Non-executive Directors	✓	–	–		Maximum amount of remuneration (fixed) is fixed at the start of the 3-year mandate.	–	
BD's Committees – Audit and Internal Control Committee	–	✓	–		–	–	Remuneration Committee
BD's Committees – Nominations, Evaluation and Remuneration Committee	–	✓	–		–	–	
BD's Committees – Corporate Governance Committee	–	✓	–		–	–	
Supervisory Board	✓	–	–		✓	–	
Portuguese Statutory Auditor	✓	–	–		✓	–	Supervisory Board[2]

Note: The Remunerations Committee is not remunerated; under the terms of the statutes, this Committee is not a governing body.

1) Evaluation criteria take into consideration an adequate balance between merit, individual performance and contribution to the Executive Committee's effectiveness.

2) In 2008, at the moment the fixing of the remuneration of the Portuguese Statutory Auditor occurred, that function belonged to the Audit Committee.

7.3.2. Remuneration paid in 2008

7.3.2.1. Remuneration of the Chairman of the GM Committee

In 2008, the remuneration of the Chairman of the General Meeting Committee was 29 540 euro gross, paid in 14 instalments.

7.3.2.2. Remuneration of the Supervisory Board

In 2008, the gross remuneration paid to the members of the Supervisory Board, in aggregate, was 143 500 euro, paid in 14 instalments.

7.3.2.3. Remuneration of the Board of Directors

In 2008, the remuneration paid to the Board of Directors totalled 4.9 M.€, which corresponds to a decrease of 33% relative to the previous year.

It is worth pointing out that the number of Board of Directors members increased from 21 in 2007 to 23 in 2008. The number of non-executives rose from 14 to 16, while the number of executive members was unchanged at seven.

Remuneration of members of Banco BPI's Board of Directors[1]

Amounts expressed in thousands of euro

	2007						2008					
	Fixed[2]	Atten-dance[3]	Variable[5]			Total	Fixed[2]	Atten-dance[3]	Variable[5]			Total
			Cash	RVA	Total				Cash [6]	RVA[6]	Total	
Executives[4]	1 830		2 432	1 982	4 414	**6 244**	1 906		1 336	458	1 794	**3 700**
Non-executive	993	142				**1 135**	1 113	134				**1 247**
Total	**2 823**	**142**	**2 432**	**1 982**	**4 414**	**7 379**	**3 019**	**134**	**1 336**	**458**	**1 794**	**4 947**

1) Remuneration earned for executive functions exercised, not only at Banco BPI, but at all the companies with which Banco BPI maintains a controlling or Group relationship, in conformity with the amendments made to the Annex to the CMVM's Regulation no. 7 / 2001 by CMVM Regulation no. 11 / 2003.
2) Fixed remuneration includes length of service increases and bonuses.
3) Attendance vouchers for participating at Consultative Commissions of the Board of Directors. In 2008, includes attendance vouchers at the Audit committee up until 23 April 2008 and at the Audit and Internal Control Committee as from that date.
4) The amount of the variable remuneration granted to Executive Directors as a whole cannot exceed annually an amount equivalent to 5% of net profit (article 28 of the Statutes). For the 2008-2010 term, the General Meeting fixed a limit of 1.5% of consolidated net profit for the year, in each year.
5) The variable remuneration paid to Banco BPI's Executive Committee.
The Bank has as a policy considering in the overall remuneration paid the remuneration earned for the exercise of company positions in representation of BPI. In this fashion, for purposes of payment and corresponding accounting record, the amount of the variable remuneration paid to the members of the Executive Committee is deducted of the remuneration earned for the exercise of other company positions in representation of BPI. The amount of variable remuneration paid relating to 2007 and 2008 was 4 530 thousand euro and 1 812 thousand euro, respectively. Taking into consideration that the remuneration paid for the exercise of other company positions in representation of BPI amounted to 116 thousand euro and 18 thousand euro in 2007 and 2008, respectively, the amount of the variable remuneration paid to the Executive Committee was 4 414 thousand euro in 2007, and 1 794 thousand euro in 2008.
6) In the 2008 RVA, the payment of which is to take place in 2009, the possibility of receiving 100% of the RVA incentive in cash was extended to all the beneficiaries of the RVA Programme.

Executive Committee's remuneration

In 2008, the total remuneration paid to Banco BPI's Executive Committee was 3.7 M.€[1], which corresponds to a decrease of 42% relative to 2007.

The variable remuneration granted to the Executive Committee registered a decline of 60%, from 4.5 M.€ in 2007 to 1.8 M.€ in 2008.

The Bank has a policy of considering in overall remuneration paid to the members of the Executive Committee the remuneration earned for the exercise of company offices in representation of BPI. In this manner, for purposes of payment and corresponding accounting record, the amount of the variable remuneration paid by the Bank to each member of the Executive Committee is deducted of the remuneration that they may have earned for the exercise of other company positions.

It is the BPI Group's policy that the persons who make up the Executive Committee only occupy other positions at the Bank's indication at companies in which it has a major interest. The members of the Executive Committee are barred from the exercise of any other remunerated functions.

Considering that the amount of the remuneration earned by the executive members for the exercise of other positions was 116 thousand euro and 18 thousand euro in 2007 and in 2008, respectively, the amount of the variable remuneration paid to the Executive Committee was 4.4 M.€ in 2007, and 1.8 M.€, in 2008.

In 2008, the variable remuneration paid as a percentage of consolidated net profit was situated at 1.2%, identical figure to that recorded in 2007.

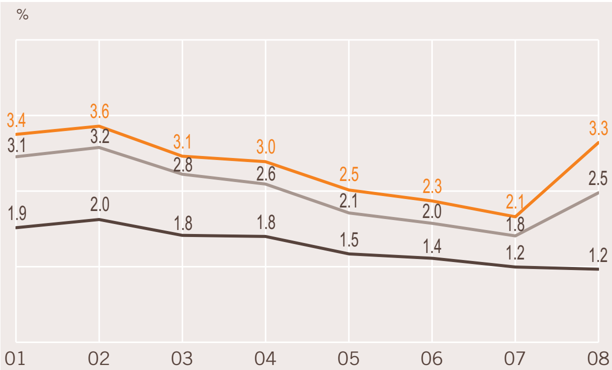
In 2008, roughly 74% of the variable remuneration was paid in cash, 1.3 M.€, while the remaining 0.5 M.€ (26% of the total variable remuneration) was paid through the granting of BPI shares and share options within the ambit of the share incentive scheme (RVA) in force at the Group. The 2008 RVA programme resulted in the granting to the executive Directors of 84 thousand Banco BPI shares and 906 thousand options to buy Banco BPI shares.

1) Including the remuneration earned by the members of the Executive Committee for the exercise of other positions in representation of BPI.

Remuneration of the non-executive members of the Board of Directors

The remuneration of the non-executive members of the Board of Directors totalled 1.2 M.€, in 2008, and includes the payment attendance allowances for meetings of the Board of Directors' consultative bodies.

Weight of the remuneration of members of Banco BPI's Board of Directors in net profit



- Total remuneration, as a % of consolidated net profit, of all Board of Directors including fixed and variable remunerations of Executive Committee members.
- Total remuneration, as a % of consolidated net profit, of the Board of Directors' Executive Committee.
- Variable remuneration, as a % of consolidated net profit, of the Board of Directors' Executive Committee.

7.3.3. Weight of remuneration on net profit

The total amount of remuneration (fixed and variable) of the members of the Board of Directors represented in 2008 3.3% of Banco BPI's consolidated net profit for that year (2.1% in 2007).

7.3.4. Remuneration of members of Banco Português de Investimento's Board of Directors

The remuneration of members of Banco Português de Investimento's Board of Directors is fixed by the Remuneration Committee, based on a proposal by the Chairman Banco BPI's Executive Committee and on the opinion of the Chairman of Banco BPI's Board of Directors. The variable remuneration amount takes into account the Bank's and each director's individual performances.

It is the BPI Group's policy that the persons forming part of Banco Português de Investimento's Board of Directors, with executive functions at BPI Group, can only exercise corporate functions at other companies as BPI representatives or in the interest of BPI. The remuneration awarded to them for occupying these positions is included in the overall remuneration set by the Remuneration Committee. These Directors are barred from exercising any other remunerated functions.

Remuneration of Banco Português de Investimento's Board of Directors members[1]

Amounts expressed in thousands of euro

	2007[2]					2008				
	Fixed	Variable			Total	Fixed	Variable			Total
		Cash	RVA	Total			Cash[3]	RVA[3]	Total	
Remuneration	1 107	1 514	487	**2 000**	3 107	635	458	111	**568**	**1 203**

1) Remuneration earned by members of Banco Português de Investimento's Board of Directors, who are not members simultaneously of Banco BPI's Board of Directors Executive Committee, for functions exercised not only at Banco Português de Investimento, but at all the companies with which Banco BPI has a controlling of group relationship.

2) In 2007, the figures include the annual remuneration of the members of the Board of Directors whose terms of office terminated in that year.

3) In the 2008 RVA, the distribution of which is to take place in 2009, the possibility of receiving 100% of the RVA incentive in cash was extended to all the beneficiaries of the RVA scheme.

7.4. PENSION PLANS FOR DIRECTORS OF THE BANKS

The pension plans for Directors of the BPI Group's banks are embodied in two regulations: one which applies to the Directors of Banco BPI's Executive Committee, to the former Directors of the Executive Committee of the ex-BPI SGPS and to the former members of the elected Management Board of Banco Português de Investimento who, after nine years of service, still remain in management functions at any bank controlled by it; and the other which applies to the Directors of Banco Português de Investimento.

As regards benefits, the regulations prescribe the payment of retirement (old age or infirmity) and survivors' pensions, calculated in accordance with the fixed monthly salary earned in the month before the retirement date and the number of years of service. As a rule, the maximum benefit (100%) is attained with 16 years of service[1] as Director and with more than 60 years of age.

The pensions paid by the Social Security or by other BPI Group pension plans are deducted from the pensions payable under the Directors' plan.

For purposes of calculating the obligations allocated to the Directors' pension plan, account is also taken of the application of the regulations for the Directors of the Banco Fonsecas & Burney (incorporated in Banco BPI) and for the Directors of Banco Português de Investimento. The universe of Directors covered, which includes the Chairman of Banco BPI Board of Directors, at 31 December 2008, was as follows:

	Current	Retired	Total
Number of persons	15	7	**22**
Liabilities (M.€)	14 873	11 247	**26 120**

The previous table includes the seven members of the Executive Committee in office and the respective liabilities, the details of which are as follows:

Number of persons	7
Average period of service (years)	10.4
Liabilities (M.€)	8 733

In December 2006, the liabilities for retirement and survivors' pensions to the Directors of the BPI Group's Banks were transferred to an open-end pension fund (Fundo de Pensões BPI Valorização).

The fund assets allocated to the Directors of the BPI Group's Banks amounted to 25.4 M.€[2], at 31 December 2008, covering 97.2% of the respective obligations for past services.

The members of Banco Português de Investimento's Board of Directors are now entitled to a defined-contribution pension plan, with immediate acquired rights, the rate of which was fixed at 12.5% and which is calculated based on the complementary remuneration that they began to earn for the exercise of directors' functions.

The aforesaid pension plan provides that each Director can choose which portion of the contribution borne by the Bank be allocated to the funding of a pension (defined benefit) or for a life-risk assurance (immediate benefit).

The conditions of access to the benefits envisaged in the present pension plan, are those which are legally laid down for the retirement-savings plans (PPR): retirement due to age limit or infirmity; death; serious illness or long-term unemployment.

7.5. LOANS TO MEMBERS OF BANCO BPI'S BOARD OF DIRECTORS

In general terms, the granting of loans to the members of the Executive Committee of Banco BPI's Board of Directors is regulated in article 85 of the General Regime of Credit Institutions and Financial Companies (*Regime Geral das Instituições de Crédito e Sociedades Financeiras*). This enactment provides that "credit institutions cannot grant loans in whatever form or mode, including the provision of guarantees, and whether directly or indirectly, to the members of the management or supervisory bodies, neither to companies or other collective entities controlled by them directly or indirectly", unless such loans can be classified as "operations of a social nature or with a social objective or arising from personnel policy", as well as loans granted as a result of the use of credit cards associated with the current account, under similar conditions to those offered to other Customers with a similar risk profile".

In this regard and in terms of established policy, the members of the Executive Committee of Banco BPI's Board of Directors benefit from the subsidised home loan regime in force at the Banks for all their Employees. Hence, at 31 December 2008, the overall balance on mortgage loans granted to members of the Executive Committee of the Board of Directors for the purpose of acquiring their own homes amounted to 2.4 M.€ (2.5 M.€ in 2007).

The terms and conditions – risk evaluation, interest rates, guarantees furnished, term, etc. – under which loans are granted to the members of the Executive Committee of Banco BPI's Board of Directors are identical to those applied to the Group's other Employees.

1) Or, in the case of Banco Português de Investimento Directors, with the exercise of management functions at the BPI Group for at least 20 years, at least 10 of which as Directors.
2) Including contributions to the transferred to the fund at the beginning of 2009.

The executive directors, as well as Employees, also benefit from a credit line for the exercise of options and the retention of the shares obtained in portfolio, as described in greater detail under point relating to this scheme (point 7.10, page 399).

7.6. INSURANCE OF BANCO BPI'S DIRECTORS

The Chairman of the Board of Directors and Executive Directors of Banco BPI in current service benefit from a range of insurance policies which cover life, illness and accident risks.

Amounts expressed in thousands of euro

Policy	Risk covered	Capital insured
Group life assurance	Illness	424
	Accident (involuntary cause)	848
	Traffic accident	1 272
Personal accident insurance	Accident	140
Work accident insurance	Dead or professional disability	Pension[1]
Health insurance[2]	Illness or accident	25[3]

1) To himself / herself (or surviving spouse) and to children (if dependents).
2) Covers the respective family.
3) Annual.

The costs borne by the BPI Group in connection with the abovementioned policies amounted to 47.1 thousand euro in 2008.

In addition, the BPI Group bears costs of 7.8 thousand euro associated with SAMS contributions relating to the three members of Banco BPI's Executive Committee who benefit from this scheme's protection.

7.7. INDEMNITIES AND EARLY TERMINATION OF CONTRACTS

7.7.1. Early termination of contracts

BPI has a policy in cases where this is a dismissal or an early termination of a contract with an executive director, to grant to such person the amount of fixed remuneration to which he / she is entitled had he / she remained in office till the date of any contract renewal. The compensation for the variable remuneration component is attributed on the same terms, based on the last amount awarded.

No severance compensation was paid nor is any due in 2008 to any former executive directors relating to the cessation of their functions during the year.

7.7.2. Change in control of the company

The BPI Group's Directors and Senior Employees do not benefit from any indemnity clause of an extraordinary nature, in terms of which they are entitled to be compensated in the event of a change occurring in the control of the company.

7.8. OTHER BENEFITS / COMPENSATION

The BPI Group's Directors and Employees do not benefit from other forms of remuneration other than those referred to in this chapter or which are derived from the normal application of the ACTV (Collective Employment Agreement for the Banking Sector) or from labour law.

7.9. EXECUTION OF SHARE INCENTIVE SCHEME

7.9.1. Extension

Since the entry into force of the RVA Scheme in 2001, the number of Executive Directors of the Banks, Managers and other Employees of the BPI Group covered by the RVA Scheme represented on average 37% of the Group's workforce in Portugal.

The number of Executive Directors of the Banks, Managers and other Employees of the BPI Group covered by the 2008 RVA programme stood at 1 602, which corresponds to 23% of the Group's workforce in Portugal.

	% of RVA in the variable remuneration	No. of persons covered						
		RVA 2001	RVA 2002	RVA 2003	RVA 2004	RVA 2005	RVA 2007	RVA 2008
Executive Committee of Banco BPI[1]								
Chairman and Deputy-Chairman of the Executive Committee of Banco BPI[1]	50%	2	2	2	2	2	2	2
Other Directors of the Executive Committee of Banco BPI[1]	40%	5	5	5	6	5	5	5
Other Directors of Banco Português de Investimento[2]	35%	8	7	7	7	7	5	5
Managerial staff and other Employees								
Managerial staff								
General Managers	35%	-	-	-	-	-	-	4
Central Managers	30%	45	38	39	42	42	32	27
Coordinating Managers	25%	61	59	58	51	58	58	65
Managers	20%	73	77	81	84	86	105	112
Assistant Managers and Sub-managers	15%	319	307	303	287	314	335	316
Subtotal: Managerial staff	-	498	481	481	464	500	530	524
Other Employees	10%	1 565	1 660	1 673	1 806	2 150	2 905	1 066
Total	**-**	**2 078**	**2 155**	**2 168**	**2 285**	**2 664**	**3 447**	**1 602**

Note: In relation to 2006, the RVA Scheme was not applied, with the result that the variable remuneration, including the amount corresponding to the RVA incentive, was paid wholly in cash.
1) The Executive Directors of BPI SGPS in 2001, and up to 20 December 2002.
2) Other Directors of Banco BPI and Banco Português de Investimento in 2001, and up to 20 December 2002.

7.9.2. Attribution in 2009, relating to 2008

The amount of the RVA incentive to be granted in respect of 2008 was 1.4 M.€, corresponding to 8% of the total value of the variable remuneration granted to the universe of Directors and Employees covered by the RVA Scheme.

Variable remuneration breakdown

Amounts expressed in thousands of euro

	Variable remuneration in 2007			Variable remuneration in 2008		
	Cash	RVA 2007	Total	Cash	RVA 2008	Total
Executive Committee of Banco BPI	2 432	1 982	4 414	1 336	458	1 794
Board of Directors of Banco Português de Investimento[1,2]	1 514	487	2 000	458	111	568
Managerial staff and other Employees	42 714	6 120	48 834	19 170	861	20 031
Of which: Managerial staff and other Employees covered by the RVA	25 778	6 120	31 898	14 561	861	15 422
Total	**46 659**	**8 589**	**55 248**	**20 963**	**1 430**	**22 393**

1) Does not include the members of the Executive Committee of Banco BPI's Board of Directors.
2) In 2007, includes the annual remuneration of the members of the Board of Directors whose mandate terminated in that year.

7.9.3. Dimension

Until 2008, the accumulated value of variable remuneration in the form of RVA incentives since they began to be awarded amounts to 38.6 M.€.

In relation to 2006, the RVA Scheme was not applied, with the result that the variable remuneration, including the amount corresponding to the RVA incentive, was paid wholly in cash.

In the accumulated total since its introduction and up until the 2008 RVA programme, the RVA Scheme entailed the granting of 6.3 million options, which correspond to 0.8% of Banco BPI's share capital, and the granting of 48 million options, of which the underlying number of shares represents 6.3% of Banco BPI's capital.

Under the 2008 RVA, 128 thousand shares and 3 339 thousand options were granted. The total number of shares granted and the number of shares underlying the options granted corresponded to 0.4% of Banco BPI's capital.

Share attribution

	RVA 2001		RVA 2002	RVA 2003	RVA 2004	RVA 2005	RVA 2007	RVA 2008
	Original	Adjusted[1]						
Manner of attribution	Under condition subsequent and under condition precedent		Under condition subsequent	Under condition subsequent	Under condition subsequent	Under condition subsequent	Under condition subsequent	Under condition subsequent
Attribution date	21 March 02		22 Feb. 03	23 Feb. 04	28 Feb. 05	23 Feb. 06	21 Mar. 08	16 Mar. 09
Attribution price	2.67 €	2.54 €[2]	2.14 €	3.13 €	3.10 €	4.44 €	3.330 €	1.413 €
No. of shares attributed[3]								
Banco BPI's Executive Committee[4]	215 875	218 996	265 307	220 930	307 585	183 001	218 319	84 219
Banco Português de Investimento's Board of Directors[5]	86 888	89 452	96 501	72 409	106 414	63 067	38 761	0
Managerial staff and other Group Employees	635 217	679 497	810 721	730 208	823 832	658 272	539 299	44 033
Total	**937 980**	**987 945**	**1 172 529**	**1 023 547**	**1 237 831**	**904 340**	**796 379**	**128 252**

Note: number of attributed shares and attribution price not adjusted for the capital increase carried out in 2008.

1) Figures adjusted for dividends and the 2002 capital increase.

2) Attribution price of the RVA-2001 adjusted for the capital increase realised in May 2002.

3) The number of shares initially attributed under the RVA 2001 was adjusted by the payment of dividends and by the share capital increase realised by BPI SGPS (now Banco BPI) in May 2002. The adjustments entailed the attribution of an additional 37 211 shares (against the payment of 1.75 € per share) to Directors, managerial staff and Employees as an adjustment for the capital increase realised and 12 754 shares as adjustment for the distribution of dividends in respect of the 2001 financial year. In this last point, it is important to note that only the Director or Employees who opted for the attribution under precedent condition – in terms of which the shares in a captive situation remain in legal terms the Bank's property – were the object of the aforementioned adjustment. Those members who opted for the attribution under subsequent condition received a dividend relating to all the shares – captive and available – in cash.

4) BPI SGPS's Executive Directors in 2001 and up until 20 December 2002.

5) Other Directors of Banco BPI and Banco Português de Investimento in 2001 and up until 20 December 2002.

Attribution of share purchase options

	RVA 2001		RVA 2002	RVA 2003	RVA 2004	RVA 2005	RVA 2007	RVA 2008
	Original	Adjusted[1]						
Attribution date	21 Mar. 02		22 Feb. 03	23 Feb. 04	28 Feb. 05	23 Feb. 06	21 Mar. 08	16 Mar. 09
Exercise period	21 Mar. 03 to 21 Mar. 07		22 Feb. 04 to 22 Feb. 08	23 Feb. 05 to 23 Feb. 09	28 Feb. 06 to 28 Feb. 10	23 May 06 to 23 Feb. 11	23 Jun. 08 to 21 Mar. 13	17 Jun. 09 to 16 Mar. 14
No. of shares that may be acquired for each option held	1	1	1	1	1	1	1	1
Exercise price	2.67 €	2.54 €	2.14 €	3.13 €	3.10 €	4.44 €	3.330 €	1.413 €
Value of each option	0.65 €	0.62 €	0.33 €	0.45 €	0.31 €	0.45 €	0.410 €	0.374 €
No. of options granted								
Banco BPI Executive Committee[2]	859 725	904 216	1 720 457	1 310 003	1 624 195	1 805 558	3 060 979	906 421
Banco Português de Investimento's Board of Directors[3]	346 818	364 767	625 761	503 614	584 278	622 225	973 073	296 107
Managerial staff and other Group Employees	2 607 040	2 741 681	5 251 558	3 236 802	4 790 338	4 408 981	10 394 630	2 136 842
Total	**3 813 583**	**4 010 664**	**7 597 776**	**5 050 419**	**6 998 811**	**6 836 764**	**14 428 682**	**3 339 370**

Note: number of attributed options, strike price and attribution value not adjusted for the capital increase carried out in 2008.

1) As a consequence of BPI SGPS's share capital increase (now Banco BPI) realised in May 2002, the exercise price of the options resulting from the RVA-2001 was adjusted from 2.67 € to 2.54 € and the number of options attributed under the RVA-2001 programme increased by 5%.

2) BPI SGPS' Executive Directors in 2001 and up until 20 December 2002.

3) Other Directors of Banco BPI and Banco Português de Investimento in 2001 and up until 20 December 2002.

7.10. OTHER INFORMATION REGARDING THE SHARE INCENTIVE SCHEME

SHARE INCENTIVE SCHEME

Attribution conditions

Share scheme

As a general rule, shares are transmitted immediately to the beneficiary. However, their free disposal takes place in a phased manner – 25% are released immediately on attribution, while the remaining 75% are placed at the beneficiary's disposal at the end of the first, second and third year after the attribution date, and providing that the beneficiary continues to be employed by the Group on those dates under pain of the transfer of the other shares still not released being cancelled.

Share scheme – attribution, transfer and free disposal

	Attribution	Transfer	Free disposal[1]
Attribution date	100%	100%	25%
1 year later	-	-	25%
2 year later	-	-	25%
3 year later	-	-	25%

1) The consolidation of the transfer of the shares which are released occurs on the dates they become freely disposable.

Option scheme

The options to purchase Banco BPI shares are transmitted to the beneficiary's title on the attribution date. The options are not tradable. The exercise period as relates to the options attributed under the 2005 RVA scheme now begins between the 90th day from the date they are awarded – providing that until such date the employment relationship has not been terminated, in which case the transfer is cancelled – and the end of the fifth year from the award date.

Option scheme – attribution, transfer and free disposal

	Attribution	Transfer	Free disposal
Attribution date	100%	100%	-
90.º days later[1]	-	-	Start of exercise period
2 years later	-	-	
3 years later			
4 years later			
5 years later	-	-	End of exercise period

1) For the options granted under the 2005 and following RVA. For the options granted under the 2001 to 2004 RVA programmes, the exercise period began a year after the award date and ended at the end of the fifth year after the award date.

Determination of value

Shares scheme

The value of the shares for attribution purposes corresponds to the average of the weighted daily average of the share price at the last 10 stock exchange sessions before the attribution date.

Options scheme

In the case of options their fair value is used, with the attribution value of the shares being the exercise price.

Determination of the quantity of shares and purchase options to attribute

The number of shares and options to be attributed results from the quotient between the variable remuneration portion to be attributed in the form of the RVA incentive scheme and the value laid down for the attribution of the shares and purchase options.

In the RVA 2001 and RVA 2002 programmes, the weight of the share and options components on the amount of the RVA incentives was mandatorily identical (50% / 50%), whereas in the RVA 2003 programme the Directors and Employees were given the option to select the relative weight of each one of the components from amongst the following combinations:

- 50% shares / 50% options (2001 and 2002 regime);
- 75% shares / 25% options;
- 100% shares / 0% options.

It was decided to increase the number of combinations for purposes of the 2007 RVA programme, adding the following to the existing mix:

- 0% shares / 100% options;
- 25% shares / 75% options;
- 100% cash (where the variable remuneration is 2 500 or more Euro but less than 10 000 Euro).

The possible combinations laid down for the 2007 RVA were maintained for the 2008 RVA programme; however the possibility of receiving 100% of the RVA incentive in cash was extended to all the beneficiaries of the RVA programme.

Limits to the scale of the programme

The total number of shares and the shares underlying the options awarded in each year cannot exceed 2% of share capital, and the number of shares underlying the various series of existing options (whether they are exercisable or not) cannot exceed 5% of share capital, in accordance with the rules of the RVA incentive programme in force.

Right to dividends, right of preference in capital increases and voting rights at General Meetings

Banco BPI shares transferred to the ownership of a Director or Employee, either by the direct attribution of shares under the RVA scheme or through the exercise of the options attributed, are identical in nature to other Banco BPI shares and confer, in these terms, the same rights, namely, as to dividends, preference in capital increases and voting at General Meetings.

In the case of options, the number held and the exercise price are adjusted in the case of capital increases through the incorporation of reserves [G] or by subscription reserved for Shareholders, in such a way that the position of the option holder remains substantially the same as that existing before the occurrence of the fact.

This procedure was adopted in relation to the capital increase realised in June 2008, as regards the number of existing options and the exercise price of the series of outstanding options on that date.

The shares granted to the Directors and Employees under the RVA Programme which were under condition subsequent, subscribed to the capital increase on the same conditions as the other shares representing the capital.

The execution of the RVA programme does not provide for the repricing of options.

Prohibition periods for the exercise of options and trading shares

Share trading

Trading in shares attributed under the RVA scheme and those resulting from the exercise of options are subject to the provisions embodied in the codes of conduct in force at the Group relating to the trading of Banco BPI shares by Directors and Employees.

Exercise of options

Options can be exercised at any moment during the exercise period. However, the sale of shares resulting from the exercise of options and, therefore, the realisation of the gain afforded under the option scheme, is subject to the prohibition periods laid down in the codes of conduct relating to the trading of Banco BPI shares by Directors and Employees.

Credit line for the exercise of options and maintenance of shares on hand

At the start of 2004, an RVA Credit Line was created which is now available to the Bank's Employees and Executive Directors who wish to exercise the RVA options and retain in portfolio the shares thus acquired.

As regards the use of the credit line by members of the Executive Committee, the Supervisory Board has given its approval, at the same time as the Bank of Portugal as well as the Remunerations Committee were informed.

According to the condition in force at 31 December 2008, this credit line provides at the moment it is used an amount with a minimum limit of 2 500 euro and up to 75% of the market value of the shares to be acquired as a consequence of the exercise of the respective options, with a maximum of 100% of the amount necessary to exercise the options.

The maximum loan term is 4 years, although an Employee can make partial repayments of principal or repay the debt in full before maturity date without incurring any penalties. The outstanding principal bears interest at the 12-month Euribor rate plus 0.75 percentage points.

Trading in treasury stock

For purposes of share attribution, covering the option plan and the exercise of options, BPI has constituted treasury stock (own shares) portfolios earmarked exclusively for this purpose. The execution of the RVA scheme does not contemplate the recourse to share capital issues, although the RVA Regulations do not expressly exclude this alternative.

Approval, regulation, directives and responsibilities for the execution and modification of the RVA scheme

The general lines of the RVA scheme were approved by the General Board on 10 December 1998. At the Shareholders' General Meeting of 21 April 1999, the Chairman of the Board of Directors presented to the Shareholders a proposal authorising the acquisition and sale of treasury stock by the company for the purpose of making the execution of the incentive scheme viable. This motion was carried with 99.99% of the votes in favour, and has been endorsed in following years.

The general provisions of the RVA Programme, as well as the duties of the bodies to execute and modify it, are laid down in a specific regulation. The RVA regulations were approved by the General Board on 25 February 1999, while the following alterations were introduced on 3 March 2004 and 20 October 2005:

- adjustments to the RVA methodology with the object of including ahead of time the rules stemming from the introduction of the IAS;
- change to the options exercise period which, in relation to the 2005 and following RVA programmes, is now between the ninetieth day and the end of the fifth year from the award date.

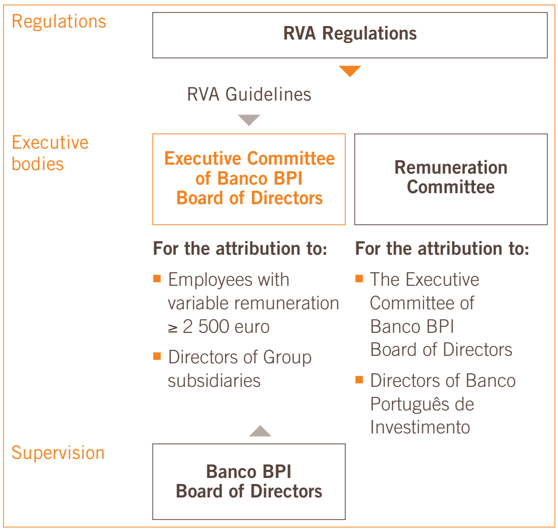
RVA scheme's executive bodies

The Board of Directors delegated the annual execution of the RVA scheme to the Executive Committee. The concrete aspects of the RVA scheme's execution are regulated in a number of directives approved by the Board of Directors, which are binding on the Executive Committee's actions. Under the share incentive and options scheme (RVA) regulations, the Board of Directors' Executive Committee is responsible for the awarding of shares and share options to all the Group's Employees and to the Directors of BPI Group subsidiaries, excluding Banco Português de Investimento. In this domain, the following are the Executive Committee's principal duties:

- fixing the maximum number of shares and options to be awarded each year, as well as the criteria (of which the merit assessment of each Employee always forms part) and the conditions underlying the distribution of these benefits amongst the Group's Employees;
- the adoption, at each attribution, of a model for valuing options which permits a more reasonable and realistic calculation of their fair value;
- interpreting the RVA regulations and covering any loopholes;
- making occasional changes to the RVA's contractual provisions, such as for example, bringing forward the option maturity dates or dispensing with the verification of the suspensive conditions or renouncing the attribution under condition subsequent.

The exercise of the above functions by the Executive Committee is monitored by the Board of Directors.

Management of the Variable Remuneration in Shares programme



The Remuneration Committee is responsible for the awarding of shares and share options to the members of the Executive Committee of Banco BPI's Board of Directors and to the Directors of Banco Português de Investimento, undertaking the same functions as those attributed to the Executive Committee for purposes of attributing the RVA scheme to Employees, based on the opinion of the Nominations, Evaluation and Remuneration Committee. In terms of the RVA scheme's regulations, the Remuneration Committee cannot adopt more favourable award conditions than those applied by the Executive Committee in the attribution of the RVA scheme to Employees. In the same way, any technical adjustments to the exercise price of quantity of options held by members of the Executive Committee and by the Directors of Banco Português de Investimento cannot be effected under more favourable conditions than those applied to the Employees.

Accounting treatment

Attribution

BPI records the remuneration attributed under the RVA scheme in the caption personnel costs. As regards the shares scheme, its attribution cost is gradually recognised from the start of the year to which the award refers to, to the moment the benefits are made available to Employees, and as regards the options scheme, its attribution cost is gradually recognised from the start of the year to which the award refers to, to the start of options' exercise period.

Even before the transition to IAS / IFRS, BPI used the fair value of the shares and options on the attribution date for recording the cost of the RVA scheme award. In valuing the shares their market value is used (average of the 10 stock exchange session prior to attribution), whilst in the case of options, given the non existence of a market value for RVA options and for similar traded options, BPI resorts to a valuation model which conforms to the generally-accepted valuation principles for financial instruments and which incorporates all the relevant information available.

It should be pointed out, moreover, that for purposes of the granting of shares and the exercise of the options awarded, BPI resorts to the acquisition of own shares, while no provision is made for the issue of new shares.

In the notes to the consolidated financial statements, – "2.9. Share-based payment (Variable Remuneration in Shares – RVA) (IFRS 2)" and "4.48. Share-based variable remuneration programme" – the accounting treatment of the RVA programme, the valuation of the incentives awarded and the accounting impact are described.

RVA scheme cover

The BPI Group executes its own cover operations for the RVA share and option scheme.

As regards cover for the options plan, BPI has treasury stock portfolios allocated to each one of the live options series in order to guarantee a number of shares corresponding to the product of the options delta by the number of existing options. The gains and losses on the portfolio of own shares held to cover the options plan are recorded directly in Shareholders' equity, and therefore do not affect net profit for the year. The gains or losses corresponding to the difference between the exercise price and the average acquisition cost of the own shares are recorded in Shareholders' equity on the date the options are exercised.

7.10.1. Outstanding series of share purchase options

At 31 December, there were 20 million options under the RVA, all exercisable, which corresponded in terms of the number of underlying shares to 2.2% of Banco BPI's capital.

Outstanding series of Banco BPI shares' call options at 31 Dec. 2008

	Exercise price[1]	Attribution value[1]	No. of shares that may be acquired per option held	31 Dec. 2008
RVA 2003	3.010 €	0.432 €	1	665 893
RVA 2004	2.980 €	0.298 €	1	1 552 545
RVA 2005	4.265 €	0.432 €	1	2 908 577
RVA 2007	3.200 €	0.394 €	1	14 917 383
Total				**20 044 398**

1) Adjusted for the capital increase carried out in June 2008.

The period for the exercise of the 2003 RVA terminated on 23 February 2009.

On 16 March 2009, the granting of the 2008 RVA took place, having been granted to the Directors and Employees 3 339 370 options to purchase Banco BPI shares.

In Note 4.48 Variable remuneration in shares programme (RVA) describes the evolution of the share incentive scheme, namely, the number of options awarded, exercised and extinguished during the year, and the number of shares necessary to satisfy the exercise of existing options at the end of the year.

7.10.2. Shares awarded under condition subsequent and not yet freely disposable

At the end of 20087, there were 804 893 shares under condition subsequent and not yet freely disposable. Of these, 217 747 shares become freely disposable in February 2009, 203 760 become freely disposable in March 2009 and the remaining 383 386 will become freely disposable in 2010 and 2011.

Shares awarded under condition subsequent and not yet freely disposable

	31 Dec. 2008
RVA 2005	218 162
RVA 2007	586 731
Total	**804 893**

The awarding of the 2008 RVA took place on 16 March 2009, with 128 252 Banco BPI shares having been awarded to Directors and Employees.

Note 4.48 Variable remuneration in shares programme (RVA) described the evolution of the share plan, namely, the number of shares awarded, the number of shares which remain available in the year, and the number of shares existing at the end of the year which were under condition subsequent.

7.10.3. Credit line for exercise of options and subscription of BPI shares in the capital increase realised in 2008

In 2008, 314 thousand options were exercised with recourse to the credit line (41% of total exercised options in 2008) with the object of keeping the shares thus acquired in portfolio. At the end of 2008, the balance of credit was 7.8 M.€.

In 2008 a credit line was made available to Employees, Retirees and Directors of the Group companies who wished to subscribe for BPI shares in the capital increase and to keep in portfolio the shares thus acquired. This credit line was earmarked exclusively to fund the acquisition of Banco BPI shares resulting from the exercise of the subscription rights which every Employee or Director was entitled to on the date the subscription rights were detached from the shares (21 May 2008, last day on which the shares traded cum rights). At the end of 2008, the credit-line balance stood at 1.4 M.€.

Credit line for exercise of options and subscription of BPI shares in the capital increase realised in 2008

Amounts expressed in thousands of euro

	Executive Committee of Banco BPI[1]	Board of Directors of Banco Português de Investimento[2]	Managers and other Employees	Total
Credit line for exercise of options[3]				
Balance at 31 December 2004	3 954	227	762	4 943
Balance at 31 December 2005	4 712	407	555	5 674
Balance at 31 December 2006	9 948	1 225	1 282	12 455
Balance at 31 December 2007	15 860	0	3 117	18 977
Balance at 31 December 2008	5 359	97	2 298	7 754
Credit line for subscription of BPI shares[4]				
Balance at 31 December 2008	942	37	397	1 377

1) Including the outstanding balance of the Board of Directors' Chairman relating to the loan for the exercise of the options granted when he was an Executive Director.
2) Directors who are not simultaneously members of Banco BPI's Executive Committee.
3) Financing obtained for keeping in portfolio of BPI shares which resulted from the exercise of the RVA options
4) Financing obtained for keeping in portfolio the shares resulting from the exercise of the subscription rights for BPI shares in the capital increase realised in June 2008.

7.10.4. Return

The price of BPI shares is currently below the value the shares were awarded at and the exercise price of the options of the outstanding series of the RVA programmes, with the result that they are presently "out-of-the-money".

8. Shareholder structure, control and transferability of shares

8.1. SHAREHOLDER STRUCTURE

At 31 December 2008 Banco BPI's capital was held by 19 548 Shareholders, of whom 19 046 were individuals owning 11.1% of the capital, while 502 institutional investors and companies owned 88.9% of the capital.

In June 2008, BPI increased the share capital from 760 M.€ to 900 M.€, through the issue of 140 million shares, with a nominal value of 1 € each, reserved for Shareholders at a subscription price of 2.5 €. The capital increase, which was fully subscribed, raised cash of 350 M.€, which permitted significantly reinforcing the capital ratios.

8.2. QUALIFIED SHAREHOLDINGS UNDER THE TERMS OF ARTICLE 20 OF THE SECURITIES CODE

Shareholders owning more than 2% of Banco BPI's capital

At 31 December 2008

Shareholders	No. of shares held	% of capital held	% of voting rights (according to the Securities Code)[1]
La Caixa Group[2]	264 411 856	29.4%	29.4%
Itaú Group[3]	169 855 148	18.9%	18.9%
Santoro[4]	87 214 836	9.7%	9.7%
Allianz Group[5]	79 661 619	8.9%	8.9%
Euroclear Bank[6]	42 690 830	4.7%	4.7%
Arsopi[7]	26 750 652	3.0%	3.0%
HVF SGPS, S.A.	25 774 355	2.9%	2.9%

Note: Shareholder positions recorded at 31 December 2008 at the securities clearing house (Central de Valores Mobiliários – CVM), based on the information received from the Central de Valores Mobiliários. At 31 December 2008 the BPI Group held 5 884 914 own shares corresponding to 0.65% of Banco BPI's share capital.

1) According to a statutory provision, the voting rights for purposes of their exercise are limited to 17.5%.

2) Through Criteria CaixaCorp, S.A., which is 79.45% held by the parent company of the La Caixa Group, Caixa d'Estalvis i Pensions de Barcelona ("La Caixa"), based on information received from Criteria CaixaCorp. According to information received from Criteria CaixaCorp on 16 February 2009, and subsequently disclosed to the market, in the wake of transactions effected, Criteria CaixaCorp owned 270 900 000 Banco BPI shares representing 30.1% of Banco BPI's capital.

3) Through IPI – Itaúsa Portugal Investimentos – SGPS, Lda., 100% held. Shareholding calculated on the basis of information received from Itaúsa.

4) On 17 December, according to an announcement made on that date, BCP entered into a purchase and sale contract with Santoro Financial Holdings, SGPS, for 87 214 836 Banco BPI shares, representing 9.69% of Banco BPI's capital. On 3 March 2009, according to an announcement to the market, the transaction referred to was concluded. As a consequence of this transaction, the 9.69% shareholding in Banco BPI is now held directly by Santoro Finance, and imputable to Santoro Financial Holdings, SGPS ("Santoro"), by owning the entire capital of Santoro Finance, and to Eng. Isabel José dos Santos, in her capacity as Shareholder of Santoro Financial Holdings, SGPS. Accordingly, on this date BCP ceased to own a qualified holding in Banco BPI.
By virtue of the materialisation of the abovementioned purchase and sale operation having been subject to the suspensive condition of the Bank of Portugal's non opposition, BCP kept the ownership of the said shareholding up until the transaction's formalisation. According to the information received from the CVM, at 31 December 2008, BCP held directly or through companies dominated by it, 88 561 653 Banco BPI shares representing 9.84% of Banco BPI's capital.

5) Through the subsidiaries controlled by Allianz SE: direct shareholding of 8.68% held by Allianz Europe Ltd. (100% held by the Allianz Group) and a direct shareholding of 0.17% held by Companhia de Seguros Allianz Portugal (65% held by the Allianz Group). Shareholding calculated based on information received from Allianz.

6) Custodian bank. The information received from the CVM does not permit identifying the third party entities to which the holdings deposited at the custodian banks can be imputed.

7) Shares held by companies of the Arsopi Group and by its Shareholders.

8.3. SHAREHOLDER CONTROL

Banco BPI has not adopted any defensive measures – whether they be financial, statutory or other mechanisms –, impeding the free transferability of the shares and the unrestricted review by Shareholders of the performance of Board members or the success of public takeover bids. There are no financial or Shareholder mechanisms commonly known in Anglo-Saxon terminology as "poison pills"[G] or "anti-takeover provisions"[G].

BPI has also not adopted any defensive measure that has as its effect automatically provoking a serious erosion of its net assets in the case of the transfer of control or changes to the composition of the Board of Directors.

There are no significant accords of which BPI forms part and which enter into effect, are altered or cease in the event there is a change in the control of the company.

The BPI Group has no convertible bond issues or shares with warrants[G] or other special rights in circulation.

At 31 December 2008, the share capital held by the members of the Board of Directors or by companies in which those members occupy management positions was as follows:

- the members of the Board of Directors held in their own names 6 907 134 shares, representing 0.77% of the Bank's share capital. Of these, 3 635 609 shares (0.4%) were held by members of the Executive Committee and 3 271 525 shares (0.36%) by non-executive Directors;
- the executive members also owned at today's date 4 167 175 options to buy Banco BPI shares, which if exercised represent 0.46% of the capital;
- the companies in which the non-executive Directors occupy management positions held at the same date 582 968 747 bank shares representing 64.77% of its share capital.

Banco BPI's statutes stipulate that the votes cast by a single Shareholder, in his own name or as the representative of another or others, which exceed 17.5% of the company's total votes, representing the share capital, shall not be counted. Any change to this statutory provision requires the approval of 75% of the votes cast in General Meeting.

There are no BPI Shareholders with special rights.

There are no Shareholder agreements of the type referred to in article 19 of the Securities Code relating to the exercise of company rights, or to the transferability of Banco BPI shares; in particular, there is no voting or defence agreement for warding off takeover bids.

8.4. OTHER INFORMATION

There is no system of Employee participation in the company's capital in which the voting rights are not exercised directly by them.

9. Code of ethics and professional conduct

9.1. COMMITMENT TO STRICT STANDARDS OF ETHICS AND PROFESSIONAL CONDUCT

The professional activity of the members of governing bodies and of Employees of the companies belonging to the BPI Group universe, is governed by the following principles:

- respect for absolute independence as regards the interests between the Company and its Customers, between personal interests and those of the Company, and those of the Customers amongst themselves;
- professional competence;
- personal integrity.

With the aim of safeguarding absolute respect for all the standards of an ethical and professional conduct nature at each of the BPI Group's companies, members of governing bodies, Employees, service providers and external consultants are obliged to declare in writing that they have full knowledge of the norms appearing in the following documents.

- Codes of conduct of the respective associations, namely, the Associação Portuguesa de Bancos (APB) and the Associação Portuguesa de Fundos de Investimento, Pensões e Patrimónios (APFIPP).

- BPI's own code of conduct. It contains, in certain instances, even more restrictive rules than those embodied in directives issued by the associations to which the BPI Group companies belong and / or by the supervisory authorities. BPI's code of conduct was approved for the first time in March 1994, since when it has been revised occasionally. The last revision was carried out on 23 January 2008.

Breach of the duties envisaged in the aforesaid codes is punishable according to the gravity of the infringement, the degree of the perpetrator's culpability and the consequences of the act, through the application of a sanction which is graduated on a case-by-case basis, ranging from a verbal admonishment to dismissal with just cause. Disciplinary responsibility is independent of responsibility of a civil, administrative offence and criminal nature.

> BPI Group's codes of conduct in force are available for consultation or download at the web site www.ir.bpi.pt or upon request to the Investor Relations Division (see contacts under point 10.2 of this report).

The ethical and professional conduct regulations imposed upon those who work for the BPI Group are intended to guarantee professional confidentiality, the defence of Customers' interests and the prohibited use of privileged information for personal gain.

9.1.1. Compliance

In December 2007, as a consequence of the new legal provisions relating to the organisation of financial intermediaries, it was decided to set up the Compliance Division, having appointed the respective Head.

The Compliance Division's structure and functions were formally established during the course of 2008, integrating the tasks related to the compliance theme at the BPI Group's various divisions, always in consonance with the recommendations of the Basle Committee on Banking Supervision and the requirements of the Portuguese Securities Code and the Bank of Portugal's Notice no. 5 / 2008 on internal control.

The BPI Group's Compliance Division has as its mission contributing to the prevention and mitigation of "Compliance Risks", which translate into the risk of legal or regulatory sanctions, financial or reputational loss as a consequence of the failure of compliance with the application of laws, regulations, code of conduct and good banking practices, promoting the BPI Group's and its Employees' respect for all the rules and regulations applicable through an independent involvement, in conjunction with all the Bank's organic units.

The Compliance Division's principal objectives are centred on:

- consolidating the compliance culture as a behavioural factor embraced by all the BPI Group's Employees;

- identifying the compliance risks and promoting the appropriate measures and processes to their management, bearing in mind the characteristics of the BPI Group;

- preventing the utilisation of the BPI Group in illicit operations, namely, within the ambit of the prevention of Money Laundering and the Financing of Terrorism and Market Abuse;

- contributing to the robustness and effectiveness of the BPI Group's risk-management and internal-control systems.

It is worth pointing out that the scope of the BPI Group's Compliance Division encompasses all areas, processes and activities of the companies which constitute the BPI Group, including Banco BPI's overseas affiliates, branches, subsidiaries and representative offices.

9.2. EQUITY AND SAFEGUARDING AGAINST CONFLICT OF INTERESTS

9.2.1. Conflicts of interest between Directors or Employees and BPI

The members of Banco BPI's Board of Directors are bound to communicate any interest, direct or indirect, that they, any member of their families or any entities to which they are professionally connected, may have in the Company in respect of which the possibility of the assumption of an equity interest, or a loan or any service by BPI Group Companies or Banks, is being considered. In such circumstances, the Directors must inform the nature and extent of such interest and, where this is substantial, they must refrain from taking part in the discussion and / or voting of any proposal that such operation may entail.

Similarly, any conflicts of interest resulting from family relationships, personal assets or any other cause, of any Employee on the one side, and those of BPI on the other, must be promptly communicated to the person in charge of the respective Division.

BPI Employees must also not accept any power of attorney or other form of mandate which involves the representation of third parties, Customers or not, in negotiations and contacts with BPI. Exceptions to the rule set out in the preceding paragraph, namely when they involve the representation of family members or if justified by strong commercial grounds, must be requested in writing by the Employee, indicating the type of representation and the extent of the powers conferred on him.

Employees who have access to operate bank accounts through the internal IT systems of the Group's Banks are prohibited from processing movements on the accounts in which they appear as accountholders, authorised signatories or representatives.

9.2.2. Conflicts of interest with Customers

As concerns the Customers of the BPI Group's Banks and Companies, every Customer is accorded equal treatment in all situations where there is no motive of a legal and / or contractual nature to proceed otherwise. This does not contradict the practice of differentiated conditions on the realisation of operations after having weighed the attendant risks, their profitability and / or the Customer's return.

9.3. PROFESSIONAL SECRECY AND CONFIDENTIALITY

In contacts with Customers and the markets, members of the governing bodies and Employees of BPI Group companies must exercise the utmost discretion and practise professional secrecy regarding the services provided to their Customers and, furthermore, about facts or information relating to such Customers or third parties, knowledge of which stems from the exercise of the respective activities. This duty only ceases by way of the written authorisation of the person entitled to the aforementioned right to confidentiality, or in the cases expressly envisaged in the law. The duty of professional secrecy continues even after the cessation of functions as member of the governing bodies or as Employee.

In parallel, all the members of the governing bodies or Employees who, for purposes of their functions, become aware of information which has not yet been made public and which could influence prices on any market, must keep such information under the strictest confidentiality and abstain from carrying out transactions involving the securities concerned until the public disclosure of such information.

9.4. STOCK BROKERAGE ACTIVITY

9.4.1. Dealing for own account

There are strict rules governing everything that refers to the execution of operations involving securities dealing for one's own account[1].

An example of these rules is the policy that securities acquired by members of the BPI Group's Governing Bodies and Employees can only be sold at least 10 days after their purchase, thereby limiting the risk of improper involvement in operations of a speculative nature.

Compliance with the rules envisaged in the preceding paragraph can only be waived by the decision of a Director or, when it involves a member of a governing body, by deliberation of the Board of Directors taken after submission of a written petition by the interested party[2]. To the present date, no member of a governing body has ever requested the Board of Directors to waive compliance with this rule.

It is important to underline in more general terms the obligation imposed on all Directors of the Group and Employees to communicate to the Head of Supervision and Control within 24 hours all the operations realised involving securities[3], except in the case where the Group's brokerage channels have been used (which in this case is regarded as communication of the operation). Recourse to these channels is compulsory for Employees involved in stock brokerage activity.

1) Operations are deemed to be carried out for one's own account when such operations are effected (i) by the member of the Governing Bodies or the Employee, or on his behalf by an intermediate person; (ii) in the name of the minor children of the member of the Governing Bodies or of the Employee, (iii) by companies which are majority held and / or controlled by the member of the Governing Bodies or by the Employee.

2) The waiver shall only be granted when it does not jeopardise the values underlying the duties to defend the market and to prevent conflicts of interest which are envisaged in applicable legal, regulatory and deontological provisions, and where compliance with the rule whose waiver is being requested would seem, in view of the specific circumstances of the case, to be excessively onerous for the interested party.

3) Excluding bonds issued by entities with sovereign or similar risk, unit trust (mutual) funds and to the transfers of securities to another account of the Employee.

9.4.2. Acting for the account of Customers

Employees of the BPI Group's Banks which are involved in stock broking activity are bound to the duties laid down in the code of conduct of the *Associação Portuguesa de Bancos* (Portuguese Association of Banks) which provides that they must, in the execution of any operations entrusted to them, serve their Customers with diligence, loyalty and discretion, namely:

- carrying out the transactions with speed and upon the best conditions afforded by the market;
- abstaining from carrying out and inciting their Customers to effect repeated operations of securities purchases and sales, when these operations are not justified and have as the only or main aim the charging of corresponding commissions or any other objective that is contrary to the Customer's interest;
- abstaining from attributing to themselves the same securities when they have Customers who have requested them at the same or a higher price or, on the other hand, abstaining from selling securities which they hold instead of identical stocks in respect of which they have received orders to sell by the Customers at the same or lower price.

In parallel, the Banks must inform their Customers of all the material aspects that they require in order to form an informed decision about the transaction they intend to enter into, alerting them, above all, to the nature of the inherent risks and the financial consequences that their eventual realisation will imply.

With regard to the provision of portfolio management services, the banks and the investment fund management companies must ensure that their Customers are informed about the risk level to which they will subjected, the degree of discretion granted to the broker and all the commissions and other expenses they will be charged.

9.4.3. Equity research activity

BPI complies with legal and regulatory requirements and adheres to the recommendations of the CMVM relating to financial analysis reports. To this end, it has implemented a series of measures to ensure that:

- the information published is complete, accurate, current, clear, objective and legitimate;
- the relationship with the public investor is founded on principles of equity and transparency, with high standards of diligence and loyalty and oriented towards reducing to a minimum the risk of conflicts of interest;
- the activity of the financial analysts is pursued in accordance with strict ethical and deontological principles.

Amongst the measures implemented with a view to effective compliance with the foregoing recommendations and principles, are the following:

- the existence of Chinese walls[1] between the research, equity sales and Corporate Finance areas;
- the decoupling of the financial analyst's remuneration[2] from the revenue generated by the transactions effected by BPI;
- the existence of standards of conduct of an ethical and deontological nature, as well as rules and procedures which must be observed in the realisation of personal operations realised by the financial analysts;
- the monitoring of compliance with rules of conduct, namely the personal operations realised by the financial analysts[3];
- the identification in the reports of the valuation assumptions and methods used;
- the identification in general terms of the existence of economic relations or benefits which exist between the analyst, BPI and the company analysed, namely, the existence of shareholdings and, in operations on the primary market, the existence of corporate finance relations;
- the publication in the reports of a grid of recommendations vs. risk, and a history of the recommendations issued by BPI relating to the company concerned;
- the publication in the reports of an alert to investors to the fact that the recommendation, projections, assumptions and methods used by the analyst are capable of being changed where new circumstances warrant this;
- the identification of the posts occupied by directors of the BPI Group in the companies analysed.

9.5. COMMUNICATION OF IRREGULARITIES

The Supervisory Board is responsible in terms of article 420 j) of the CCC, for the receiving the communications of irregularities presented by Employees, Customers, Shareholders and any other entities.

BPI Employees must communicate to any one of the management or oversight bodies and, namely, to the Supervisory Board any irregular practices which they detect or are aware of or have justified suspicions of so as to prevent or impede irregularities which may cause financial damages to BPI or damage to the Bank's image.

The communication referred to above must be made in writing and contain all the details and information that the Employee has and which he/she considers necessary for evaluating the irregularity. The Employee may also request confidential treatment as regards the origin of the communication.

1) The Anglo-Saxon term "Chinese walls" is used in the Investment Banking business to describe a set of procedures which are designed to guarantee the independence and autonomy between Employees who work in distinct areas with potential conflicts of interest.
2) The remuneration of analysts conforms to the same principles as those applied to other Employees and which are described in 7.1.
3) The financial analysts are obliged to use a BPI Group Bank when realising securities-trading operations.

The communications of irregularities are received, opened and processed by the Advisor to the Supervisory Board, who shall be responsible for safeguarding the anonymity of all the relevant subscribers.

The Supervisory Board Advisor informs the respective Chairman of the communications of irregularities received who, having heard the other members of the Supervisory Board, when deemed necessary, shall decide on what course of action to take.

Where the communications of irregularities warrant the intervention of the Bank's departments, namely of the Audit and Inspection Division, they are presented by the Supervisory Board's Chairman to the Chairman of the Audit and Internal Control Committee which will deal with them in the appropriate manner.

Copies of the reports produced by the AID or by any other body so requested are sent to the Chairmen of the Supervisory Board and of the Audit and Internal Control Committee.

The decision on the processes which are the object of the report produced by the Bank's departments is taken jointly by the Chairmen of the Supervisory Board and of the Audit and Internal Control Committee, after the Supervisory Board has been heard.

9.6. PREVENTION AND SUPRESSION OF ILICITLY ORIGINATED BENEFITS FROM MONEY LAUNDERING

According to prevailing legislation designed to impede the utilisation of financial entities in money laundering operations and in activities associated with economic-financial and organised crime, or terrorism financing, the financial institutions and other financial companies which constitute the BPI Group are endowed with internal control and communication systems, as well as human and material resources, to provide their directors and Employees proper training for recognising operations which may be related to the aforesaid crimes and the persons perpetrating criminal activities.

This legislation (national and community) is transposed in its essence into the internal regulations of the BPI Group's financial institutions.

At the BPI Group the abovementioned obligations were, until 31 August 2008, of the responsibility of Banco BPI, S.A.'s Audit and Inspection Division, where the Anti-Money Laundering Unit was created on 31 March 2004 solely for this purpose, and which changed its name on 3 January 2005 to the present "Money Laundering Prevention Unit".

This Unit was extinguished on 31/08/2008, and its functions and respective staff integrated into the Compliance Division.

Thus and without prejudice to the investigations and control initiatives which that the Compliance Division considers it should carry out at its own instigation, Employees of the Banks and other financial companies which constitute the BPI Group have instructions to inform that Division about the operations realised and/or to be realised which, due to their nature, amount or characteristics, may indicate the movement of funds derived from illicit activities, in accordance with internal regulations in force at any moment at the Bank's various financial entities.

Banco BPI's Compliance Division is charged with the task of analysing any occurrences, following these up and taking the necessary measures to prevent the BPI Group's involvement in operations associated with money laundering, advocating whatever is necessary to ensure compliance with the other obligations arising from the legislation in force dealing with the fight against organised and economic-financial crime.

The Supervisory Board is systematically informed of the evolution of occurrences and their consequences.

In 2008, the identified Unit of the Audit and Inspection Division, until 31 August 2008 and the Compliance Division, starting on 1 September 2008, carried out systematic control actions, which involved more in-depth analyses of the records of 992 Customer accounts, 143 of which led to communication being made to the Republic's Attorney General.

The BPI Group provides training in the prevention of money laundering to all Employees, both immediately after their admission and later during the course of the audits which it performs at the various Bodies of the organisational structure, in this case of all those who form part of the respective workforce. In addition, it periodically organises classroom-type sessions dealing with this topic for all management and technical staff forming part of the commercial networks.

33 classroom-type and e-learning training courses were realised in 2008, covering a total of 412 and 466 participants, respectively.

9.7. PREVENTION OF INSIDER TRADING

Employees and Directors who, during the exercise of their functions, obtain information which has not been made public and which could influence prices on any market, are bound by a strict duty of secrecy, and must abstain from carrying out any transactions in the securities involved, until the public disclosure of such information.

Operations involving securities issued by Banco BPI

In terms of the Group BPI's code of conduct, the members of Management or others with a professional category on a par with or above a Manager, as well as those Employees involved in the preparation of financial information or the issue of shares or securities convertible into shares, are prohibited from dealing in Banco BPI shares, as well as in securities convertible into shares or those which confer such rights:

- in the period falling between the 15th day before the end of each quarter or each financial year, and the moment the corresponding results are disclosed, which considering BPI's normal practice, means the barring of trading in Banco BPI shares in approximately half the stock exchange sessions in the year;
- in the period falling between the decision of BPI's management to propose the issue of shares representing its share capital or of securities convertible into shares or those which confer such rights, and the respective public announcement.

Non-executive Directors are also subject to a period when they are barred from trading in Banco BPI shares or other convertible securities or which confer rights thereto; however, in the case of the first prohibition (due to the proximity to the release of earnings), the restriction applies in the period falling between the 15th day before and the date of the public disclosure of the results.

Banco BPI and its Directors are also bound by strict communication duties imposed by law and by the CMVM's Regulations, such as the obligation to within a period of five business days, the latter have to inform the CMVM, of any operations realised in Banco BPI shares.

In order to strengthen the measures aimed at averting situations of abuse arising from the possession of privileged information, BPI also pursues a policy of:

- disclosing results on a quarterly basis, on the same day the Board of Directors approves them;
- informing the CMVM and placing on the Investor Relations site the presentations made at conferences with Analysts and Investors.
- To the extent that such a procedure is compatible with the principles which it adopts with respect to the disclosure of privileged information, BPI invariably releases these announcements after the stock-exchange trading hours.

9.8. BUSINESS DEALINGS BETWEEN BPI AND MEMBERS OF THE BOARD OF DIRECTORS, THE SUPERVISORY BOARD (CONSELHO FISCAL), THE HOLDERS OF QUALIFIED SHAREHOLDINGS OR COMPANIES BELONGING TO THE GROUP

There were no business dealings or operations in 2008 between Banco BPI on the one hand, and the members of its Board of Directors, its Supervisory Board, the holders of qualified shareholdings or Group companies, on the other, which were materially relevant and cumulatively, which were carried out other than under market conditions (applicable to similar operations) or beyond the scope of the bank's normal day-to-day business operations.

However, it is important to disclose the following business relations existing between BPI and some of the holders of qualified shareholdings. Namely:

Allianz Group

BPI is in partnership[1] with the Allianz Group in the life assurance and life risk business, materialised in a 35% interest in Allianz Portugal[2] and in an agreement for the distribution of insurance through its commercial network.

The Allianz Group owns a 8.8% shareholding in Banco BPI at 31 December 2008.

Arsopi

BPI has a partnership with the Arsopi, evidenced by:

- a 25%[3] shareholding in a holding company called Viacer;

- a direct and indirect shareholding (via Viacer) of 13.5%[4] and 17.7%, respectively in the holding company called Petrocer (at the moment is deactivated).

Viacer's most significant assets are a 56% shareholding in Unicer – one of the country's biggest drinks manufacturers and distributors.

Arsopi, its Shareholders and their families owned a shareholding of 2.9% in Banco BPI at 31 December 2008.

1) From which revenue is derived in the form of a share in the profits (from the shareholding) and commissions (for the selling of insurance at the bank's network).
2) Consolidated participation in Banco BPI's accounts using the equity method.
3) The Arsopi Group have a shareholding of 28%.
4) The Arsopi Group own a direct holding of 5.0% and an indirect holding – via Viacer – of 19.0%.

9.9. ACCOUNTING TRANSPARENCY

BPI adopts a policy of recording all the costs in the proper ledger accounts in accordance with their nature. BPI does not incur or record “confidential expenses”.

9.10. SOCIAL INVESTMENT

The Bank has since its foundation supported projects of undisputed merit in the area of culture, education, research and social solidarity, which involves partnerships with other private or public institutions. BPI’s social investment policy, as well as a description of some of the most noteworthy projects BPI supports or supported in the recent past, are outlined in a separate chapter of the Directors’ Report (pages 27 to 32).

9.11. EXERCISE OF CORPORATE RIGHTS BY BPI GROUP ENTITIES

The BPI Group's entities operating on the market as institutional investors – the Fund-Management Companies, the Pension-Fund Management Company, the Investment Bank and the Development Capital Companies – are bound to the rules designed to ensure the diligent, efficient and critical use of the rights attaching to the negotiable securities of which they are the holders or whose management has been entrusted to them, namely as concerns information and voting rights.

The asset-management entities belonging to the BPI Group, besides the traditional investment criteria associated with the risk / return relationship, also take into consideration in the investment decision-making process, the following factors:

- quality of the system of governance and supervision;
- transparency in the provision of information;
- good environmental practices.

On the other hand, BPI, on its own initiative, does not invest in companies operating in the pornography or arms industry.

BPI Gestão de Activos

BPI Gestão de Activos exercised its voting rights during 2008 at two Shareholders General Meetings, contemplating the respective orders of business, essentially, the approval of the accounts for the year and corresponding appropriation of results, in one case, as well as the election of the governing bodies, in both cases.

The Shareholders General Meeting attended by BPI Gestão de Activos refer to two national-issuer companies (in the funds’ prospectuses the possibility of participation at the AGMs of foreign entities is contemplated), with BPI Gestão de Activos communicating its voting intention, as well as the respective justification, to the CMVM in terms of applicable legislation.

BPI Gestão de Activos voted as a rule in favour of the motions presented by the governing bodies of the companies at whose General Meetings it participated.

In the prospectuses of the various funds managed by BPI Gestão de Activos a text which establishes the company’s “voting policy” is included. Namely:

- “BPI Gestão de Activos only takes part in the General Meetings of the companies (whether based in Portugal or overseas) in which it has equity holdings and where it considers that there is interest in such participation;
- BPI Gestão de Activos does not have a predefined global policy with respect to the exercise of voting rights in the companies in which it has equity holdings. At any moment, BPI Gestão de Activos will evaluate the voting intention that best safeguards the interests of unit holders, taking into account the goals of seeking value and the financial soundness of the company in which it participates;
- in cases in which it opts to participate in General Meetings, the voting rights will exercised directly by BPI Gestão de Activos or alternatively by a representative who is bound by the written instructions issued by BPI Gestão de Activos.”

BPI Pensões

BPI Pensões exercised its voting rights at ten Shareholders General Meetings of local companies, having voted as a rule in favour of the motions presented. In all of these Shareholders General Meetings, only the voting rights relating to the equity holdings owned by Banco BPI's pension funds were exercised.

Insurance Institute of Portugal Standard 21 / 2002-R of 28 November sets out that the strategy for the exercise of voting rights in the issuing companies for the assets held by the pension funds, must be contemplated in the Pension Fund Management Contracts or in the Management Regulations in the case of Open-end Pension Funds.

With a view to ensuring compliance with this requirement, BPI Pensões agreed in writing for each managed pension fund the rules to be followed concerning the exercise of voting rights, the usual guidelines of which are as follows:

- BPI Pensões will exercise its voting rights at the General Meetings of the companies in which the pension fund has equity holdings, when it considers the exercise of such right is advantageous;
- BPI Pensões does not have a predefined global policy with respect to the exercise of voting rights in the companies in which the pension fund has equity holdings. At any moment, it will evaluate the voting intention that best safeguards the goals of seeking value and the financial soundness of the company in which the pension funds participates;
- in cases in which BPI Pensões opts to participate in General Meetings, the voting rights will be exercised directly by BPI Pensões or alternatively by a representative who is bound by the written instructions issued by BPI Pensões.

Private Banking

Banco Português de Investimento, within the scope of the mandate awarded for the management of Private Banking Clients portfolios, acts in conformity with the specific rules in a diligent manager and taking into account the principles and rules relating to the exercise of financial intermediation activity as envisaged in the Securities Market Code (CVM) and respective regulations, namely, the principle of safeguarding the legitimate interest of clients, and is subject to the supervision of the Securities Market Commission.

10. Communication with the market

10.1. PRINCIPLES GOVERNING THE DISCLOSURE OF FINANCIAL INFORMATION AND OTHER IMPORTANT FACTS

Principles underlying the disclosure of financial information and other important facts

Transparency	By supplying the market all relevant information that allows the formation of substantiated judgement about the evolution of activity and the results achieved, as well as the prospects for growth, earnings and existing risks.
Consistency	In the maintenance of the criteria used in the provision of information and clarification of the motives underlying changes thereto, when they occur, so as to ensure the comparability of the information between the reporting periods.
Simplicity	Through the use of plain language, in the use of explanatory notes for complex issues and in the inclusion of a glossary and formulary in the Annual Report.
Availability	In the adoption of a proactive, open and innovative stance in communication with the market.
Materiality	In the disclosure of all the information which is relevant and in the attribution to each piece of information a degree of visibility and detail commensurate with its importance.
Initiative	In the adoption of communication of practices and the provision of information which, although not binding, are appreciated by the market.

10.1.1. Disclosure of financial information

The Investor Relations Division (IRD) is the body responsible for the preparation of documents containing financial information and their disclosure. The process is duly formalised, whereby the major risks and respective controls are identified, compliance with which is compulsory. Their execution must be demonstrated internally and externally, in accordance with pre-determined criteria. Systematic reviews are carried out of all the documents by the IRD and the Accounting and Planning Division (APD), including the verification of the rigour and consistency of the quantitative information presented in the documents. The documents to be disclosed and the moment of their release are approved by the Executive Committee (EC). The IRD undertakes a periodic review of the legal and regulatory framework with respect to information duties.

Insofar as the disclosure of quarterly information is concerned, the documents are sent to the EC for approval and, thereafter, to the Audit and Internal Control Committee and to the Supervisory Board for review. Subsequently the documents are submitted to the Board of Directors for its analysis at the meeting which approves the quarterly accounts. It is BPI's practice to disseminate the documents straight after the closing of the stock-exchange session of the day the Board of Directors meets.

As regards the Annual Report, the IRD is responsible for preparing the Directors' Report under the supervision of the EC and the Group's Governance Report, under the supervision of the Chairman of the Board of Directors. The IRD submits an outline of the Annual Report for the EC's appraisal and approval, with an indication of the Divisions, the responsible Executive Directors and the principal person responsible at each Division for submitting contributions and the timetable of the phases for the compilation and availability of the report and accounts for the consideration, review and approval by the various parties involved. The transmission to the IRD of the preparatory information for the Report requires the approval of the principal persons responsible for the respective Divisions and/or of the responsible Directors. The IRD reviews the contributions received and checks their consistency, coherence and accuracy of information inserting, in coordination with the respective Divisions, the adjustments / alterations deemed pertinent. The Directors' Report and the Accounts and respective notes are sent to the EC for review and approval. The Group's Corporate Governance Report is sent to the Corporate Governance Committee for review and approval. Subsequently, the Annual Report, which includes the Directors' Report, the financial statements and the respective notes, and the Corporate Governance Report, is sent to the Board of Directors for review and approval. The Annual Report is then sent to the external auditors and to the Supervisory Board, for the purpose of the issue of the statutory audit certification and the audit report, and the issue of the Supervisory Board's report and opinion.

10.2. INVESTOR RELATIONS DIVISION

10.2.1. Concept and responsibilities

Banco BPI attaches special importance to the maintenance of a frank and transparent relationship with financial analysts, investors, Shareholders, authorities, mass media and other market participants.

Stemming from this permanent concern, BPI set up in 1993 a structure exclusively dedicated to relations with investors and with the market. The Investor Relations Division (DRI), which reports directly to the Chairman of the Board of Directors and to the Executive Committee of Banco BPI's Board of Directors, has as its mission providing the market with accurate, regular, timely and unbiased information concerning the BPI Group, with particular emphasis on information that could have a material impact on the Banco BPI's share price.

The Investor Relations Division has as its principal functions guaranteeing, to the Authorities and to the market, compliance with legal and regulatory reporting obligations to which Banco BPI is bound, responding to the information needs of investors, financial analysts and other interested parties, and lending support to the Executive Committee in aspects relating to Banco BPI's presence on the market as a listed entity.

Within the scope of the abovementioned responsibilities, of particular importance is the disclosure of information classified as "relevant fact", the furnishing of quarterly information concerning the Group's activity and results, and the preparation of the annual and interim reports and accounts.

BPI has been disclosing information every quarter covering its activity and the consolidated results since the last quarter of 1991. Since it was listed on the stock exchange in 1986, BPI adopts a policy of commissioning a full-scope external audit on the interim report and accounts, when the law merely requires a limited review.

In the sphere of advisory support given to the Executive Committee, we highlight the monitoring of Banco BPI's share price in its multiple facets, as well as the backing given in the direct contact which the Executive Committee regularly has with financial analysts and institutional investors (national and foreign), covering both conferences and road shows and individual (one-on-one) meetings.

As regards this aspect, an important event is the Annual Conference for Investors and Analysts, an event which has already been promoted by the Executive Committee five times since 2001.

BPI's policy is to disclose to the market the information presented at these gatherings, issuing a press release summarising the most relevant aspects and making available the presentations delivered during this event on the IR web site.

The Investor Relations Division contact details are frequent and widely broadcast. All the information of a public nature regarding the BPI Group can be requested from the Investor Relations Office via the contact page at the web site, by telephone, e-mail, fax or by letter.

INVESTOR RELATIONS CONTACTS

Address:	Rua Tenente Valadim, n.º 284 – 3.º 4100-476 Porto
Phone:	+351 22 607 33 37
Fax:	+351 22 600 47 38
E-mail:	investor.relations@bancobpi.pt
Web site:	www.ir.bpi.pt

10.2.2. Activity in 2008

In its capacity as a listed company, BPI undertook intensive communication activity with the market throughout 2008.

BPI participated in conferences and in a number of road shows which involved the principal European financial markets – Lisbon, London, Madrid, Paris, Cologne, Frankfurt, Stockholm and Copenhagen – and the USA – New York. The Bank held more than 150 one-on-one meetings with institutional investors.

Within the ambit of earnings releases, BPI continued to stage quarterly meetings in 2008 with analysts and investors to discuss quarterly results. These meetings – which count with the presence of all the members of the Executive Committee of Banco BPI's Board of Directors – can be attended personally or by conference call, as well as being disseminated simultaneously and with free access by webcast via the Bank's Investor Relations web site.

During the year BPI maintained permanent contact with the financial analysts who cover Banco BPI shares, through virtually daily research calls.

10.2.3. Investor Relations Web site – www.ir.bpi.pt

BPI has a web site dedicated exclusively to the disclosure of information of an institutional nature about the Group. This web site is available at the address www.ir.bpi.pt, or for those persons who do not have access to the Internet, at the Internet Kiosks located at the majority of Banco BPI branches.

Of the more than 500 pages of information (including files for downloading) available on the web site, the following merit special mention:

- extensive financial information that is thoroughly updated four times a year on the actual day results are released. This includes more than 30 tables for downloading in Excel and the web cast (in real time) of the quarterly result presentations;
- complete annual report and accounts available in HTML format and a section on "Corporate Governance" containing more than 30 pages of information;
- interactive simulator for calculating the total return (i.e. assuming the reinvestment in dividends) on the investment in Banco BPI shares;
- section about "debt" containing summary files and supporting documentation relating to the main public issues of subordinated and senior debt, credit securitisation[G] and preference shares;

- information concerning the equity research analysts who regularly cover Banco BPI's share, indicating the respective contacts and investment recommendations;
- individual pages for each member of the Executive Committee and for the Chairman of the Board of Directors, containing their respective profiles (CVs, photographs, functions, etc.);
- section on «Charts and Prices» relating to the Banco BPI share, which includes a comparison with benchmarks[G], the identification of events (payment of dividends, capital increases, etc.) and the possibility of downloading a history of the share price (adjusted and not adjusted).

The web site (available in Portuguese and English) is split into eight principal sections which cover – inter alia – the following subjects:

Investor Relations web site – contents and organisation

BPI Group	Corporate Governance	Financial information	Shareholders	Banco BPI Share	Debt	News and Events	Sectorial information
History	Management and control bodies	Indicators	Value creation	Indicators	Issued debt	Announcements	Market structure
Chairman	Risk management	Results	Shareholder structure	Charts and quotations	Rating	News	Key economic indicators
Executive Management	Shareholder control	Reports and accounts	Return calculator	Analysts' coverage		Calendar	Loans and deposits
Strategy	Voting and representation		Dividends	Investment recommendations		Conferences	International comparison
Identity	Remuneration		Capital	Volatility[G]		Presentations	
Social investment	Whistleblowing		General Meetings	Transaction channels			
Recognition	Ethics and rules			Weight in indexes			
	Communication with the market						
	Legal framework						
	Rating						

All the information of an institutional nature which is public and material is as a general rule published on the web site. For the most significant events, such as the Shareholders' General Meeting, the Annual Conference for Analysts and Investors the payment of dividends and the quarterly disclosure of results, specific pages are also created for disclosing information and giving support for such events.

Users of the web site also have the opportunity to register for and receive a daily email summarising the behaviour of Banco BPI shares on the stock exchange, an alert service whenever the share attains a predetermined percentage. Subscribers to these e-mail alerts can cancel their subscription at any moment by simply following the links appearing at the bottom of each email for this purpose.

The Investor Relations web site complies fully with the CMVM's recommendations on the use of the Internet as a means of disseminating information of an institutional nature.

In 2008 the IR web site recorded a monthly average of 360 thousand pages views and 18 thousand visits.

10.2.4. Electronic mail

The announcements of important facts and other announcements, besides being published on the Investor Relations site and on the CMVM's information channel, are also sent by electronic mail to the supervision authorities, the media, analysts, as well as to all the institutional investors or to those individuals who expressly request these.

In 2008, in each process involving the disclosure of quarterly results, the Investor Relations Division sent approximately 400 email messages. The Investor Relations Division has a policy of not sending unsolicited email messages and carries out a periodic review of its contacts database with a view to eliminating inactive addresses or recipients.

As a rule, all the documents issued in paper form (including preparatory documents for the General Meetings) are available for dispatch in electronic format upon request.

10.3. REPRESENTATIVE FOR RELATIONS WITH THE MARKET

The Representative for Relations with the Market is, with effect from 1 September 2008 in terms of a resolution passed by the Board of Directors, the head of the Investor Relations Division, Luís Ricardo Araújo, who substituted Rui de Faria Lélis who has in the meantime reached retirement age.

11. Banco BPI Shares

11.1. MARKET BEHAVIOUR

11.1.1. Price evolution

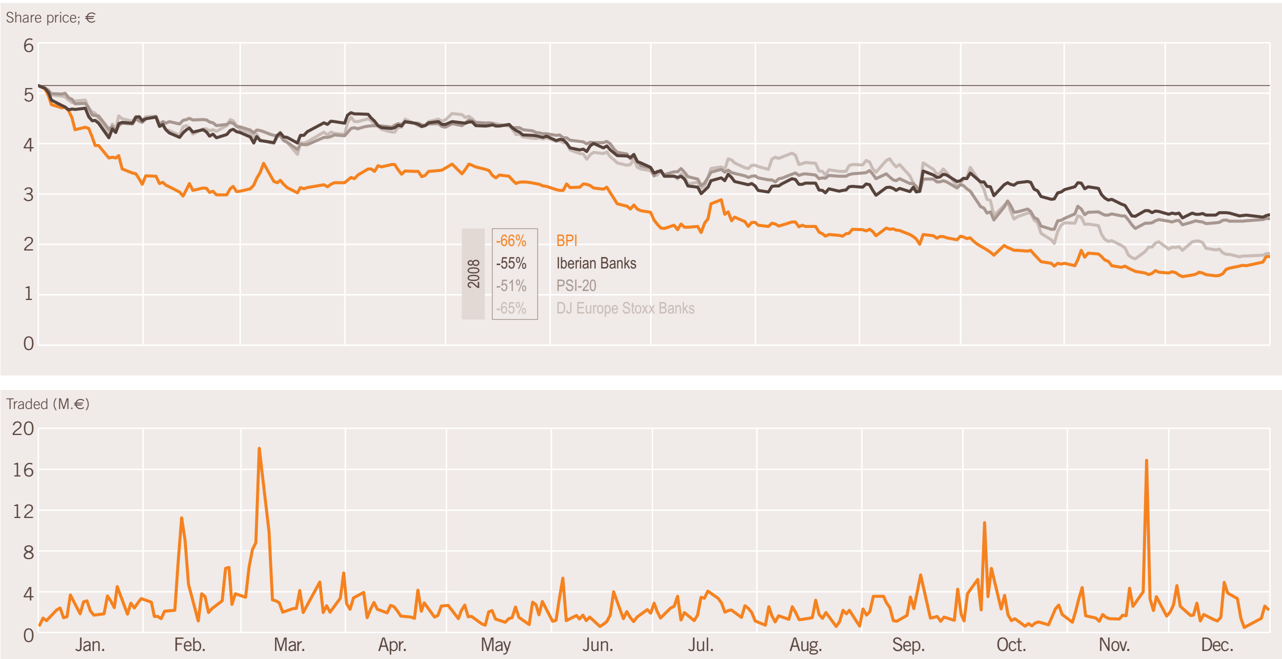
Banco BPI shares depreciated 66% in 2008. Taking into consideration the income from the dividend distribution, Banco BPI shares generated a negative annualised return (ROI) of 64.6% in the period.

This performance must be viewed in the light of the unique period which the markets, and in particular, the international financial sector, have experienced since August 2007 since the outbreak of the global financial crisis. The strong impact of the crisis on the banking sector was clearly visible in the behaviour of the international indices in 2008, with the principal European banking benchmark – DJ Europe Stoxx Banks – posting a decline of 64%.

11.1.2. Liquidity

In 2008, Banco BPI shares originated a trading volume of 1 776 M.€. The daily average trading volume amounted to 6.9 M.€, which represents a decrease of 27.0% relative to the volume of deals recorded in the preceding year (in the same period, the PSI-20 trading volume fell 42.9%). On the other hand, capital rotation stood at 77.5%, which compares with 50.4% in the preceding year.

Banco BPI shares' evolution in 2008



— Banco BPI
— Comparable Iberian banks
— PSI-20
— DJ Europe STOXX Banks

BANCO BPI SHARES

Banco BPI's share capital comprises 900 million nominative and dematerialised (book entry) ordinary shares with a nominal value of one euro each. All the shares are entitled to the full dividend relating to 2008 and following years. All the shares are listed on the Euronext market.

Index weighting (31 Dec. 08)

- PSI-20: 3.17%; #11
- Next 150: 1.34%; #18
- Dow Jones Europe STOXX Bank: 0.14%; #55

Codes and tickers

- ISIN and Euronext code: PTBPI0AM0004
- Reuters: BBPI.LS
- Bloomberg: BPI PL

Banco BPI shares principal indicators

Amounts in € and M.€

	2004	2005	2006	2007	2008	2008 adjusted[1]
Stock exchange price of Banco BPI shares (€)[2]						
Highest price	3.191	3.777	5.814	6.583	5.159	
Average price	2.946	3.205	5.219	6.035	2.697	
Lowest price	2.624	2.864	3.681	5.046	1.335	
Closing price	2.864	3.710	5.680	5.151	1.750	
Data per share (euro)[3, F]						
Cash flow after taxation[1, 3, F]	0.38	0.50	0.53	0.68	0.59	0.54
Net profit[1, 3, F]	0.25	0.32	0.40	0.45	0.18	0.28
Dividend[3, 4]	0.10	0.12	0.15	0.18	0.07	
Book value[3]	1.56	1.52	1.86	2.09	1.68	
Weighted average no. of shares[F] (in millions)[3]	782.3	778.2	776.4	782.1	842.3	
Market valuation						
Price as multiple[F] of:						
Cash flow after taxation (PCF)[1]	7.5	7.4	10.7	7.6	3.0	3.2
Net profit (P/E)[1]	11.6	11.5	14.3	11.3	9.8	6.4
Book value (PBV)	1.8	2.4	3.0	2.5	1.0	
Earnings yield[1, F]	8.8%	11.3%	10.7%	8.0%	3.5%	5.3%
Stock market capitalisation (M.€)	2 264.8	2 933.6	4 491.6	4 073.6	1575.0	
Liquidity						
Annual trading volume (M.€)	625.3	954.0	2 677.0	2 425.1	1 775.9	
Daily average trading volume (M.€)	2.4	3.7	10.5	9.5	6.9	
Daily average trading quantity (x th.)[5]	818.3	1 147.1	2 011.8	1 564.7	2 571.7	
Share capital rotation[G]	26.8%	37.3%	64.8%	50.4%	77.8%	
Dividends						
Net profit (M.€)[1]	192.7	250.8	308.8	355.1	150.3	231.9
Distributed earnings (M.€)[4]	76.0	91.2	121.6	142.1	60.1	
Payout ratio	39.4%	36.4%	39.4%	40.0%	40.0%	
Dividend per share (euro)[4]	0.10	0.12	0.15	0.18	0.07	
Dividend yield[F, G]	3.4%	4.0%	4.1%	3.2%	1.4%	

1) Banco BPI's consolidated net profit in 2008 of 150.3 M.€ was negatively affected by the losses incurred on the sale of Banco Comercial Português (BCP) shares and the impairment charges set aside for the BCP investment, with a negative impact of 184.4 M.€ on after-tax net profit, and early-retirement costs of 27.7 M.€, after tax, and positively affected by the gain realised on the sale of 49.9% of BFA's capital to Unitel, with a positive impact on after-tax net profit of 130.6 M.€.
The indicators relating to 2008 after excluding the abovementioned impacts are presented in a separate column of the above table.

2) Prices adjusted for the capital increase realised in June 2008.

3) Correspond to net profit, dividends to be distributed and Shareholders' equity (excluding minority interests) divided by the weighted average number of shares (end-of-year number in the case of the indicator "book value per share"), with the number of shares adjusted by the capital increase which took place in June 2008.

4) The amount of dividends to be distributed in respect of 2008 corresponds to a dividend per share of 0.0668 euro which will be paid on each one of the 900 million shares representing the capital at 31 December 2008.

5) No. of shares adjusted for the capital increase which took place in June 2008.

11.2. TREASURY SHARES

In 2008, Banco BPI traded both on and off the stock exchange 10 305 305 own shares, which corresponded to 1.29% of the share capital. These transactions were earmarked for the execution of the variable-remuneration scheme for Employees and Directors, through the granting of shares and share options (Portuguese initials – RVA). For its part, Banco Português de Investimento, S.A., – the entity 100% held by Banco BPI – traded 7 757 306 Banco BPI shares, that is, 0.95% of the latter's share capital.

Treasury shares transactions in 2008

	Purchase			Sell			Total traded	
	Quantity (number)	Amount (€)	Unitary average price (€)	Quantity (number)	Amount (€)	Unitary average price (€)	Quantity (number)	As % of share capital
Banco BPI								
Stock exchange market	4 594 348	15 857 790	3.45	3 814 209	9 915 296	2.60	8 408 557	1.04%
Over-the-counter market	174 158	578 733	3.32	1 722 590	5 976 636	3.47	1 896 748	0.25%
	4 768 506	**16 436 523**	**3.45**	**5 536 799**	**15 891 932**	**2.87**	**10 305 305**	**1.29%**
Banco Português de Investimento								
Stock exchange market	4 047 969	11 398 227	2.82	3 709 337	10 819 745	2.92	7 757 306	0.96%
Over-the-counter market								
	4 047 969	**11 398 227**	**2.82**	**3 709 337**	**10 819 745**	**2.92**	**7 757 306**	**0.96%**
Total								
Stock exchange market	8 642 317	27 256 017	3.15	7 523 546	20 735 041	2.76	16 165 863	2.00%
Over-the-counter market	174 158	578 733	3.32	1 722 590	5 976 636	3.47	1 896 748	0.25%
	8 816 475	**27 834 750**	**3.16**	**9 246 136**	**26 711 676**	**2.89**	**18 062 611**	**2.25%**

At 31 December 2008, Banco BPI held 5 262 014 own shares, that is, 0.58% of its capital. These shares were earmarked to cover the options granted to Employees under the variable component of remuneration packages – the share incentive and options scheme – RVA – in force at the Group since 2001. For its part, o Banco Português de Investimento held, at 31 December 2008, 622 900 Banco BPI shares, or, 0.07% of share capital, all of which were held for hedging positions in PSI-20 futures[G].

The other subsidiaries over which Banco BPI exercises effective management control did not acquire or sell any shares representing its share capital and, at the end of December 2008, did not hold any Banco BPI shares in their portfolios.

The number of own shares referred to does not include shares granted under condition subsequent, nor does it include those not yet granted under the RVA scheme. Transfer of the ownership of the shares granted under the RVA scheme is effected in full on the grant date, although their free disposability is dependent on the Employee's continued employment at the BPI Group. For accounting purposes, the shares remain in Banco BPI's portfolio of own shares up until the date they become freely disposable.

Number of shares held

	31 Dec. 07		31 Dec. 08	
	No.	% of share capital	No.	% of share capital
Banco BPI	6 030 307	0.79%	5 262 014	0.58%
BPI Investimentos	284 268	0.04%	622 900	0.07%
Total	**6 314 575**	**0.83%**	**5 884 914**	**0.65%**

Other information

At 31 December 2008, the Banco BPI Employees' pension fund held 5 138 611 Banco BPI shares, corresponding to 0.57% of the Bank's capital.

11.3. AUTHORISATION FOR ACQUISITION AND SALE OF TREASURY SHARES

Since the beginning of 2001, the BPI Group has implemented a variable-remuneration scheme (Portuguese initials RVA) which consists of the granting annually of Banco BPI shares and options to buy Banco BPI shares as part of the variable-remuneration package.

The execution of the RVA scheme does not contemplate the issue of capital, with the result that for purposes of the granting of shares, meeting the options plan and the exercise of options, BPI constitutes portfolios of treasury shares earmarked exclusively for this end.

BPI can also carry out transactions in own shares for reasons other than the execution of the RVA programme.

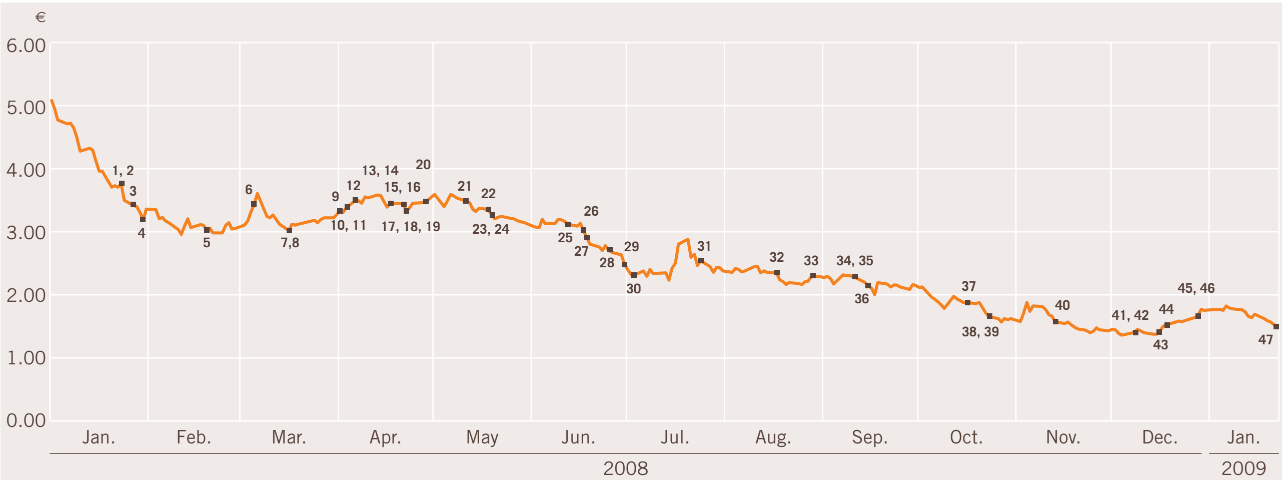
Accordingly, the Board of Directors submits regularly to the General Meeting a request for authorisation to acquire own shares up to the legal limit of 10% of the capital.

11.4. STOCK EXCHANGE PERFORMANCE AND COMMUNICATIONS TO THE MARKET

The chart below presents the behaviour of Banco BPI shares and the communication to the market of important facts and other announcements.

Banco BPI's share performance

Important facts



■ Banco BPI communications to the market

Communication of important facts to the market and trend in Banco BPI's share in the 10 sessions which preceded and that which followed the disclosure of information

No.	Date	Type	Details	over the 10 stock exchange sessions before communication		over the 10 stock exchange sessions after communication	
				Banco BPI	PSI-20	Banco BPI	PSI-20
	2008						
1	24 Jan.	IF	Banco BPI informs about the statements of the Executive Committee's Chairman regarding a possible capital increase	(12.14%)	(9.02%)	(15.60%)	(1.21%)
2	24 Jan.	IF	Banco BPI informs about the 2007 consolidated results[1]	(12.14%)	(9.02%)	(15.60%)	(1.21%)
3	28 Jan.	QS	Banco BPI informs about qualified shareholding from UBS AG	(20.58%)	(6.77%)	(10.99%)	0.03%
4	31 Jan.	QS	Banco BPI informs about qualified shareholding from UBS AG	(19.42%)	(2.87%)	0.45%	(1.80%)
5	20 Feb.	QS	Banco BPI informs about qualified shareholding from Credit Suisse	(4.55%)	0.39%	9.37%	3.71%
6	6 Mar.	IF	Banco BPI informs about the deliberation of the BD regarding the proposed share capital increase	14.84%	(2.20%)	(8.71%)	7.04%
7	17 Mar.	IF	Banco BPI informs about 2 proposals to be presented by the BD to the SGM of 23 Apr. 2008	(4.70%)	(7.75%)	10.17%	(9.72%)
8	17 Mar.	OC	Banco BPI informs about notice convening the AGM to be held at 23 April 2008	(4.70%)	(7.75%)	10.17%	(9.72%)
9	2 Apr.	IF	Banco BPI informs about document to be presented at the Morgan Stanley – European Banks and Financials Conference	6.61%	8.00%	4.47%	(2.10%)
10	4 Apr.	OC	Banco BPI informs about 2007 individual accounts	8.15%	7.96%	2.28%	(2.99%)
11	4 Apr.	OC	Banco BPI informs about the consolidated Report and Accounts for the 2007 financial year	8.15%	7.96%	2.28%	(2.99%)
12	7 Apr.	IF	Banco BPI informs about preparatory information for the GM to be held at 23 April 2008	9.97%	5.35%	(1.62%)	(1.21%)
13	18 Apr.	IF	Banco BPI informs about the disposal of BCP subscription rights	(1.24%)	1.81%	(1.53%)	1.55%
14	18 Apr.	QS	Banco BPI informs about qualified shareholding from UBS AG	(1.24%)	1.81%	(1.53%)	1.55%
15	22 Apr.	IF	Banco BPI informs about its consolidated results for the 1st quarter 2008[1]	(0.14%)	1.07%	4.18%	(1.47%)
16	22 Apr.	QS	Banco BPI informs about qualified shareholding from JP Morgan Chase & Co.	(0.14%)	1.07%	4.18%	(1.47%)
17	23 Apr.	IF	Banco BPI's Board of Directors informs about the appointment of the Executive Committee and the resolution on a capital increase	(6.08%)	0.26%	6.76%	(1.86%)
18	23 Apr.	IF	Banco BPI informs about the results of the SGM of 23 April 2008	(6.08%)	0.26%	6.76%	(1.86%)
19	23 Apr.	IF	Banco BPI informs about the dividend payment relating to 2007 financial year	(6.08%)	0.26%	6.76%	(1.86%)
20	29 Apr.	OC	Banco BPI informs about the members of the Governing Bodies for the 2008 / 2010 period	(0.28%)	(1.16%)	(3.05%)	(1.43%)
21	12 May	QS	Banco BPI informs about qualified shareholding from UBS AG	0.69%	0.04%	(7.82%)	3.51%
22	19 May	IF	Banco BPI's Board of Directors informs about the terms and conditions for the capital increase	(3.86%)	(1.04%)	(7.85%)	4.77%
23	20 May	IF	Banco BPI informs about a public offer for the subscription of 140 000 000 ordinary shares with preference rights with the ambit of an equity capital increase to 900 M.€	(8.97%)	(3.43%)	(6.01%)	3.48%
24	20 May	QS	Banco BPI informs about qualified shareholding by UBS AG	(8.97%)	(3.43%)	(6.01%)	3.48%
25	13 Jun.	IF	Banco BPI informs about the results of the capital increase offer and the pro-rata allotment	1.13%	(3.55%)	(14.42%)	12.79%
26	18 Jun.	IF	Banco BPI informs about the registration of the capital increase	(5.63%)	(3.04%)	(20.70%)	15.67%
27	19 Jun.	OC	Banco BPI informs about prospectus for the admission to negotiation of the ordinary shares resulting from the capital increase	(6.72%)	(4.19%)	(20.24%)	13.26%
28	26 Jun.	QS	Banco BPI informs about qualified shareholding from UBS AG	(13.46%)	(9.11%)	(13.33%)	6.36%
29	1 Jul.	QS	Banco BPI informs about qualified shareholding from UBS AG	(17.72%)	(15.88%)	(10.26%)	5.93%
30	4 Jul.	IF	Banco BPI informs about holding in BCP	(16.15%)	(10.75%)	21.21%	(1.39%)
31	25 Jul.	IF	Banco BPI informs about the consolidated results for the 1st half 2008[1]	8.09%	3.46%	(6.30%)	2.97%
32	18 Aug.	OC	Banco BPI informs about the appointment of the Market Relations Representative	(2.69%)	2.95%	(2.72%)	(1.02%)
33	29 Aug.	OC	Banco BPI informs about Report and Accounts for the 1st half 2008	(2.34%)	0.73%	(1.00%)	2.92%
34	12 Sep.	IF	Banco BPI informs about presentation on the sale of a 49.9% stake in BFA to Unitel	(0.61%)	(3.12%)	(6.38%)	2.03%
35	12 Sep.	IF	Banco BPI informs about sale of 49.9% in BFA share capital to Unitel	(0.61%)	(3.12%)	(6.38%)	2.03%
36	16 Sep.	IF	Banco BPI informs about document to be presented at the KBW 2008 European Financials Conference	(6.32%)	(7.43%)	0.47%	0.88%
37	17 Oct.	QS	Banco BPI informs about qualified shareholding from UBS AG	(4.08%)	(3.82%)	(13.83%)	5.17%
38	24 Oct.	IF	Banco BPI informs about the recourse to State guarantees	(16.45%)	(13.80%)	10.24%	(10.53%)
39	24 Oct.	IF	Banco BPI informs about the consolidated results for the first 9 months of 2008[1]	(16.45%)	(13.80%)	10.24%	(10.53%)
40	14 Nov.	IF	Banco BPI informs about sale of holding in BCP	(0.25%)	(0.02%)	(7.96%)	4.33%
41	9 Dec.	IF	Banco BPI informs about presentation on the conclusion of the sale of a 49.9% stake in BFA share capital to Unitel	(0.99%)	1.51%	12.80%	0.17%
42	9 Dec.	IF	Banco BPI informs about the conclusion of the sale of a 49.9% stake in BFA share capital to Unitel	(0.99%)	1.51%	12.80%	0.17%
43	17 Dec.	OC	Banco BPI informs about notification received from Santoro Financial Holdings concerning the acquisition of a qualified holding	1.58%	(0.23%)	25.07%	(4.88%)
44	19 Dec.	QS	Banco BPI informs about BCP's qualified shareholding	9.63%	0.60%	19.67%	(7.19%)
45	29 Dec.	IF	Banco BPI informs about early retirements programme	18.28%	3.10%	4.91%	(3.16%)
46	29 Dec.	QS	Banco BPI informs about qualified shareholding by Caixa D'Estalvis I Pensions de Barcelona "La Caixa"	18.28%	3.10%	4.91%	(3.16%)
	2009						
47	23 Jan.	IF	Banco BPI informs about the 2008 consolidated results[1]	(14.66%)	(3.61%)	-	-

1) In compliance with CMVM Regulation 7 / 2001.

Legend: IF: Important fact; OC: Other communications; QS: Qualified shareholdings; OE: Other events.

Notes: A) Banco BPI adheres to a policy of disclosing sensitive information after the stock market has closed. In this way, any impact on the price of Banco BPI shares is only felt at the next stock exchange session. B) The facts listed in the above table do not constitute an exhaustive summary of all the information published on the CMVM's extranet. However, in Banco BPI's opinion, it includes the communications to the market that are capable of influencing the price of its shares.

12. Dividend policy

In the revision of the Statutes, which was deliberated at the Shareholders' General Meeting of 20 April 2006, a principle was included that obliges the Board of Directors to submit for deliberation by the General Meeting a proposed long-term dividend policy and the justification of any variances that may eventually occur in relation thereto.

THE BPI GROUP'S LONG-TERM DIVIDEND POLICY

(deliberated at the General Meeting of 19 April 2007)

Whereas:

1. Banco BPI's Statutes (article 26(3)) stipulate that the General Meeting deliberates on the long-term dividend policy proposed by the Board of Directors, and that this body justifies any deviations that may arise in relation to the said policy;

2. the present General Meeting is the first ordinary meeting to take place after that statutory principle was embodied in the revision deliberated at the General Meeting of 20 April 2006;

3. Banco BPI pursues sound financial-base goals that translate into the maintenance of:

a) a ratio between its basis own funds and risk-weighted assets – indicator normally designated as Tier I – which tendentiously is situated higher than 7%;

b) a percentage of preference shares that does not exceed 20% of basis own funds, that is, a Core Tier I indicator which tendentiously is situated higher than 5.5%;

4. historically, Banco BPI's dividend policy has translated into:

a) The distribution of an annual dividend which, when measured with reference to the net profit reported in the consolidated accounts of the financial year to which such dividend refers, corresponded to a payout of not less than 31% for the last ten years taken as a whole, and of not less than 36% in the last five years;

b) The retention of an adequate share of net profit for financing the Group's growth needs;

c) An adequate dividend remuneration – measured by the relationship between the dividend and the share price (i.e. the dividend yield) – *vis-à-vis* the remuneration levels (via dividend) prevailing at other listed banks.

5. Taking into account, in particular, that the above points 3, 4.b) and 4.c) remain perfectly current and valid for the future.

The Board of Directors proposes the adoption of the following long-term dividend policy:

Distribution of an annual dividend, by way of a proposal to be submitted by the Board of Directors to the General Meeting, which is tendentiously not less than 40% of the net profit reported in the consolidated accounts of the financial year to which it refers, save where exceptional circumstances warrant, in the Board of Directors' considered judgement, the distribution of a lesser dividend to be submitted for the Shareholders' deliberation.

Trend in key indicators over the last 5 years

	2004	2005	2006	2007	2008
Net profit (M.€)	192.7	250.8	308.8	355.1	150.3
Dividend (M.€)	76	91.2	121.6	142.1	60.1
Payout ratio	39.4%	36.4%	39.4%	40.0%	40.0%
Basic earnings per share (EPS) (€)	0.25	0.32	0.40	0.45	0.18
Δ%	18%	31%	23%	14%	(61%)
Dividend per share (€)	0.10	0.12	0.15	0.18	(0.07[1])
Δ% yoy	7%	20%	33%	17%	(61%)
Closing price (€)	2.86	3.71	5.68	5.15	1.75
Δ%	2%	30%	53%	(9%)	(66%)
Dividend Yield (share price at beginning of the year)	3.4%	4.0%	4.1%	3.2%	1.4%
Dividend Yield (share price at end of the year)	3.4%	3.1%	2.7%	3.5%	4.0%
Capital ratio	9.8%	11.5%	9.4%	9.9%	11.3%
Tier I	6.5%	7.3%	7.4%	6.2%	8.8%
Core Tier I	5.1%	5.9%	5.9%	5.4%	8.0%

1) Dividend per share proposed by the Board of Directors in respect of the 2008 financial year.

Notes:

The Group's consolidated net profit constitutes the relevant basis which has been used by Banco BPI for the calculation of the dividend to be distributed. Meanwhile, the dividend constitutes the application of Banco BPI's individual net profit, with the result that if that net profit, after the required allocation to the Legal Reserve Fund and to the payment of the priority dividend on any preference shares that the company may have issued, is inadequate for the payment of the proposed dividend, this will entail the distribution of free reserves to complement the distribution of the individual net profit.

The dividend per share is fixed in terms adjusted, namely, for capital increases (in cash or through the incorporation of reserves) and for stock splits[G].

EXPERIENCE, PROFESSIONAL QUALIFICATIONS AND OTHER MANAGEMENT AND OVERSIGHT POSITIONS HELD IN OTHER COMPANIES OR ENTITIES BY THE GOVERNING BODIES OF BANCO BPI, S.A.

SHAREHOLDERS GENERAL MEETING

João Vieira de Castro (Chairman)

Date of Birth	7 June 1937
Nationality	Portuguese
Academic qualifications	**1959:** Law graduate
Management and oversight positions held at other companies or other entities	**1988-...:** Manager at ACR – Administração de Bens, Lda.
Other positions	Chairman of the Shareholders General Meeting: Sogrape Investimentos, SGPS, S.A. UNICER – Bebidas de Portugal, SGPS, S.A. Prosica – Sociedade de Estudos, Planificação e Realização de Instalações Industriais S.A. Sonaecom, SGPS, S.A. Sonae Indústria, SGPS, S.A. Hemisfério, SGPS, S.A. Jerónimo Martins, SGPS, S.A.
Date of first designation	20 April 2005
End of current mandate	31 December 2010
Shares and options held at 31 Dec. 08	25 284 shares 0 options

Manuel Cavaleiro Brandão (Deputy-Chairman)

Date of Birth	6 June 1946
Nationality	Portuguese
Academic qualifications	Law graduate, Universidade de Coimbra Attendance of Post-Graduate Course in European Affairs, Universidade de Coimbra
Management and oversight positions held at other companies or other entities	Director at "Ferreira Marques & Irmão, S.A." Managing partner at OFFIG – Administração e Gestão de Escritórios, Lda.
Other positions	Chairman of the Shareholders General Meeting: Sonae SGPS, S.A. FASE – Estudos e Projectos, S.A. LEICA – Aparelhos Ópticos de Precisão, S.A. Partner at Cavaleiro Brandão, Pinheiro Torres, Cabral, Sousa e Silva e Associados – Sociedade de Advogados, R.L. Member (Advisor) at the European Economic and Social Committee (since 1990) Deputy-Chairman of the Portuguese Delegation of the "Cour Européenne d'Arbitrage" Deputy-Chairman of "Capítulo Português" at the "Club Español d'Arbitrage" Arbitrator nominated by the Economic and Social Counsel
Previous professional experience	**2004-06:** Chairman (2006) and Deputy-Chairman (2004 and 2005) of the CCBE (Conselho das Ordens dos Advogados Europeias) **2004-05:** Member of "Cour d'Arbitrage" of the "Chambre du Commerce International" from Paris **1992-05:** Member of the Arbitrage Counsel of the Trade Arbitrage Centre of the Portuguese Trade and Industry Chamber and of the Lisbon and Porto Trade and Industry Chambers
Date of first designation	23 April 2008
End of current mandate	31 December 2010
Shares and options held at 31 Dec. 08	0 shares 0 options

Maria Alexandra Magalhães

Date of Birth	11 November 1967
Nationality	Portuguese
Academic qualifications	**1990:** Economics graduate, Universidade do Porto **1996:** "Master Quality Management" – Institut Méditerranéen de la Qualité / École Supérieure de Commerce et Technologie – France **2003:** Post-graduation in Human Resources – Universidade Moderna do Porto
Management and oversight positions held at other companies or other entities	Director of Sarcol – Sociedade de Gestão e Investimento Imobiliário, S.A. Deputy-Chairman of SAR – Sociedade de Participações Financeiras, S.A.
Previous professional experience	Various positions held at Produtos Sarcol, S.A.
Date of first designation	20 April 2005
End of current mandate	31 December 2010
Shares and options held at 31 Dec. 08	131 shares 0 options

Luís Manuel Alves de Sousa Amorim

Date of Birth	1 September 1963
Nationality	Portuguese
Academic qualifications	**1986:** Business Management graduate – Universidade Católica Portuguesa
Management and oversight positions held at other companies or other entities	**2000-…:** Director of RIAOVAR – Empreendimentos Turísticos e Imobiliários, S.A.
Previous professional experience	**1993-07:** Director of Simon – Sociedade Imobiliária do Norte, S.A. **1991-07:** Manager of Sanor – Sociedade Agrícola do Norte, Lda. **1989-90:** Manager of the Organisation and Management Systems Department – Modelo Supermercados, S.A. **1986-89:** Professional staff member of the Management Control Department – Sonae Distribuição, S.A.
Date of first designation	23 April 2008
End of current mandate	31 December 2010
Shares and options held at 31 Dec. 08	594 shares 0 options

SUPERVISORY BOARD

Abel António Pinto dos Reis (Chairman)

Date of Birth	10 October 1933
Nationality	Portuguese
Academic qualifications	**1960:** Economics graduate of the Universidade do Porto **1952:** Accounting Course, Instituto Comercial Porto **1948:** General Commerce Course, Colégio Universal, Porto
Management and oversight positions held at other companies or other entities	**2007-...:** Chairman of the Supervisory Board of COSEC – Companhia de Seguros de Créditos, S.A. **2000-...:** Non-executive Director of Finangest – Empresa Financeira de Gestão e Desenvolvimento, S.A.
Previous professional experience	**2007-2008 (31 March):** Chairman of the Supervisory Board of BPI Vida – Companhia de Seguros de Vida, S.A. **2000-2008 (31 March):** Non-executive Director of Fernando & Irmãos, SGPS, S.A. **1993-97:** Member of the Management Board of Caixa Central de Crédito Agrícola Mútuo **1986-92:** Chairman of the Management Board of the Fundo de Garantia do Crédito Agrícola Mútuo **1976-92:** Director at the Bank of Portugal **1961-64:** Assistant lecturer at Faculdade de Economia do Porto **1957-75:** Employee, professional staff member, auditor and manager of Banco Português do Atlântico **1952-53:** Employee of Banco Espírito Santo
Date of first designation	23 April 2008
End of current mandate	2010
Shares and options held at 31 Dec. 08	0 shares 0 options

Jorge de Figueiredo Dias

Date of Birth	30 September 1937
Nationality	Portuguese
Academic qualifications	**1959:** Law graduate of the Universidade do Coimbra **1970:** PhD in Law (Legal Sciences) from Law Faculty of the Universidade de Coimbra **1977:** Chair Professor
Management and oversight positions held at other companies or other entities	Does not hold any governing bodies' positions in any other company.
Other positions	Member of Management Council of the Fundação Luso-Americana para o Desenvolvimento
Previous professional experience	**1991-05:** Deputy-Chairman of SIC (Société Internationale de Criminologie) **1990-01:** Chairman of FIPP (Fondation Internationale Pénale et Pénitentiaire) **1996-02:** Deputy-Chairman of SIDS (Société Internationale de Défense Sociale) **1996-00:** Chairman of the General Meeting Committee of Caixa Geral de Depósitos **1991-96:** Member of SIDS (Société Internationale de Défense Sociale) **1986-91:** Member of SIC (Société Internationale de Criminologie) **1984-04:** Member of the Management Council of the AIDP (Association Internationale de Droit Pénal) **1982-86:** Member of the Council of State **1979-83:** Member of the Constitutional Commission **1978-90:** Member of FIPP (Fondation Internationale Pénale et Pénitentiaire)
Date of first designation	21 April 1999
End of current mandate	2010
Shares and options held at 31 Dec. 08	0 shares 0 options

José Neves Adelino

Date of Birth	19 March 1954
Nationality	Portuguese
Academic qualifications	**1976:** Finance graduate of the Universidade de Técnica de Lisboa **1981:** PhD in Finance from Kent State University
Management and oversight positions held at other companies or other entities	**2007-...:** Non-executive Director of Sonae SGPS, S.A.
Other positions	**2007-...:** Member of Remunerations Committee of Sonae Indústria, S.A. **2006-...:** Guest lecturer, Bentley College, USA **1981-...:** Chair professor, Economy Faculty of Universidade Nova de Lisboa
Previous professional experience	**2005-07:** Member of the Investments Committee of PT Previsão **2003-07:** Member of the Remunerations Committee of Sonae SGPS, S.A. **2002-06:** Non-executive Director and Chairman of the Audit Committee of EDP – Electricidade de Portugal, S.A. **1999-02:** Director of the Economics Faculty, Universidade Nova de Lisboa **1994-03:** Member of the Management Committee, Fundo de Garantia de Depósitos **1990-96:** MBA Director, Economics Faculty, Universidade Nova de Lisboa **1987-89:** Visiting lecturer, Bentley College **1986-89:** Guest lecturer, ISEE **1985-95:** Associate Professor, Economics Faculty of Universidade Nova de Lisboa **1981-86:** Member of the Management Council, Economics Faculty, Universidade Nova de Lisboa **1981-85:** Assistant lecturer, Economics Faculty of Universidade Nova de Lisboa **1978-81:** Teaching Fellow, Kent State University
Date of first designation	23 April 2008
End of current mandate	2010
Shares and options held at 31 Dec. 08	0 shares 0 options

BOARD OF DIRECTORS

Artur Santos Silva (Chairman)

Date of Birth	22 May 1941
Nationality	Portuguese
Academic qualifications	**1985:** Stanford Executive Program, Stanford University **1963:** Law graduate, Universidade de Coimbra
Management and oversight positions held at other companies or other entities	**In Portugal:** Non-executive Director of Jerónimo Martins SGPS, S.A. Non-executive Director of SINDCOM – Sociedade de Investimento na Indústria e Comércio, SGPS, S.A. Non-executive Director of the Fundação Calouste Gulbenkian Non-executive Director of Partex Oil & Gas (Holdings) Corporation Member of the National Council of the Securities Market **In Brazil:** Member of the International Consultative Board of Banco Itaú Holding Financeira, S.A.
Previous professional experience	**1981-04:** Executive Chairman of SPI / BPI **1997-04:** Member of the Board of Directors of Associação Portuguesa de Bancos **1977-78:** Deputy-Governor of the Bank of Portugal **1975-76:** Secretary of State of the Treasury **1968-75:** Manager at Banco Português do Atlântico **1963-67:** Assistant lecturer at the Law Faculty of Universidade de Coimbra in the chairs Public Finance and Political Economics
Date of first designation	6 October 1981
End of current mandate	2010
Shares and options held at 31 Dec. 08	805 399 shares 0 options

Carlos da Câmara Pestana (Deputy-Chairman)

Date of Birth	27 July 1931
Nationality	Portuguese
Academic qualifications	**1955:** Law graduate, Universidade Clássica de Lisboa
Management and oversight positions held at other companies or other entities	**In Brazil:** Chairman of the Board of Directors of Banco Itaú Holding Financeira, S.A. Deputy-Chairman of the Board of Directors of Itaúsa-Investimentos Itaú, S.A. **In Portugal:** Chairman of the Board of Directors of Itaúsa Portugal, SGPS, S.A. Member of the Management Board of IPI – Itaúsa Portugal Investimentos, SGPS, Lda. Member of the Management Board of Itaú Europa, SGPS, Lda. Member of the Management Board of Itaúsa Europa – Investimentos, SGPS, Lda.
Previous professional experience	**1995-2008:** Member of the Board of Directors of Banco Itaú and of Banco Itaú Holding Financeira, S.A. **1990-94:** Chairman of the Management Board of Banco Itaú, S.A. **1975-90:** Member of Banco Itaú, S.A.'s Senior Management Board **1970-75:** Member of the Board of Directors of Banco Português do Atlântico **1957-70:** Member of the Senior Management Board of Banco Português do Atlântico **1989-92:** Member of the Council for the Financial System (at the invitation of the Government of Portugal) **1972-75:** Chairman of the National Guild of Banks and Banking Houses **1970-72:** Deputy-Chairman of the National Guild of Banks and Banking Houses
Date of first designation	25 March 1993
End of current mandate	2010
Shares and options held at 31 Dec. 08	360 658 shares 0 options

Fernando Ulrich (Deputy-Chairman and Chairman of the Executive Committee)

Date of Birth	26 April 1952
Nationality	Portuguese
Academic qualifications	**1969-74:** Attended Business Management Course of the Instituto Superior de Economia de Lisboa
Management and oversight positions held at other companies or other entities	Chairman of the Board of Directors of Banco Português de Investimento, S.A. Chairman of the Board of Directors of Banco de Fomento Angola Chairman of the Board of Directors of BPI Gestão de Activos – Sociedade Gestora de Fundos de Investimento Mobiliário, S.A. Chairman of the Board of Directors of BPI Pensões – Sociedade Gestora de Fundos de Pensões, S.A. Chairman of the Board of Directors of BPI Vida – Companhia de Seguros de Vida, S.A. Chairman of the Board of Directors of BPI Madeira, SGPS, Unipessoal, S.A. Chairman of the Board of Directors of BPI Global Investment Fund Management Company, S.A. Director of BPI Capital Finance Limited Director of Banco BPI Cayman, Ltd. Manager of Viacer – Sociedade Gestora de Participações Sociais, Lda. Manager of Petrocer, SGPS, Lda. Non-executive Director of Semapa – Sociedade de Investimento e Gestão, SGPS, S.A.* Member of the Board of Directors of Associação Portuguesa de Bancos
Previous professional experience	**1981-83:** Chief of the Office of the Minister of Finance and Planning **1979-80:** Officer at the Secretariat for External Economic Cooperation of the Ministry of Foreign Affairs (Relations with the EFTA, OECD and GATT) **1975-79:** Member of the Portuguese Delegation at the OECD (Paris), responsible for economic and financial matters **1973-74:** In charge of the financial markets section of the weekly “Expresso”
Date of first designation	22 March 1985
End of current mandate	2010
Shares and options held at 31 Dec. 08	1 848 597 shares 0 options

* Position from which he resigned in February 2009.

Ruy Octávio Matos de Carvalho (Deputy-Chairman)

Date of Birth	26 March 1932
Nationality	Portuguese
Academic qualifications	**1973:** Executive Program, Insead – Fontainebleau **1956:** Finance graduate of the ISCEF – Lisbon
Management and oversight positions held at other companies or other entities	Deputy-Chairman of Yura International Holding, B.V.
Previous professional experience	**1990-93:** Member of the General Board of BCI – Banco de Comércio e Indústria, S.A., in representation of BPI **1988-90:** Deputy-Chairman of the Comité Européen des Assurances **1987-96:** Chairman of the Insurance Commission of the Chambre de Commerce Internationale (CCI). **1982-97:** Chairman of the Portuguese Association of Insurers (Associação Portuguesa de Seguradores – APS). **1979-82:** Chairman of the Insurance Institute of Portugal **1976-79:** Deputy-Chairman of the Insurance Institute of Portugal **1976:** Member of the National Institute of Insurance Steering Committee **1977-04:** Chairman of the Audit Committee of EFACEC **1958-77:** Director of EFACEC – Empresa Fabril de Máquinas Eléctricas **1958-75:** Director of Companhia de Seguros Garantia, S.A.
Date of first designation	22 March 1985
End of current mandate	2010
Shares and options held at 31 Dec. 08	142 474 shares 0 options

Alfredo Rezende de Almeida

Date of Birth	22 May 1934
Nationality	Portuguese
Academic qualifications	**1959:** Economics graduate, Economics Faculty of the Universidade do Porto
Management and oversight positions held at other companies or other entities	Chairman of the Board of Directors of ARCOtêxteis, S.A. and ARCOfio – Fiação, S.A. Partner-Director of Casa de Ardias – Sociedade Agrícola e Comercial, Lda.
Other positions	Director of ATP – Associação Têxtil e do Vestuário de Portugal Director of Associação Portuguesa de Exportadores Têxteis
Previous professional experience	**1998-...:** Chairman of the Board of Directors of ARCOfio – Fiação, S.A. **1998-06:** Deputy-Chairman of the Board of Directors of ARCOtinto – Tinturaria, S.A. **1995-06:** Director of FÁBRICA DO ARCO – Recursos Energéticos, S.A. **1998-...:** Chairman of the Board of Directors of ARCOtêxteis, S.A. **1989-90:** Chairman of the General Board of BCI – Banco de Comércio e Indústria, S.A. **1985-88:** Member of the General Board of BCI – Banco de Comércio e Indústria, S.A. **1986-91:** Member of the General Board of Sociedade Portuguesa de Capital de Risco, S.A. **1959-63:** Director of Sociedade Luso Americana de Confecções, SARL
Date of first designation	6 October 1981
End of current mandate	2010
Shares and options held at 31 Dec. 08	1 910 000 shares 0 options

António Domingues

Date of Birth	30 December 1956
Nationality	Portuguese
Academic qualifications	**1979:** Economics graduate of the Instituto Superior de Economia de Lisboa
Management and oversight positions held at other companies or other entities	Deputy-Chairman of the Board of Directors of Banco Português do Investimento, S.A. Deputy-Chairman of the Board of Directors of Banco de Fomento Angola Deputy-Chairman of the Board of Directors of BCI (Mozambique) Member of the Board of Directors of Companhia de Seguros Allianz Portugal, S.A. Director of BPI Madeira, SGPS, Unipessoal, S.A. Director at Zon Multimédia, S.A. Director of SIBS – Sociedade Interbancária de Serviços, S.A.[1]
Previous professional experience	**1988-89:** Assistant Director-General of the branch in France of Banco Português do Atlântico **1986-88:** Technical advisor at the Foreign Department of the Bank of Portugal **1982-85:** Director of the Foreign Department of the Instituto Emissor de Macau **1981:** Economist at IAPMEI **Until 1981:** Economist at the Office of Studies and Planning of the Ministry of Industry and Energy
Date of first designation	27 March 1996
End of current mandate	2010
Shares and options held at 31 Dec. 08	24 606 shares 951 702 options

1) Asked for resignation at 22 January 2009.

António Farinha Morais

Date of Birth	2 August 1951
Nationality	Portuguese
Academic qualifications	**1974:** Finance graduate of the Instituto Superior de Economia da Universidade Técnica de Lisboa
Management and oversight positions held at other companies or other entities	Director of Companhia de Seguros Allianz Portugal, S.A. Chairman of the Board of Directors of Eurolocação – Comércio e Aluguer de Veículos e Equipamentos, S.A. Director of BPI Rent – Comércio e Aluguer de Bens, Lda. Director of BPI Madeira, SGPS, Unipessoal, S.A.
Previous professional experience	**1992-96:** Director of Banco de Fomento e Exterior and Banco Borges & Irmão **1992:** Director of Companhia de Seguros Aliança UAP **1989-91:** Director of Banco Pinto & Sotto Mayor **1984-89:** Director of SEFIS and Eurofinanceira, BFE Group investment companies **1981-89:** Director of Financial services and Capital Markets of Banco de Fomento e Exterior **1978-81:** Technical analyst of investment projects at Banco de Fomento e Exterior **1975-82:** Lecturer at the Instituto Superior de Ciências do Trabalho e da Empresa and at the Instituto Superior de Contabilidade e Administração de Lisboa **1967-78:** Head of finance and administration at the group of four companies
Date of first designation	11 December 2002
End of current mandate	2010
Shares and options held at 31 Dec. 08	240 869 shares 639 262 options

António Lobo Xavier

Date of Birth	16 October 1959
Nationality	Portuguese
Academic qualifications	**1982:** Law graduate of the Universidade do Coimbra **1988:** MSc in Legal-Economic Sciences from the Law Faculty of the Universidade de Coimbra
Management and oversight positions held at other companies or other entities	Director of SonaeCom – Serviços e Telecomunicações Electrónicas, S.A Director of Mota Engil, S.A. Director of EPM, SGPS, S.A.
Previous professional experience	Partner of "Morais Leitão, Galvão Teles, Soares da Silva e Associados – Sociedade de Advogados" Consultant of the Board of Directors of SonaeCom, SGPS, S.A. Member of the Management Board of Associação Comercial do Porto Member of the Advisory Board of Futebol Clube do Porto, SAD **2000-02:** Director of Futebol Clube do Porto, SAD **1988-94:** Guest lecturer of the Law department of Universidade Portucalense **1988-94:** Teacher at the European Studies Course at the Law Faculty of Universidade de Coimbra **1988:** Advisor for the 1988 Tax Reform Commission **1988-94:** Assistant lecturer at the Law Faculty of the Universidade de Coimbra **1986-91:** Member of the Higher Council of the Administrative and Tax Courts **1985-...:** Independent law consultant in the matters of Finance and Tax Law **1983-96:** Member of the Portuguese Parliament **1983-88:** Trainee assistant lecturer at the Law Faculty of the Universidade de Coimbra
Date of first designation	23 April 2008
End of current mandate	2010
Shares and options held at 31 Dec. 08	0 shares 0 options

Armando Leite de Pinho

Date of Birth	29 April 1934
Nationality	Portuguese
Academic qualifications	**1956:** Diploma In Engineering, Instituto Superior de Engenharia do Porto
Management and oversight positions held at other companies or other entities	Chairman of the Board of Directors of Arsopi – Indústrias Metalúrgicas Arlindo S. Pinho, S.A. Chairman of the Board of Directors of Arsopi – Holding, SGPS, S.A. Chairman of the Board of Directors of Arsopi – Thermal, S.A. Chairman of the Board of Directors of A.P. Invest, SGPS, S.A. Chairman of the Board of Directors of ROE, SGPS, S.A. Chairman of the Board of Directors of Security, SGPS, S.A. Deputy-Chairman of the Board of Directors of Unicer – Bebidas de Portugal, SGPS, S.A. Director of Plurimodos – Sociedade Imobiliária, S.A. Director of Pluricasas – Sociedade Imobiliária, S.A. Director of Plurimodus Turismo, S.A. Chairman of the Board of Directors of Tecnocon – Tecnologia e Sistemas de Controle, S.A. Director of Equitrade – Equipamentos e Tecnologia Industrial, Lda. Director of Viacer – Sociedade Gestora de Participações Sociais, Lda. Director of Petrocer – SGPS, Lda. Director of IPA – Imobiliária Pinhos & Antunes, Lda.
Previous professional experience	**2000-...:** Chairman of the Board of Directors of Arsopi, S.A. **1990-...:** Chairman of the Board of Directors of Arsopi-Holding, S.A. **1990-...:** Director of Unicer, S.A. **1989-...:** Chairman of the Management Board of Arsopi- Thermal e da Tecnocon **1988-00:** Managing Director of Arsopi, S.A. **1985-90:** Member of the General Board of BCI – Banco de Comércio e Indústria, S.A. **1969-88:** Manager of Arsopi, Lda. **1957-69:** Manager and Technical and Production Director of Metalúrgica de Cambra
Date of first designation	26 March 1987
End of current mandate	2010
Shares and options held at 31 Dec. 08	0 shares 0 options

Carlos Moreira da Silva

Date of Birth	12 September 1952
Nationality	Portuguese
Academic qualifications	**2006:** Stanford Executive Programme, University of Stanford, USA **1982:** PhD in Management Sciences, University of Warwick, UK **1978:** MSc in Man. Sci. and OR, University of Warwick, UK **1975:** Graduate in Mechanical Engineering from the University of Porto
Management and oversight positions held at other companies or other entities	Chairman of the Board of Directors of the companies within the BA Glass Group Chairman of the Board of Directors of BA Glass I – Serviços de Gestão e Investimentos, S.A. Chairman of the Board of Directors of BA Vidro, S.A. Chairman of the Board of Directors of Barbosa & Almeida – SGPS, S.A. Chairman of the Board of Directors of BA Vidro II Marinha Grande – SGPS, S.A. Chairman of the Board of Directors of BA Vidrio, S.A. (Spain) Chairman of the Board of Directors of BA Vidrio, Distribuición y Comercialización de Envases de Vidrio, S.A. (Spain) Chairman of the Board of Directors of the companies within Gessiemsa Group Chairman of the Board of Directors of Sortifandus, S.L. Chairman of the Board of Directors of Showstyl, S.L. Chairman of the Board of Directors of Global Energy Services Siemsa, S.A. Chairman of the Board of Directors of Siemsa Norte, S.A. Chairman of the Board of Directors of Siemsa Este, S.A. Chairman of the Board of Directors of Bar.Bar.Idade, SGPS, S.A. Chairman of the Board of Directors of Fim do Dia, SGPS, S.A.
Previous professional experience	**2005-...:** Member of the Advisory Board of 3i Spain **2003-05:** Chairman of Executive Committee of Sonae Indústria, SGPS **1998-...:** Chairman of the Board of Directors of BA Vidro, S.A. **1988-98:** Director of several companies within Sonae Group **1987-88:** Director of EDP, Electricidade de Portugal **1982-87:** Assistant Professor at the Engineering Faculty of the Universidade do Porto
Date of first designation	20 April 2006
End of current mandate	2010
Shares and options held at 31 Dec. 08	42 862 shares 0 options

Edgar Alves Ferreira

Date of Birth	21 March 1945
Nationality	Portuguese
Academic qualifications	**1967:** Forestry graduate of the Instituto Superior de Agronomia Post-graduate degree in Management from the Universidade Nova de Lisboa
Management and oversight positions held at other companies or other entities	Director of HVF – SGPS, S.A. Director of III – Investimentos Industriais e Imobiliários, S.A. Director of Corfi, S.A.
Previous professional experience	**1978-...:** Production manager at Cotesi **...-2005:** Director of companies within Violas Group **1989-05:** Member of the Board of Directors of Unicer – Bebidas de Portugal, SGPS, S.A.
Date of first designation	20 October 2005
End of current mandate	2010
Shares and options held at 31 Dec. 08	0 shares 0 options

Henri Penchas

Date of Birth	3 February 1946
Nationality	Brazilian
Academic qualifications	**1968:** Degree in mechanical engineering from the Universidade Mackenzie **1971:** Post-graduate in Finance of the Fundação Getúlio Vargas – FGV
Management and oversight positions held at other companies or other entities	**2005-...:** Member of the Disclosure and Trading Committee: from December 04 to April 08 – Executive Director; from April 05 to April 08 – Investor Relations Officer; since August 08 – Member of the Risk Management and Capital Committee and of the Accounting Policy Committee of Itaúsa – Investimentos Itaú, S.A. **2003-...:** Member of the Board of Directors, Member of the International Consultative Board, Member of the Disclosure and Trading Committee; since May 08 – Member of the Risk Management and Capital Committee and of the Accounting Policy Committee; from March 03 to April 08 – Senior Deputy-Chairman of Banco Itaú Holding Financeira, S.A. **2003-...:** Deputy-Chairman of the Board of Directors of Banco Itaú BBA, S.A. **1987-...:** Executive Deputy-Chairman of Instituto Itaú Cultural **1995-...:** Director of Banco Itaú Europa Luxembourg, S.A. **1995-...:** Director of Banco Itaú Europa, S.A.
Previous professional experience	**2006-08:** Alternate Chairman of Itaú XL Seguros Corporativos, S.A. **2006-08:** Member of the Deliberative Board of the Fundação ItauBank **2004-07:** Director Chairman of Banco Itausaga, S.A. **2003-06:** Director Chairman of Itaú BBA Holding, S.A. **2001-07:** Director Chairman of Sisplan – Sistema de Processamento de Dados Planejamento e Administração de Cartão de Crédito, Ltda. **2000-04:** Deputy-Chairman of Capitaliza Empresa de Capitalização, S.A. **1999-03:** Managing Director Banco Francês de Brasileiro, S.A. **1998-04:** Deputy-Chairman of Board of Directors of Banco Bemge, S.A. (December 01 to August 04), Deputy-Chairman of the Board of Directors from September 98 to December 03 **1998-07:** Direct Deputy-Chairman of Banco Itaú Cartões, S.A. **1997-04:** Director of BFB Rent Administração e Locação, S.A. **1997-05:** Direct Superintendent of Banerj Corretora de seguros e Administração de Bens, S.A. **1996-08:** Director of Itaú Vida e Previdência, S.A. **1995-96:** Director of Banco Francês de Brasileiro, S.A. **1995-05:** Director Chairman of Itaú Planejamento e Engenharia, Ltda. **1994-04:** Director of Itaú Capitalização, S.A. **1992-07:** Director of Itaú Gestão de Ativos, S.A. **1988-08:** Director of Cia. Itaú de Capitalização **2007-April 08:** Director Chairman of Banco Beg, S.A., Senior Deputy-Chairman from December 01 to April 07 and Deputy-Chairman of the Board of Directors from December 01 to December 03 **2006-April 08:** Superintendent Director of Seg-Part S.A. **2006-April 08:** Director and Member of the Disclosure and Trading Committee of ItauBank Leasing, S.A. Commercial Leasing (Letting) **2006-May 08:** Chairman of the Deliberative Board of ItauBank – Sociedade de Previdência Privada **2006-April 08:** Director of Banco ItauBank, S.A. **2006-May 08:** Administrative and Finance Deputy-Chairman and Director of Fundação Itaú Social, Member of the Executive Committee of the Programa Itaú Social from April 05 to May 08 **2005-April 08:** Deputy-Chairman of the Board of Directors of Banco Itauleasing, S.A., Director from April 03 to April 05, managing director from December 04 to April 03 **2005-April 08:** Director Chairman of Itaú Rent Administração e Participações, S.A., Director from September 97 to April 05, Deputy-Chairman of the Board of Directors from April 00 to April 05 **2005-April 08:** Deputy-Chairman of the Board of Directors of BFB Leasing, S.A. Arrendamento Mercantil, director from April 97 to April 05 and Manager since April 00 **2005-April 08:** Director Chairman of Fiat Administrador de Consórcios, Ltda.

	2005-April 08: Director Chairman of Investimentos Bemge, S.A., Deputy- Chairman from September 98 to April 05, Chairman of the Board of Directors since April 00, Member of the Disclosure and Trading Committees since April 06 – April 08 **2005-April 08:** Director Chairman of Itaú Administradora de Consórcios, Ltda. **2005-April 08:** Deputy-Chairman of the Board of Directors and Member of the Disclosure and Trading Committee of Itauseg Participações, S.A. **2003-April 08:** Director Deputy-Chairman of Banco Itaucard, S.A., Director from December 99 to January 03 **2003-April 08:** Deputy-Chairman of the Board of Directors of Banco Fiat, S.A. **2003-April 08:** Director Chairman of Fináustria Arrendamento Mercantil, S.A. **2003-April 08:** Director Chairman of Fináustria Assessoria, Administração, Serviços de Crédito e Participações, S.A. **2003-May 08:** Chairman of the Deliberative Board of the Fundação Itaubanco **2003-April 08:** Director of Garnet Corporation **2003-April 08:** Director of Itaú BBA Participações, S.A. **2003-March 08:** Senior Deputy-Chairman of Itauinv Brasil Participações, Ltda. **2003-April 08:** Director of Spinel Corporation **2003-April 08:** Director of Tanzanite Corporation **2003-April 08:** Director of Zircon Corporation **2002-April 08:** Director of Agate, SARL **2001-April 08:** Senior Deputy-Chairman of ITB Holding Brasil Participações, Ltda. **2001-April 08:** Director of Amesthyst Holding, Ltd. **2001-May 08:** Member of the Management Board of Itaúsa Europa – Investimentos, SGPS, Lda. **2001-April 08:** Director of Topaz Holding, Ltd. **2000-April 08:** Director Chairman of Banestado Participações, Administração e Serviços, Ltda. **2000-April 08:** Senior Deputy-Chairman of Banco Banestado, S.A., Deputy-Chairman of the Board of Directors from October 2000 to December 2003 **1998-April 08:** Chairman of the Board of Directors, Director from April 91 to April 98 of Itautec Componentes da Amazónia, S.A. – Itaucam **1997-April 08:** Senior Deputy-Chairman of Banco Itaú, S.A., Director from April 07 to March 03, Executive Deputy-Chairman from April 03 to March 97, Executive Director from 88 to 93 responsible for the Economic Control area **1997-April 08:** Deputy-Chairman of Banco Banerj, S.A. and Deputy-Chairman of the Board of Directors until 2003 **1997-April 08:** Director of Itaucorp, S.A. **1995-March 08:** Managing Director of Intrag Distribuição de Títulos e Valores Mobiliários, Ltda. **1991-April 08:** Director Chairman of Intrag Part Administração e Participações, Ltda. **1981-April 08:** Managing Director of Itaúsa Export, S.A. **2007-October 08:** Director of Banco Itaú Europa Internacional **2000-April 08:** Director Chairman of Banestado Leasing, S.A. Arrendamento mercantil **2005-April 08:** Member of the Deliberative Board of the Caixa de Previdência dos Funcionários do Banco Beg **2005-May 08:** Chairman of the Deliberative Board of Funbep – Fundo de Pensões Multipatrocinado **2005-May 08:** Chairman of the Deliberative Board of the Fundação Bemgeprev **2006-April 08:** Director Chairman of Gralha Azul Participações, Ltda. **1993-April 08:** Director of Itau Bank, Ltd. **2007-May 08:** Alternate Chairman of of the Deliberative Board of Itaú Fundo Multipatrocinado **2005-April 08:** Director of Itaú Lam Asset Management, S.A. **2007-April 08:** Director of Itaubank Asset Management, Ltd.
Date of first designation	23 April 2008
End of current mandate	2010
Shares and options held at 31 Dec. 08	0 shares 0 options

Herbert Walter

Date of Birth	10 August 1953
Nationality	German
Academic qualifications	**1982:** PhD in Political Sciences **1974-79:** Kaufmann graduate in Business Administration, Ludwig-Maximilians University (Munich)
Management and oversight positions held at other companies or other entities	Chairman of the Board of Directors of Dresdner Bank AG Member of the Executive Committee of Allianz SE Member of the Board of Directors of Banco Popular Español Member of the Board of Directors of Deutsche Börse AG Member of the Board of Directors of E.ON Ruhrgas AG Member of the Board of Directors of Lufthansa AG
Previous professional experience	Assistant lecturer at the University of Munich Journalist for “Frankfurter Allgemeine Zeitung and Handelsblatt” **2003-...:** Chairman of the Executive Committee of Dresdner Bank AG **2003-...:** Member of the Executive Committee of Allianz SE **2002-2003:** Responsible for Customers (Companies and Individuals) and Member of the Executive Committee of the Deutsche Bank Group **1999-2003:** “Spokesman” of the Executive Committee of Dresdner Bank 24 AG
Date of first designation	21 April 2004
End of current mandate	2010
Shares and options held at 31 Dec. 08	0 shares 0 options

Isidro Fainé Casas

Date of Birth	10 July 1942
Nationality	Spanish
Academic qualifications	Graduate in “Senior Management”, IESE PhD in Economics Member of the “Real Academia de Ciências Económicas y Financieras” and the “Real Academia de Doctors” Holder of an ISMP in “Business Administration”, Harvard University
Management and oversight positions held at other companies or other entities	Chairman of Caixa de Ahorros y Pensiones de Barcelona “La Caixa” Chairman of Abertis Infraestructuras, S.A. Deputy-Chairman of Telefónica, S.A. Second Deputy-Chairman of Repsol-YPF, S.A. Deputy-Chairman of Criteria CaixaCorp.
Previous professional experience	**1999-07:** Director-General of Caixa de Ahorros y Pensiones de Barcelona “La Caixa” **1982-99:** Subdirector-General of Caixa de Ahorros y Pensiones de Barcelona “La Caixa” **1978:** General Manager of Banco Unión, S.A. **1974:** Advisor and General Manager of Banca Jover **1973:** Staff Manager of Banca Riva Y Garcia **1969:** Director of Banco Asunción, Paraguay **1964:** Investment Manager of Banco Atlântico
Date of first designation	27 March 1996
End of current mandate	2010
Shares and options held at 31 Dec. 08	0 shares 0 options

José Pena do Amaral

Date of Birth	29 November 1955
Nationality	Portuguese
Academic qualifications	**1978:** Economics graduate from Instituto Superior de Ciências do Trabalho e da Empresa
Management and oversight positions held at other companies or other entities	Member of the Board of Directors of Banco de Fomento Angola Director of BPI Madeira, SGPS, Unipessoal, S.A. Member of the Board of Founders of Casa da Música Member of the Board of Curators of the Lisbon MBA
Previous professional experience	**1986-96:** Consultant at Casa Civil of the President of the Republic for European Affairs **1983-85:** Head of the Office of the Minister of Finance and Planning; permanent member of the Portuguese Ministerial Delegation in the negotiations for Portugal's accession to the European Community **1982-83:** Member of the Office of the consultants Jalles & Vasconcelos Porto; correspondent of the Expresso, RTP and of Deutsche Welle in Brussels **1980-82:** Head of the ANOP delegation in Brussels **1979-80:** Editor of the Economic Supplement of the Diário de Notícias **1975-80:** Professional journalist at the Diário de Notícias
Date of first designation	21 April 1999
End of current mandate	2010
Shares and options held at 31 Dec. 08	34 935 shares 743 315 options

Juan Maria Nin Génova

Date of Birth	10 March 1953
Nationality	Spanish
Academic qualifications	Lawyer – Economist by Universidad de Deusto Master in Law from the London School of Economics and Political Sciences
Management and oversight positions held at other companies or other entities	President and CEO of Caja de Ahorros y Pensiones de Barcelona ("La Caixa") Director of Criteria CaixaCorp, S.A. Deputy-Chairman of "Fundácion La Caixa" Director of Caifor, S.A. Director of Gás Natural Director of Repsol YPF Member of the "Comisión de Nombramientos y Retribuciones de Repsol YPF" Member of the "Comisión de Estrategia, Inversiones y Responsabilidad Social Corporativa de Repsol YPF" Director of Grupo Financiero Inbursa
Other positions	Member of the Governing Council of the Universidad de Deusto Patron of "Fundación Frederico Garcia Lorca" Member of the Council of Deans of the APD Member of the Management Board of "Circulo Ecuestre" Patron of "Fundación Consejo Espana-Estados Unidos" Member of "Grupo Económico del foro Espana-China" Deputy-Chairman of "Fundación Consejo España-India" Secretary of the "Federació Catalana de Caixes d'Estalvis"
Previous professional experience	**2002:** Managing Advisor of Banco Sabadell **1999-02:** Director-General of "empresas y corporativas" do Santander Central Hispano **1994-98:** Director-General of commercial banking of Banco Central Hispano and member of the Management Committee **1992-94:** Cataluna Territorial Manager of Banco Central Hispano **1980-91:** International Manager of Banco Hispano Americano **1978-80:** Programme Director at "Ministério para las Relaciones com las Comunidades Europeas"
Date of first designation	23 April 2008
End of current mandate	2010
Shares and options held at 31 Dec. 08	0 shares 0 options

Klaus Dührkop

Date of Birth	9 February 1953
Nationality	German
Academic qualifications	Law graduate of the University of Hamburg
Management and oversight positions held at other companies or other entities	Chairman of the Executive Committee of Mondial Assistance Group Director of Allianz Turquia
Previous professional experience	**2006:** Chairman of the Executive Committee of Mondial Assistance Group **1998-05:** Executive Deputy-Chairman of the European Department of Allianz AG **1995-97:** Head of the Department of Governmental Matters of Allianz AG, Brussels **1994:** Head of the CEO Office of Allianz Versicherungs – AG **1991-93:** Managing Director of Allianz Industrial, S.A. (Spain) **1987-91:** Member of the Executive Committee of Allianz Ultramar (Brazil) **1985-86:** Director of the Industrial Department of Allianz Versicherungs – AG, Hamburgo **1982-84:** Insurance brokerage assistant
Date of first designation	21 April 1999
End of current mandate	2010
Shares and options held at 31 Dec. 08	0 shares 0 options

Manuel Ferreira da Silva

Date of Birth	25 February 1957
Nationality	Portuguese
Academic qualifications	**1982:** MBA, post-graduate course in Business Management from the Universidade Nova de Lisboa in collaboration with the Wharton School (University of Pennsylvania) **1980:** Economics graduate from the Economics Faculty of the Universidade do Porto
Management and oversight positions held at other companies or other entities	Member of the Board of Directors of Banco Português de Investimento, S.A. Chairman of the Executive Committee of the Board of Directors of Banco Português de Investimento Chairman of the Board of Directors of Inter-Risco – Sociedade de Capital de Risco, S.A. Director of BPI Madeira, SGPS, Unipessoal, S.A.
Previous professional experience	**1980-89:** Lecturer at the Economic Faculty of the Universidade do Porto **1981-83:** Assistant Director of the Navy's Centre of Operational Investigation
Date of first designation	26 April 2001
Termo do mandatto actual	2010
Shares and options held at 31 Dec. 08	445 798 shares 1 031 774 options

Marcelino Armenter Vidal

Date of Birth	2 June 1957
Nationality	Spanish
Academic qualifications	**1979:** Business Sciences Course and Master of Company Administration and Management, of the Escuela Superior de Administración y Direccion de Empresas (ESADE)
Management and oversight positions held at other companies or other entities	Executive Deputy General Director of Caja de Ahorros y Pensiones de Barcelona "La Caixa". Director of Abertis Infraestruturas S.A. (in representation for Criteria Caixa Corp S.A. until September 2007 and on a personnal basis from September 2007 onwards). Executive Chairman of Caixa Capital Risc, S.G.E.C.R., S.A. Directors of Central de Serveis Ciències, S.L., representing "la Caixa"
Previous professional experience	**2005-2007:** Executive Director of Caja de Ahorros y Pensiones de Barcelona "la Caixa" **2001-2007:** Director-General of Caixa Holding, S.A. **1995-2001:** Managing Director of Banco Herrero **1996-2000:** Director of Hidroeléctrica del Cantábrico
Date of first designation	3 February 2005
End of current mandate	2010
Shares and options held at 31 Dec. 08	0 shares 0 options

Maria Celeste Hagatong

Date of Birth	2 July 1952
Nationality	Portuguese
Academic qualifications	**1974:** Finance graduate of the Instituto Superior de Economia da Universidade Técnica de Lisboa
Management and oversight positions held at other companies or other entities	Director of BPI Madeira, SGPS, Unipessoal, S.A. Non-executive Director of CVP – Sociedade de Gestão Hospitalar, S.A.
Previous professional experience	**1984-85:** Member of the Board of Directors of Fonds de Rétablissement du Conseil de L'Europe **1978-85:** Manager of Financial Services at the Directorate-General of the Treasury of the Ministry of Finance **1977:** Administrative and Finance Director of the Republic's Parliament **1976-77:** Ministry of Finance – Directorate-General of the Treasury **1974-76:** Lecturer at the Instituto Superior de Ciências do Trabalho e da Empresa **1974-76:** Responsible for the Department of Local Finance of the Ministry for Internal Administration
Date of first designation	27 September 2000
End of current mandate	2010
Shares and options held at 31 Dec. 08	609 896 shares 242 790 options

Pedro Barreto

Date of Birth	3 March 1966
Nationality	Portuguese
Academic qualifications	**2001:** Stanford Executive Program **1989:** Business Management graduate of the Universidade Católica Portuguesa
Management and oversight positions held at other companies or other entities	Director of BPI Madeira, SGPS, Unipessoal, S.A.
Previous professional experience	**1984-88:** IT Division of Soporcel – Sociedade Portuguesa de Celulose
Date of first designation	3 March 2004
End of current mandate	2010
Shares and options held at 31 Dec. 08	430 908 shares 558 332 options

Roberto Egydio Setubal

Date of Birth	13 October 1954
Nationality	Brazilian
Academic qualifications	**1979:** Master of Science – Engineering Management, Stanford University **1977:** Graduate in Production Engineering of the Polytechnic School of the Universidade de São Paulo (Brazil)
Management and oversight positions held at other companies or other entities	**In Brazil:** Deputy-Chairman of the Board of Directors, Director-Chairman, Chairman of the International Consultative Board, Member of the Nomination and Remuneration Committee, Chairman of the Risk Management and Capital Committee and the Accounting Policy Committee of Itaú Unibanco Banco Múltiplo S.A. Director Chairman and Director General of Banco Itaú, S.A. Director Executive Deputy-Chairman, Member of the Disclosure and Trading Committee and Chairman of the Accounting Policy Committee of Itaúsa – Investimentos Itaú S A. Chairman of the Board of Directors and Director Chairman of Banco Fiat S.A. Chairman of the Board of Directors of Itauseg Participações, S.A. Chairman of the Board of Directors of Banco Itaú BBA, S.A. Chairman of the Board of Directors of BFB Leasing S.A. – Arrendamento Mercantil Chairman of Unibanco – União de Bancos Brasileiros, S.A. Chairman of the Board of Directors of Itaú XL Seguros Corporativos, S.A. Chairman of the Board of Directors of ItauBank Leasing, S.A. – Arrendamento Mercantil Member of the Board of Directors of Instituto Itaú Cultural Director-Chairman of Cia Itaú de Capitalização, Itaú Vida e Previdência, S.A. Director-Chairman of Itaú Seguros, S.A. Director-Chairman of Banco ItaúBank, S.A. Director of Itaú BBA Participações, S.A. Director of Itaucorp S.A. Chairman of the Executive Committee of Programa Itaú Social and Member of the Curator's Council of the Fundação Itaú Social

	Managing Director of Três "B" Empreendimentos e Participações, S.A. Deputy-Chairman of the Board of Directors of IUPAR – Itaú Unibanco Participações, S.A. Director-Chairman of BBA HE Participações, S.A. **In Portugal:** Member of the Management Board of Itaúsa Europa – Investimentos, SGPS, Lda. Member of the Board of Directors of Itaúsa Portugal, SGPS, S.A. Member of the Management Board of Itaú Europa, SGPS, Lda. Member of the Management Board of IPI – Itaúsa Portugal Investimentos, SGPS, Lda. **In the Cayman Islands:** Member of the Board of Directors of Itaú Bank Ltd. Director of BIE – Bank & Trust, Ltd. Member of the Board of Directors of ITB – Holding Ltd. **In the United States of America:** Chairman of the Board of Banco Itaú Europa Internacional Deputy-Chairman of "Institute of International Finance" Member of "International Advisory Committee of The Federal Reserve Bank of New York" Member of "Board of International Monetary Conference" Member of "International Advisory Committee of New York Stock Exchange, – NYSE"
Previous professional experience	**2001-2008:** Director-Chairman and Director-General of Itauinv Brasil Participações, Ltda. **2003-2008:** Director-Chairman and Director-General of ITB Holding Brasil Participações, Ltda. **2003-2008:** Director-Chairman of Banco Fiat, S.A. **1994-2008:** Chairman of the Board of Directors and Director-Chairman of Banco Itauleasing S.A. **1998-2007:** Chairman of the Board of Directors of Investimentos Bemge S.A. **1998-2007:** Chairman of the Board of Directors of Itaú Gestão de Activos S.A. **1997-2008:** Director-Chairman of Banco Banerj S.A. **2000-2008:** Director-Chairman of Banco Banestado S.A. **2001-2008:** Director-Chairman of Banco Beg S.A. **2003-2008:** Director-Chairman of Banco Itaucred Financiamentos S.A. **1998-2008:** Director-Chairman of Banco Itaucard S.A. **Until 2008:** Chairman of the Board of Directors of Banco Itaú Europa S.A. **2005-2007:** Director-Chairman of Banco Itaú Cartões, S.A. **2001-2008:** Director of Amethyst Holding Ltd. **2001-2008:** Director of Topaz Holding Ltd. **Until 2008:** Chairman of the Board of Directors of Banco Itaú Buen Ayre, S.A. **1995-2008:** Director of Banco Itaú Europa Luxembourg, S.A. **1997-2000:** Chairman of the National Federation of Banks – FEBRABAN **1990-1994:** Executive Director-General of Banco Itaú, S.A. **1986-1990:** Executive Director of the Área Grande São Paulo do Banco Itaú, S.A. **1984-1986:** General Manager of Banco Itaú, S.A. **1986:** Technical Manager of Banco Itaú, S.A. **1983-1984:** Advisor to Citibank (N.Y. – USA)
Date of first designation	24 March 1994
End of current mandate	2010
Shares and options held at 31 Dec. 08	0 shares 0 options

Tomaz Jervell

Date of Birth	4 March 1944
Nationality	Norwegian
Academic qualifications	**1969:** Higher School of Commerce, Oslo
Management and oversight positions held at other companies or other entities	Chairman of the Management Board of Auto-Sueco, Lda. Chairman of the Board of Directors of Norbase, SGPS, S.A. Chairman of the Board of Directors of Auto-Sueco (Angola), SARL Chairman of the Board of Directors of Soma, S.A. Chairman of the Board of Directors of Biosafe, S.A. Chairman of the Board of Directors of Vellar, SGPS, S.A. Member of the Management Board of Auto Sueco (Coimbra)
Date of first designation	26 March 1987
End of current mandate	2010
Shares and options held at 31 Dec. 08	10 132 shares 0 options

PRINCIPAL REGULATORY SOURCES DEALING WITH CORPORATE GOVERNANCE IN PORTUGAL

Banco BPI, as a commercial company (of the PLC type), credit institution and company quoted on the Euronext – Lisbon, is subject to stringent regulation, supervision and inspection in the terms of a number of sources of law and conducted by various regulatory entities.

The table below identifies in summarised form and only from the viewpoint of corporate governance and institutional communication, the principal legal enactments of an external nature which regulate the Bank's activity.

Source	Principal enactments	Scope of application	Main topics relating to corporate governance	Most important provisions	Place of publication
LEGISLATIVE	Portuguese Companies Code (Decree-Law 76-A / 2006 of 29 March[1])	Public limited companies (Plc)	▪ Management and oversight structure ▪ Functioning and powers of the governing bodies ▪ Public liability of members of the management and oversight bodies ▪ Shareholders' rights and duties ▪ Non-voting preference shares ▪ Shareholders' resolutions ▪ Publicity of shareholdings and abuse of information	Heading I: Chap. IV – Art. 53 to 63; Chap. V – Art. 64; Cap. VI – Art. 65 to 70-A; Chap. VII – Art. 71 to 84 Heading IV: Chap. I – Art. 278; Chap. III – Art. 341; Chap. V – Art. 373 and 389; Chap. VI – Art. 390 to 446-F Heading VII: Art. 518 and 519	▪ Official Journal – I Series-A – No. 63 29 March 2006 ▪ Web site of the Ministry of Finance at www.min-financas.pt
	Portuguese Securities Code (Decree-Law 357-A / 2007 of 31 October[2])	Negotiable securities	▪ Information duties of public-listed companies and disclosure means ▪ Communication duties of the holders of qualified holdings in publicly-listed companies ▪ Quality of financial information ▪ Scope of the work and responsibility of the auditors registered with the CMVM ▪ Concept of investors ▪ Protection of investors' interests	Heading I: Chap. II – Art. 5.º; Chap. III – Art. 7.º to 10; Chap. IV – Art. 13 to 29; Cap. V – Art. 30 to 36 Heading III: Cap. I to III – Art. 108 to 197 Heading IV: Chap. II – Art. 244 to 251 Heading VII: Chap. II – Art. 358 to 368	▪ Official Journal – I Series – No. 210 of 31 October 2007 ▪ Web site of CMVM at www.cmvm.pt
	Legal Regime of Collective Investment Undertakings[3]	Collective securities investment undertakings	▪ General duties of entities managing collective investment bodies ▪ Duty to inform the CMVM and the market of the justification of the exercise of the voting right attaching to the shares managed for the account of others.	Heading II: Chap. I – Art. 33 Heading III: Chap. III – Art. 73 and Art. 74	▪ Web site of CMVM at www.cmvm.pt
	Legal regime of European public companies[4]	European public companies	▪ Concept, functioning structure of the "European public company (societas europaea)".	All	▪ Official Journal – I Series-A – No. 2 of 4 January 2005 (Decree-Law no. 2 / 2005. OJ 2 Series I-A of 2005-01-04)
REGULATORY	CMVM Regulation no. 1 / 2007	Companies with shares quoted on a regulated market	▪ Structure and information content of the Corporate Governance Report ▪ Information about share grant plans or share-purchase options plans ▪ Communication of directors / executives transactions ▪ Obligation to have a site on the Internet with essential information about the company	All	▪ Official Journal – II Series – No. 224 of 21.11.2007 ▪ Web site of CMVM at www.cmvm.pt
	CMVM Regulation no. 6 / 2000	Auditors registered with the CMVM	▪ Information subject to report or opinion prepared by the auditor registered with the CMVM ▪ General duties of auditors ▪ Content and requirements of auditors' reports or opinions ▪ Register of auditors ▪ Conflicts of interest	Art. 1.º to 6.º Art. 11	▪ Official Journal – II Series – No. 45 · of 23.02.2000 ▪ Web site of CMVM at www.cmvm.pt
	CMVM Regulation no. 5 / 2008	Information duties	▪ Facts subject to information duty ▪ General disclosure means ▪ Disclosure deadlines ▪ Information relating to the acquisition and disposal of treasury shares ▪ Communications and disclosure of irectors / executives transactions	All	▪ Official Journal – II Series – No. 200 of 15/10/2008 ▪ Web site of CMVM at www.cmvm.pt

Source	Principal enactments	Scope of application	Main topics relating to corporate governance	Most important provisions	Place of publication
RECOMENDATIONS	Corporate Governance Code (CMVM)	Companies with shares quoted on a regulated market	▪ Vote and exercise of voting rights ▪ Measures relating to the control of companies ▪ Structure and terms of reference of the management and oversight bodies ▪ Incompatibility and independence ▪ Corporate remuneration policy ▪ General information obligations	All	▪ Web site of CMVM at www.cmvm.pt
	Recommen-dation of the European Community Commission relating to the role of non-executive directors (,,,) and to Board of Directors committees (…)	Companies listed in the European Union	▪ Presence and role of the non-executive directors on the Board of Directors ▪ Role and organisation of the Board of Directors' committees ▪ Profile of the non-executive directors – qualifications, independence	All	▪ Official Journal of the European Union
	Recommen-dation of the European Community Commission relating to remuneration	Companies listed in the European Union	▪ Remuneration policy ▪ Specific remuneration of each director ▪ Share-based remuneration	All	▪ Official Journal of the European Union
OTHER	European Community Commission – Action plan – "Modernising company law and reinforcing corporate governance in the Union"	Companies listed in the European Union	▪ Disclosure of Information ▪ Shareholders' rights ▪ Structure of the Board of Directors	Items 3.1.1 to 3.1.3.	▪ Portal for the Law of the European Union at eur-lex.europa.eu
	Principles of the OECD on Corporate Governance	Open-capital companies	▪ Shareholders' rights and fundamental functions of the exercise of rights ▪ Equitable treatment of the Shareholders ▪ Disclosure of information and transparency ▪ Responsibilities of the management body	All	▪ Web site of OECD at www.oecd.org

1) Decree-Law 76-A / 2006 of 29 March.
2) Decree-Law 357-A / 2007 of 31 October.
3) Decree-Law 252 / 2003 of 17 October.
4) Decree-Law 2 / 2005 of 4 January.

PUBLICATIONS, COMMUNICATIONS AND INSTITUTIONAL EVENTS IN 2009

			Important dates	
			Legal / regulatory timetable	BPI 2009 calendar (expected dates)
Report and accounts: 2008	Brochure		Publication up to 4 months after the close of the financial year (CVM[5] – art. 244 and 245; CMVM – Reg. no. 05/08)	30 Apr. 09
	PDF			30 Apr. 09
	RAO[1]		–	30 Apr. 09
BPI Group Corporate Governance: 2008	Brochure		Publication up to 4 months after the close of the financial year (CVM[5] – art. 245-A; CMVM – Reg. no. 11/03)	30 Apr. 09
	PDF			30 Apr. 09
	RGO[2]		–	30 Apr. 09
Report and accounts: 1st half 2009	Brochure		Publication up to 2 months after the close of the 1st semester (CVM[5] – art. 244 and 246; CMVM – Reg. no. 05/08)	31 Aug. 09
	PDF			
Disclosure of quarterly results	Announcement		1st and 3rd quarter: up to 60 days after the quarter end; (CVM[5] – art. 244 and 246-A; CMVM – Reg. no. 05/08) 2nd quarter: until 31/Aug.; (CVM[5] – art. 244 and 246; CMVM – Reg. no. 05/08)	22 Apr., 23 Jul., 22 Oct. 09
	Presentation	Conference Call[3]	–	23 Apr. 09, 24 Jul. 09, 23 Oct. 09
		Webcast[3]		
Events	General Meetings	Notice	Publication up to 30 days before the SGM[4] (CSC[6] – art. 377)	22 Mar. 09
		Motions	Publication 15 or 30 days (depending on the motion) before the SGM[4] (CSC[6] – art. 289 and 377)	Between 22 Mar. and 7 Apr. 09
		SGM results	–	22 Apr. 09
	Dividends	Motion	15 days before the SGM[4] (CSC[6] – art. 289)	7 Abr. 09
		Announcement	Until 10 days before payment (CMVM – Reg. no. 05/08)	Until 12 May 09
		Payment	Until 30 days after the SGM[4] (CSC[6] – art. 294)	Until 22 May 09 (Ex-dividend: until 19 May 09)
	Annual conference for analysts and investors		–	To be defined
	Other institutional presentations		–	Calendar of events available on the IR site
	Announcements	Material information	Transmitted to the market on the day they become available (CVM[5] – art. 248; CMVM – Reg. no. 05/08)	
	Calendar of institutional events		At start of each half-year (CMVM – Reg. no. 11/03)	Permanent updating of the calendar of events for the current financial year
Other reporting obligations	Qualified shareholdings	Of other companies in BPI's capital	As soon as BPI is informed of the occurrence of the change in the shareholder structure (CVM[5] – art. 17)	
		Of BPI in the capital of other companies	Up to 4 days after transaction date (CVM[5] – art. 16)	
	Transactions in treasury stock	1% of capital since the last announcement	Up to 3 days after the transaction date which originated the duty to communicate (CMVM – Reg. no. 05/08)	
		5% of one session's traded volume		
	Banco BPI shares management transactions		Up to 5 business days after the transaction (CVM – art. 248-B; CMVM – Reg. no. 05/08)	
Banco BPI share			–	Permanent update
Debt / Rating			–	
Institutional news [non-mandatory disclosure]			–	–

1) RAO – Annual Report Online. 2) RGO – Governance Report Online. 3) On the results presentations delivered by the Executive Committee of Banco BPI Board of Directors.
4) SGM – Shareholders General Meeting. 5) CVM – Código dos Valores Mobiliários (Securities Market Code). 6) CSC – Código das Sociedades Comerciais (Companies' Code).

Investor Relations Division channels				Website of CMVM
Web site (www.ir.bpi.pt)	**E-mail** investor.relations@bancobpi.pt	**Telephone** 22 607 33 37	**In person or postal mail** Rua Tenente Valadim, 284, 4100-476 Porto	www.cmvm.pt
Available for sending (contacts page)	Available on request	Available on request		–
Available	Available on request or by registration on the mailing list			✓
	–	–		–
Available for sending (contacts page)	Available on request	Available on request		–
Available	Available on request or by registration on the mailing list			✓
	–	–		–
Available for sending (contacts page)	Available on request	Available on request		✓
Available	Available on request or by registration on the mailing list			–
Available	Available on request or by registration on the mailing list	Available on request	Available on request	✓
Available (deferred)	Available on request		–	–
	–	Available by registration		
Page devoted to the event with: motions, ballot papers, draft proxy letters, etc; available in Portuguese and English	Specific address for support for the event: ag22abril2009@bancobpi.pt	Information phone line about the SGM: 22 607 33 33	SGM preparatory details:	✓
			– available at the company's head office in Rua Tenente Valadim, no. 284, 4100-476 Porto;	–
			– sent by post to all shareholders with more than 5 000 shares	✓
Page devoted to distribution of dividends containing: amounts, key dates, tax information, indicators, etc; available in Portuguese and English	– news about dividends sent to subscribers to the mailing list of the IR site; – address available for clarifications	Contacts available for clarification		–
				✓
				–
Available (presentation and announcement)	Contacts available for clarification or remittance of information			✓ (announcement)
Available				–
Available (including history)	News sent to subscribers to the mailing list of the IR site	Contacts available for clarification or remittance of information		✓
				✓
Available (past and future events)	Contacts available for clarification or remittance of information			–
Available for the half-year and financial year end dates	Contacts available for clarification or remittance of information			✓
Available				✓
–				✓
				✓
–	–			–
Historical prices, charts, return calculator, etc.	Alert for price changes and dispatch of a daily session summary	–	–	–
Information about the EMTN programme, preference shares and ratings reports	News about Debt sent to subscribers to the mailing list of the IR site	Telephone contact for matters regarding Debt: 21 310 11 80	Address for matters regarding Debt: "Finance Division - Capital market, Debt; Largo Jean Monnet, 1 - 1269-067 Lisbon"	✓
Available (including history)	News sent to subscribers to the mailing list of the IR site	Contacts available for clarification		–

This page was intentionally left blank.

Annexes

Definitions, acronyms and abbreviations

DEFINITIONS

BPI Group entities – some definitions used

"BPI Group" / **"BPI",** if the framework so permits:

The financial group with format defined on page 17, 18, 19, 192 and 193.

"Banco BPI" / **"Banco BPI, S.A."** / **"the Bank", "the Commercial Bank",** if the framework so permits:

Head of the BPI Group and responsible for conducting the Commercial Banking business; listed on the stock exchange.

"Banco Português de Investimento" / **"Banco Português de Investimento, S.A."** / / **"BPI"** / **"BPI-BI"** or the **"Investment Bank"**, if the framework so permits:

The group's investment bank.

"Banco de Fomento, SARL" / **"Banco de Fomento Angola"** / **"BFA"**
Angolan law bank, develops BPI Group banking business in Angola.

"BCI" / **"Banco Comercial e de Investimentos"**:
Mozambican law bank, in which BPI has an equity interest of 30%. The remaining 70% of the share capital are held by Caixa Geral de Depósitos and by a group of Mozambican investors.

"BPI SGPS" / **"BPI – SGPS, S.A."**:
The entity heading the BPI Group until 20 December 2002, responsible for the holding and strategic command functions. At 21 December 2002, incorporated Banco BPI by merger, changed its object to "bank" and its name to Banco BPI.

ACRONYMS

Entities

BNA	Banco Nacional de Angola (Angolan central bank)
BdP	Banco de Portugal
BIS	Bank of International Settlements
BoP	Banco de Portugal (Portuguese Central bank)
CMVM	Comissão do Mercado de Valores Mobiliários (Securities Market Commission)
EC	European Commission
ECB	European Central Bank
Fed	Federal Reserve System
OECD	Organisation for Economic Co-operation and Development
SIBS	Sociedade Interbancária de Serviços (Interbank Service Society)

Financial

EPS	Earnings per share
PBV	Price book value
PCF	Price cash flow
PER	Price earnings ratio
ROA	Return on Assets
ROE	Return on Equity
ROI	Return on Investment
VaR	Value at Risk

Shares indexes

Dow Jones	Shares index (USA)
IBEX 35	Shares index (Spain)
Nasdaq	Shares index (USA)
PSI-20	Shares index (Portugal)
S&P 500	Shares index (USA)

Miscellaneous

ACTV	Acordo Colectivo de Trabalho Vertical (Collective Employment Agreement for the Banking Sector)
BT	Bilhetes do Tesouro (Treasury Bills)
CECA	Comissão Executiva do Conselho de Administração (Board of Directors' Executive Committee)
CERC	Comissão Executiva de Riscos de Crédito (Credit Risk Executive Committee)
CERM	Comissão Executiva de Riscos de Mercado (Market Risk Executive Committee)
CRM	Customer Relationship Management
DA	Departamento de Acções (Equities Department)
DACR	Direcção de Análise e Controlo de Riscos (Risk Analysis and Control Division)
DF	Direcção Financeira (Financial Division)
DIG	Direcção Internacional do Grupo (The Group's International Division)
DJ	Direcção Jurídica (Legal Division)
DORG	Direcção de Organização (Organisation Division)
DP	Direcção de Planeamento (Planning Division)
DRC	Direcção de Riscos de Crédito (Credit Risk Division)
DRI	Direcção de Relações com Investidores (Investor Relations Division)
DTA	Direcção de Trading e Arbitragem (Trading and Arbitrage Division)
EMTN	Euro Medium Term Note
GDP	Gross Domestic Product
GM	General Meeting
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IPO	Initial Public Offering
IRC	Corporate income tax
ISDA	International Swaps and Derivatives Association
M&A	Mergers & Aquisitions
NCA	Normas de Contabilidade Ajustadas (Adjusted Accounting Standards)
NR	Not rated
OT	Obrigações do Tesouro (Treasury Bonds)
OTC	Over-the-counter
PCSB	Plano de Contas para o Sistema Bancário (Chart of Accounts for the Banking System)
PPA	Plano Poupança Acções (equities savings plan)
PPR	Plano Poupança Reforma (retirement savings plan)
PPR/E	Plano Poupança Reforma/Educação (retirement/education savings plan)
RVA	Remuneração Variável em Acções (variable remuneration programme through the granting of shares and purchase options)
SARL	Limited liability privately held company
SGM	Shareholders General Meeting
SGPS	Sociedade Gestora de Participações Sociais (investment holding company)
SME	Small and Medium-sized Companies
SMS	Short Message Service
SROC	Sociedade de Revisores Oficiais de Contas (Portuguese Statutory Auditing Firm)
S&P	Standard & Poor's
TBC	Títulos do Banco Central de Angola (Angolan Central Bank Securities)
TWR	Time weighted rate of return
USA	United States of America

ABBREVIATIONS

Units

€	euro
10^3	thousand
10^6	million
b.p.	basis points
Bi.€	billions of euro
th.€, th. euro	thousands of euro
th.M.€	thousand million of euro
M.€, M. euro	millions of euro
p.p.	percentage points
US$	American dollar

Conventional signs

.	decimal point
%	percentage
n.a.	not available
nr	irrelevant
-, nr	irrelevant
<	minor than
>	greater than
Δ	variation
≤	minor or equal than
≥	greater or equal than
0	nil or negligible
$^1/_2$	one half
$^1/_4$	one quarter

Currencies

AKZ	Angolan Kwanza
CAD	Canadian dollar
CZK	Czech Koruna
EUR	Euro
HKD	Hong Kong Dollar
JPY	Japanese yen
GBP	Pound sterling (UK)
USD	United States dollar

Months

Jan.	January
Feb.	February
Mar.	March
Apr.	April
Jun.	June
Jul.	July
Aug.	August
Sep.	September
Oct.	October
Nov.	November
Dec.	December

Other

E.	Estimated
e.g.	exempli gratia (for example)
etc.	et cetera
Lda.	limited
m^2	square metre
no.	number
neg.	negative
Net	Internet
P.	Previsional
S.A.	Public held company
v.	vide
vs.	versus
y-o-y	year-on-year

Glossary

Anti-takeover provisions – statutory clauses designed to impede / obstruct the mounting of takeovers considered to be hostile.

Asset back securities (ABS) – debt issues whose income and redemption is guaranteed exclusively by a delimited group of the company's assets. In order to carry out the operation a company is created, called a SPV – Special Purpose Vehicle. The underlying asset is sold to the SPV, and this, in order to finance the acquisition of these assets, issues securities using the assets acquired as security. This process is known as asset securitisation.

A large variety of assets are used as collateral. Some examples of collateral are home loans (Residential Mortgage Backed Securities – RMBS), loans and bonds (Collateralised Debt Obligations – CDO), loans for the acquisition of motor vehicles, rentals on long-term property letting contracts, consumer loans, loans granted through the use of credit cards, rentals on long-term contracts on properties whose ownership is attributed to the vehicle which issues the bonds (Commercial Mortgage Backed Securities – CMBS), loans granted to small and medium-sized companies, Diversified Payment Rights (see definition), amongst others.

Back-office – shared central services providing business support.

Benchmark – a widely-accepted market reference value used in the valuation of securities (assets) and the assessment of an investment's performance.

BIS ratio – an internationally-accepted capital adequacy ratio, corresponding to the relationship between total own funds and the total of assets and off-balance sheet items, weighted according to their respective risk (credit risk attached to the investment portfolio, market risks attached to the dealing portfolio). The minimum figure prescribed is 8%.

Bonds on the public sector (Public-sector bonds) – bonds issued by a company which are collateralised by a portfolio of assets held by that company, in terms of which this portfolio is composed of loans to public-sector entities and other assets which together form a separate group of assets. In terms of Decree-Law no. 59 / 2006, the loans owed by central administrations or regional and local authorities of one of the member States of the European Union and the loans with the express guarantee of such entities, can be allocated to the separate group of assets.

Bond with cap or floor – variable-interest rate bonds with a coupon called a cap (floor) which can be traded separately. The cap is an agreement in terms of which the issuer sets, in exchange for a premium (corresponding to the implicit interest rate in the cap added to the bond issue's interest rate), a maximum rate of interest for the issue. The floor is an agreement in terms of which the issuer sets, in exchange for a premium (corresponding to the implicit interest rate in the floor deducted from the bond issue's interest rate), a minimum interest rate.

Callable bond – a bond which is redeemable at the issuer's option under predetermined conditions (time period for exercising the option, price, etc.). The option attached to the bond cannot be traded separately from the bond. The callable bond is commonly associated with a step-up which provides for an increase in the interest rate if the agreed-to early redemption option is not exercised before a future date.

Capital rotation – the relationship between the number of shares traded and the average number of shares listed on the stock exchange.

Cash flow – financial flow generated in a period. One of the most simple indicators to calculate: it involves adding together net profit, depreciation and amortisation and provisions for the year (i.e. costs which do not entail the flow of funds).

Cost-to-income – ratio used frequently to measure the level of efficiency in normal operating activity. Corresponds to operating costs as a percentage of income from operating activity.

Country-risk – the probability of loss arising from exposure of assets and off-balance sheet items as a result of a default in the contracted financial obligations by a counterparty who is resident in a country which, owing to its political and economic situation, is considered to bear an element of risk.

Credit rating – classification attributed to an institution by a specialised and independent entity (rating agency) with the object of assessing the institution's capacity to meet its short or long-term obligations.

Disability decreases – reduction in the calculated amount of pension obligations for current Employees' past services resulting from the recourse to, in calculating these amounts, the probability of current Employees ceasing to remain on the payroll due to disability, that is, before the normal retirement period. Pension obligations arising from disability are lower than those relating to normal retirement due to old age, given that old-age and disability pensions are defined as a progressive percentage of salary depending on the number of years service.

Diversified Payment Rights (DPR) – are collateralised issues whose originators are banks domiciled in emerging-market countries, with large volumes of trade flows with the exterior, which use the financial flows associated to the international transactions in order to obtain long-term financing with an investment-grade credit rating. The collateral corresponds to all the payment orders, current and future, remitted by correspondent banks with high credit-risk rating domiciled in investment-grade countries, through bank accounts opened at these banks in the issuer's name under the administration of a Trustee, where the necessary funds are captured for payment of the issue's debt servicing obligations, while the remainder is remitted to the originator bank.

Dividend yield – indicator which measures the return on a share based on the distribution of earnings by a company (payment of dividends). Corresponds to the dividend received as a percentage of the share price. It should be noted that the shareholder's total return includes, in addition to the dividends received, the appreciation in the share price.

Emerging markets – financial markets with strong growth potential and evolving rapidly to higher levels of maturity and development. These markets are essentially located in Asia and South America.

Equity method – methodology for recognising an equity holding in the consolidated accounts. It entails recording a percentage of the shareholders' equity and net income corresponding to the percentage of the capital held, directly or indirectly, in that company's capital.

Euribor – the average of the interest rates supplied by a panel comprising the European Union's 57 largest banks. This benchmark rate is calculated and published daily.

Exercise period – is the period during which the option can be exercised. After this period the option expires. The options that can be exercised at any time during a specified period are called "American options". The options that can only be exercised at the expiration date are called "European options".

The buyer of an option only benefits from the option exercise if the market price of the underlying security is higher than the option exercise price, in the case of a call option, or lower than the option exercise price, in the case of a put option. In a tradable option, there is only advantage in the option exercise, rather than trading it in the market, in expiration date (or near that date), because with its exercise there is no appropriation of the options time value but only of its intrinsic value. In non-tradable options, the reduction of the exposure can only be made through its exercise.

Exercise price (strike) of an option – is the agreed price for the underlying security at which the option's buyer can buy it, in the case of a call option, or sell, in the case of a put option, through the option exercise at a future date.

Factoring – debt-collection service provided by a financial institution to companies supplying goods and/or services which cede their short-term trade receivables from corporate Customers. This service may also be associated with services involving cash advances and risk cover, depending on the type of contract.

Fair value – price at which an asset or service is transacted, assuming that the buyer and the seller act rationally, they are at arm's length, and that they have reasonable knowledge of the relevant facts.

Forward contract (currency) – an agreement between two parties in terms of which a rate of exchange is fixed for a specified future date and amount of the currency concerned.

Forward rate agreements (FRA) – an agreement between two parties in terms of which the rate of interest is fixed for a specified future date, amount and maturity period.

Futures contract – a standard contract traded on a stock exchange in terms of which the two parties fix the price of an underlying asset for a specified future date.

Goodwill – for purposes of consolidating an equity holding, goodwill corresponds to the difference between the cost of acquisition of such equity holding and the book value of the percentage interest in the consolidated company's net assets (or shareholders' equity). Theoretically, it could be interpreted as being the company's surplus (additional) value, corresponding to the present value of expected future profits, that is, from a going concern perspective, relative to the book value of the company's assets less its liabilities (i.e. its net assets).

Haircut – initial security (safety) margin applied to a financial asset pledged as security; depends on the type of asset, its market risk and residual live.

Insider trading – is the terminology used to describe transactions in a company's shares with the object of benefiting from access to privileged information about this company which has not yet been made public and which has a material impact on the formation of the share's market price. Insider trading is an illegal activity.

Investment grade – classification attributed to all those bond issuers whose credit rating is equal to or higher than BBB or Baa.

Lead arranger / manager (in project finance) – participant in the financing syndicate occupying a prominent position.

Mandated lead arranger / manager (in project finance) – entity to which the project's promoter awards the mandate to organise, structure and underwrite the financing.

Mismatch – disparity between the maturity and interest-payment periods for interest-earning assets on the one hand, and deposits and other interest-bearing liabilities, on the other. One of the major concerns of a credit institution's treasury management (usually interest-earning assets have longer maturity periods than interest-bearing liabilities) is reducing the risk exposure associated with adverse changes in interest rates and ensuring that there are adequate funds to meet the payment of liabilities as and when they fall due.

Mortgage bonds – bonds issued which are guaranteed by a portfolio of mortgage loans and other assets which together form a separate group of assets. In terms of Decree-Law no. 59 / 2006, the mortgage loans destined for housing or for other commercial purposes situated in a member State of the European Union and other eligible assets, can be allocated to the separate group of assets.

Non-voting preference share – a security representing a share in the equity of the issuing company. It entitles the holder (i.e. the preference shareholder) to receive a dividend (at a predetermined rate) and to share proportionately in the company's residual assets in the event of liquidation, in both cases in precedence to the holders of ordinary shares.

Notional value (of a derivative) – the current price on the spot market of the asset underlying the derivative financial instrument.

Ordinary share with voting rights – a security representing a share in the equity (i.e. net assets) of the issuing company. The principal rights conferred on the holder (i.e. the shareholder) are the entitlement to receive a dividend, to participate in and vote at Shareholders' General Meetings, and to share proportionately in the company's residual assets in the event of liquidation.

Own funds requirements ratio (solvency ratio) – (Bank of Portugal rules) – relationship between total own funds and the total of assets and off-balance sheet items, weighted according to their respective risk (credit risk attached to the investment portfolio, market risks attaching to the dealing portfolio). The minimum figure prescribed is 8%. It aims at ensuring that the institution has a minimum of own funds to cover the total potential losses stemming from assets and off-balance sheet resources, thereby guaranteeing the institution's ability to satisfy all of its liabilities. It is very similar to the BIS ratio in that it adopts the same principles and methodology, differing only in the treatment given to certain components of own funds and in the calculation of certain assets and off-balance sheet risks.

Payout – percentage of the annual profit which is distributed by a company to its shareholders in the form of dividends.

Perpetual bonds – a debt security having no maturity date and which does not confer upon the holder the right to repayment of the nominal value of the debt.

Poison pills – encompasses a number of strategies aimed at impeding (potential) hostile takeovers (acquisitions). These strategies generally give rise to a higher acquisition cost and a dilution effect.

Premium of an option – its the fee through which the buyer acquires the option, and which tend to translate its economic value. The option value is made up of two components:

- the intrinsic value, which corresponds to the difference between the market price of the underlying and the option exercise price. It's the value obtained with the option exercise
- the time value which corresponds to the present value of future gains, taking into consideration that future losses are limited to the options premium. The option time value decreases with time elapsing, having a nil value at the expiration date.

For a tradable option, its premium results from the supply and demand forces in the market. In the calculation of premiums for non-tradable options it is used similar options traded in the market and/or mathematical models that have in consideration variables like volatility of returns, current market price, exercise price and period, the level of interest rates, etc.

Private Equity – form of financing companies during the start-up of their business, in a strong growth phase or undergoing restructuring, by means of a participating interest in their capital, as a general rule with a view to the subsequent dispersion of equity on the capital market.

Project Finance – investment in which the debt service is financed by the project own cash flows; also used to define this type of financing.

Put option – an agreement between two parties in terms of which the buyer of the contract acquires, against payment of a monetary consideration (premium), the right to sell to the seller of the put-option contract at a specified future date (or up to a specified future date) the underlying security at the price specified in the contract. See also "Exercise price (strike)", "Option value (premium)" and "Exercise period".

Real time – non-existence of a time lag (which is perceptible by the user) between the execution of a command by the user and the effective reaction by the application or access device used during the utilisation of a certain service.

Repricing gap – difference between the amount of interest-earning assets and the amount of interest-bearing liabilities, for which the revision of the corresponding interest rates occur in the same predefined time horizon. The breakdown of assets and liabilities per time horizon is based on the residual time to the interest rate revision date or to maturity date. The purpose of this analysis is to assess the balance sheet sensibility to changes in market interest rates and the time lag of these changes in the actual interest-earning assets and bearing liabilities rates and the corresponding impact in the income.

Repurchase agreement – an agreement between the two parties to a securities transaction, whereby the seller undertakes to repurchase the securities at a specified price and date. The operation involves the advancing of funds (usually for a short term) whereby the security serves as collateral, yielding an implicit rate of interest. It is an instrument commonly used by central banks in interbank money market operations.

Reserves incorporation – share capital increase (i.e. bonus or capitalisation issue) effected by way of the transfer of undistributed profits from reserves to subscribed capital. Since the issue of the new shares to shareholders does not entail any payment on the part of shareholders, this operation has no effect on the company's share capital or net worth.

Scoring (credit scoring) – methodology for assessing a Customer's capacity to service debt. Based on information gathered from the Customer and the history of the business / Customer experience, the scoring system attributes a credit score to that debt, by means of the statistical treatment of information, in accordance with the calculated probability that the Customer will repay the loan on the due date.

Securitisation of debts – operation in terms of which a company issues debt securities, the income and repayment of which are guaranteed exclusively by a specified group of the company's assets. In this way, a group of assets is used which serves solely as guarantee for the issue. This differs from what generally happens in a bond issue where good debt servicing is globally dependent upon the company's capacity to meet its financial commitments. The underlying assets can be loan portfolios, securities portfolios, real estate portfolios, amongst others.

For purposes of carrying out the operation, a company is formed, known as an SPV – Special Purpose Vehicle. The underlying assets are sold to the SPV company which, in order to finance the acquisition of these assets, floats a securities issue using the assets acquired as security.

Separate warrant (shares) – negotiable contract issued by financial institutions that confers upon the holder thereof the right to purchase (call warrant) or the sell (put warrant) a financial assets, known as the underlying assets, under predetermined conditions (conversion period, conversion prices etc.). The most common underlying assets are equities and equity indices.

Spin-off – Form of disinvestment, by means of which a subsidiary or business area of a company becomes independent/or is granted autonomy (by it).

Spread (banking) – the difference, in basis points, between the interest rate charged on bank loans (or other assets) and the lender cost of funds. Spread may also be calculated over a market interest rate (e.g. Euribor).

Spread (fixed income securities) – (1) difference between yields on securities of the same quality but different maturities; (2) difference between yields on securities with the same maturity but different quality.

Start-up – new or very recent company which is normally involved in modern / emerging business ventures, and which are almost always financed by venture / development capital companies and by recourse to the capital market.

Stock split – increase in the number of shares by means of splitting the existing shares into smaller denominations with lower nominal value, without giving rise to any alteration to the amount of the share capital. (In principle) It has a neutral impact on the share's market value.

Stop-loss – definition of the price at which a financial asset must be sold (by reference to market prices) with the object of either limiting losses in the event of an asset depreciating or protecting gains already made.

Structured product (guaranteed capital / limited-risk) – variable-income debt securities, the yield on which is indexed wholly or partially to the price of equities or to equity indices. Where the prices of assets which serve as the index benchmark become negative, the investor is guaranteed at maturity date the repayment of the total capital invested (guaranteed capital) or the limiting of any losses to a predetermined amount (limited risk).

Subordinated bond (long-term debt) – a debt security, the redemption of which in the event of the issuer's bankruptcy or liquidation, is dependent upon the prior repayment of all non-subordinated (i.e. senior) creditors (or at least certain types of creditors).

Subscription reserved for shareholders – share capital increase, either by incorporation of reserves or against a cash payment, reserved for shareholders. In a subscription reserved for shareholders, the issue price is normally set below the ruling market price.

Swap (currency / interest rate) – an agreement between two parties in terms of which they exchange (swap) between them, for a specified amount and period of time, periodic payments of fixed rate for floating rate payments, in the case of interest rate swaps, or one currency for another currency, in the case of currency swaps. Usually one of the counterparties is a financial institution acting as an intermediary.

Traditional warrant (shares) – negotiable contract that confers upon the holder thereof the right to convert into shares of the issuing company under predetermined conditions (conversion period, conversion prices etc.). Conversion normally implies an increase in the company's share capital. The most common situation is the concurrent issue of bonds, thereby making the issue more attractive.

Treasury bills – short-term public-debt bonds issued by the Treasury, with a maturity period of less than one year. This instrument is issued at a discount and redeemed at its nominal value on maturity date.

Underwriting – an agreement between the issuer and the financial institutions responsible for selling (placing) the negotiable securities object of the issue, in terms of which the underwriting financial institutions are committed to purchase, against payment, any unsold securities not subscribed for in the placement, thereby eliminating the risk of the operation being unsuccessful.

Unitary margin (net interest margin) – difference, in percentage points, between the assets interest rate remuneration (loans and investments) and the resources interest rate remuneration (deposits).

Value at Risk (value at market risk) – corresponds to the maximum potential loss in the value of assets held resulting from an unfavourable direction in markets and prices over a predetermined time span. The value-at-risk is calculated by way of models which are based on specific assumptions, namely, with regard to the distribution of probabilities of the price variations, correlations between price variations and statistical confidence level.

Volatility – a measure of the degree to which the market price of assets fluctuates, namely, from the viewpoint of extent and frequency.

Workflow – automation of processes, in total or in part, in which the circulation of information, documents and tasks between the various parties involved is managed by a set of rules and procedures.

Write-offs – accounting write-off of non-performing loans recorded as assets, which have been provided for in full and in respect of which there is no prospect of recovery. The loan is written off directly against the respective provision account, with the result that this entry has no impact in the income statement.

Formulary

Total assets plus disintermediation:

Total assets (net)[1] + Off-balance sheet Customer resources

Business volume:

Loans to Customers (gross) + Guarantees + Total Customer resources

Total Customer resources:

Resources on the balance sheet + Off-balance sheet resources

On-balance sheet Customer resources:

Deposits + Securities sold with repurchase agreements + Insurance capitalisation + Structured products (guaranteed-capital and limited-risk bonds) + Other bonds and preference shares placed with Customers

Off-balance sheet Customer resources:

Unit trust funds + Retirements savings and equity savings plans + Hedge Funds + Pension funds

Assets under management[2]:

Off-balance sheet Customer resources + Financial assets under discretionary management and advisory services of Private Banking and Institutional Clients + Insurance capitalisation + Structured products

Net operating income from banking:

Net interest income + Technical results of insurance contracts + Commissions and other similar income (net) + Profits from financial operations + Operating income and charges

Administrative overheads:

Personnel costs + Outside supplies and services

Cost-to-income:

$$\frac{\text{Administrative overheads - costs with early retirements}}{\text{Net operating income from banking}}$$

Administrative overheads plus depreciation and amortisation:

Personnel costs + Outside supplies and services + Depreciation and amortisation

Efficiency ratio:

$$\frac{\text{Administrative overheads + depreciation and amortisation - costs with early retirements}}{\text{Net operating income from banking}}$$

Net profit attributable to BPI Group Shareholders:

Profits before taxation – Corporate income tax + Equity accounted results of subsidiaries - Minority Shareholders share of profit

Cash flow after taxation:

Net profit attributable to BPI Group Shareholders + Depreciation and amortisation + Loan provisions and impairments + Other impairments and provisions

Return on average total assets (ROA):

$$\frac{\text{Net profit attributable to BPI Group shareholders and to minority interests – preference shares dividends}^{3}}{\text{Monthly average of total assets (net)}} \times 100$$

Return on Shareholders' equity (ROE):

$$\frac{\text{Net profit attributable to BPI Group Shareholders}}{\text{Monthly average of shareholders' equity, excluding minority interests}} \times 100$$

Loans in arrears, for more than 30/90 days, as % of Customer loans:

$$\frac{\text{Loans to Customers and interest in arrears for longer than 30/90 days}}{\text{Customer loans (gross)}} \times 100$$

Accumulated loan impairments in the balance sheet as % of Customer loans:

$$\frac{\text{Accumulated loan impairments in the balance sheet}}{\text{Customer loans (gross)}} \times 100$$

Cost of risk (Loan impairments in the year as % of the loan portfolio):

$$\frac{\text{Loan impairments}_{\text{year n}}}{\text{Average balance of Customer loan portfolio (gross)}_{\text{year n}} - \text{Average balance of loans in arrears}_{\text{year n}}}$$

Net credit loss (Loan impairments in the year, deducted of recoveries of loans in arrears written-off, as % of the loan portfolio):

$$\frac{\text{Loan impairments}_{\text{ano n}} - \text{Recovery of loans in arrears previously written-off}_{\text{ano n}}}{\text{Average balance of Customer loan portfolio (gross)}_{\text{year n}} - \text{Average balance of loans in arrears}_{\text{year n}}}$$

Increase in loans in arrears, adjusted by write-offs, as % of the loan portfolio:

$$\frac{\text{Balance of loans in arrears}_{\text{year n}} - \text{Balance of loans in arrears}_{\text{year n-1}} + \text{Write-offs}_{\text{year n}}}{\text{Average balance of Customer loan portfolio (gross)}_{\text{year n}} - \text{Average balance of loans in arrears}_{\text{year n}}}$$

Increase in loans in arrears, adjusted by write-offs and deducted of recoveries of loans in arrears written-off, as % of the loan portfolio:

$$\frac{\text{Balance of loans in arrears}_{\text{year n}} - \text{Balance of loans in arrears}_{\text{year n-1}} + \text{Write-offs}_{\text{year n}} - \text{Recovery of loans in arrears previously written-off}_{\text{year n}}}{\text{Average balance of Customer loan portfolio (gross)}_{\text{year n}} - \text{Average balance of loans in arrears}_{\text{year n}}}$$

1) Corrected for duplication of balances.

2) Adjusted for duplication of balances.

3) Recorded in the caption INCOME ATTRIBUTABLE TO MINORITY INTEREST.

Pension liabilities cover:

$$\frac{\text{Pension funds}}{\text{Pension liabilities with retired and past services of current employees}} \times 100$$

Data per share:

$$\frac{\text{Cash flow, net profit or dividend}}{\text{Weighted average number of shares[1]}}$$

$$\frac{\text{Book value}}{\text{Final number of shares[1]}}$$

Weighted average number of shares:

Weighted average number of shares ranking for dividends[1]

Total shareholder return (ROI):

Appreciation of the shares on the stock exchange + Appreciation of the dividends reinvested on shares

Price as a multiple of ...

$$\frac{\text{Closing adjusted price at 31 December}}{\text{Cash flow, net profit or book value per share}}$$

Dividend yield (%):

$$\frac{\text{Dividend per share for the year (paid next year)}}{\text{Closing adjusted price in the beginning of the year}} \times 100$$

Earnings yield (%):

$$\frac{\text{Net profit per share}}{\text{Closing adjusted price at 31 December}} \times 100$$

Profitability, efficiency, loan quality and financial strength, calculated in accordance with Bank of Portugal Instruction 16 / 2004:

Profitability:

$$\frac{\text{Net profit + Minority interests + Taxes}}{\text{Average total assets (net)}}$$

$$\frac{\text{Net operating income from banking[2]}}{\text{Average total assets (net)}}$$

$$\frac{\text{Net profit + Minority interests + Taxes}}{\text{Average shareholders' equity + Average minority interests (in the balance sheet)}}$$

Efficiency:

$$\frac{\text{Personnel costs[3]}}{\text{Net operating income from banking[2]}}$$

$$\frac{\text{Personnel costs[3] + Outside supplies and services + Amortisation and depreciation}}{\text{Net operating income from banking[2]}}$$

Loan quality:

$$\text{Non-performing loans ratio} = \frac{\text{Non-performing loans[4]}}{\text{Total loan portfolio}}$$

$$\text{Ratio of non-performing loans, net of provisions} = \frac{\text{Non-performing loans[5]} - \text{Specific provisions for loans in arrears and doubtful loans[5]}}{\text{Total loan portfolio} - \text{Specific provisions for loans in arrears and doubtful loans[5]}}$$

Financial strength:

$$\text{Ratio of total own funds requirements} = \frac{\text{Total own funds[6]}}{\text{Own funds requirements[7]} \times 12.5}$$

$$\text{Ratio of basis own funds requirements} = \frac{\text{Basis own funds[6]}}{\text{Own funds requirements[7]} \times 12.5}$$

1) Adjusted by the effects of capital increases reserved for Shareholders.

2) In the calculation of profitability and efficiency indicators according to Bank of Portugal notice, the net operating income from banking is determined as follows:
Net operating income from banking = Net interest income (narrow sense) + Unit linked gross margin + Income from securities (variable yield) + Commissions related to deferred cost (net) + Technical results of insurance contracts + Commissions and other similar income (net) + Profits from financial operations + Operating income and charges + Equity-accounted results of subsidiaries.

3) Excluding costs with early retirements.

4) Non-performing loans = Loans in arrears for more than 90 days + doubtful loans, treated as loans in arrears for provisioning purposes.

5) Calculated in accordance with Bank of Portugal Notices 3 / 1995 and 8 / 2003.

6) Calculated in accordance with the Bank of Portugal's Notice 12 / 92.

7) Calculated in accordance with article 7 (1) of the Decree-Law no. 104 / 2007 of 3 April.

Methodological notes

CREATING SHAREHOLDER VALUE

The most appropriate measure of shareholder value added is achieved by conducting an analysis from the shareholder's own perspective. When an investor acquires shares he does so in the expectation that he will secure a capital gain that is higher than that which he would have achieved in an alternative investment with a similar degree of risk.

Shareholder's gain

Shareholder's gain per share = Selling price - Cost price + Dividend

The shareholder's overall gain is the sum of the capital gain, which results from the share's appreciation on the stock exchange, and the appropriation of the company's earnings in the form of dividends received.

Shareholder's rate of return

The rate of return calculation takes into consideration the investment time span in order to establish a relationship between the capital employed in the acquisition of shares and the gain obtained, and permits an analysis to be made of the investment return by comparing this with alternative investment opportunities.

In the rate of return calculation, given that the cash flows occur at different time intervals, the internal rate of return (IRR) method is utilised. The rate of return is hence the average rate of the investment period which equates the present value of the incoming flows resulting from the sale of shares and the dividend paid to the present value of the capital invested.

$$\sum \frac{CFj}{(1 + \text{Shareholder's annual average rate of return})^{(dj-d0)/365}} = 0$$

CFj – Cash flow at the moment j (incoming flows are registered as positive figure and outgoing flows as negative figure)
dj – which corresponds to the moment j
d0 – date in relation to which cash flows are converted to present values and corresponds to the moment in which the first capital investment is made
Based on the assumption that all years have 365 days.

The investment in any particular share produces different rates of return depending on the moment chosen for making the investment and the corresponding disinvestment.

Matrix of spreads on a shareholder's nominal annual average return

The yield matrix presents various annual average rates of return obtained by the BPI shareholder according to the investment time span.

The shareholder considered makes an initial investment in BPI SGPS nominative shares with dividend rights. During the investment period he reinvests the dividends in new BPI SGPS shares in the day following their receipt, and participates in all share capital increases and convertible-debt issues reserved for shareholders, subscribing for the maximum quantity he is entitled to.

SHARE INDICATORS

The "Earnings per share (EPS)" ratio is an extremely important figure when evaluating a particular share investment.

The principal reason for this is the fact that this indicator is, in turn, the denominator of the relationship between the share price and the net income[1] attributable to it, otherwise commonly termed P/E or PER ("Price to Earnings Ratio"). The prospective P/E is probably the indicator most often used by the market when assessing the appeal of a given investment in that it expresses the price at a specific moment and the estimated future profit flows of the company concerned.

In building the EPS indicator, the only matter that has to be resolved is the ascertainment of the number of shares to be used as the denominator – the weighted average number of shares with dividend rights in issue during the relevant period – in such a manner as to ensure comparability of past EPS data.

A number of events can signify that the number of shares has to be adjusted; the most common are share-capital increases, be it an incorporation of reserves (a bonus / capitalisation issue) or a subscription reserved for shareholders (a rights issue).

The fact that the issue price is below the ruling market price (a very common procedure) means that the shareholder's right to subscribe for new shares has an asset-related content that is detachable from the share and negotiable on the market. This constituent element is called the subscription right.

In practical terms, a share issue reserved for shareholders can, and should therefore, be subdivided into an incorporation of reserves (theoretical)[2] followed by a share issue at the price which theoretically would be struck on the market after the capital increase.

For purposes of determining the weighted average number of shares:

- when an incorporation of reserves takes place, whether theoretical (stemming from the above-mentioned subdivision) or real, this should be deemed to have occurred on the first day of the financial year;

- the number of shares issued at "market price" in a subscription reserved for shareholders should be weighted on a time basis to reflect the period during which the proceeds from the capital increase contributed to the year's earnings.

When the shares issued in a year do not confer any dividend rights in respect of that year – only the right to dividends in ensuing years – the appropriate procedure in such circumstances is, for all intents and purposes, to consider that the share-capital increase took place on the first day of the following year, maintaining the basic method outlined above[3].

Another adjustment to be made to the denominator involves deducting from the weighted average number of issued shares the average number of own shares held during the year, considering that, in accordance with IAS / IFRS, own shares must be deducted from shareholders' equity.

1) The net earnings figure used in EPS calculations is susceptible to various adjustments. In this report, the figure employed is always the BPI Group's net accounting profit without any adjustments.
2) A share-capital increase by way of the incorporation of reserves involves the mere book-entry transfer of amounts from one accounting component of shareholders' equity (net assets) to another, and does not entail any payment on the part of shareholders.
3) A different scenario is where the number of shares to be used is required for calculating the "book value per share" indicator as at 31 December of a financial year which precedes that in which the share-capital increase is realised. In this case, the two aggregates are static, with the result that the number to be used is the final number of shares in existence on that date, adjusted only by subsequent events.

General index

BPI GROUP CORPORATE GOVERNANCE REPORT

Index of figures, tables and “boxes”

No. **FIGURES** Page

No. **TABLES**

No. **TABLES (cont.)** Page

"BOXES"

THEMATIC INDEX

Miscellaneous information

BUSINESS ADDRESS OF GOVERNING BODIES' MEMBERS
Rua Tenente Valadim, 284
4100-476 Porto

REPRESENTATIVE FOR RELATIONS WITH THE MARKET
Luís Ricardo Araújo
E-mail: representante.mercado@bancobpi.pt
Telephone: 22 607 31 19
Facsimile: 22 600 47 38
Rua Tenente Valadim, 284
4100-476 Porto

INVESTOR RELATIONS OFFICE
E-mail: investor.relations@bancobpi.pt
Telephone: 22 607 33 37
Facsimile: 22 600 47 38
Rua Tenente Valadim, 284
4100-476 Porto

BPI Group Investor Relations web site
www.ir.bpi.pt

Banco BPI Web site (informative)
www.bancobpi.pt

Banco de Fomento Angola web site
http://www.bfa.ao

Calendar[1] of important facts to investors and analysts for 2009

Date	Time	Event
23 January	16:45 (approx.)	2008 consolidated results release
23 January	16:45 (approx.)	Media conference regarding 2008 activity and results
26 January	11:00	Conference Call for Analysts & Institutional Investors regarding 2008 results
22 April	15:00	Annual Shareholders' General Meeting
22 April	-	Publication of the 2008 Annual Report and Accounts[2]
22 April	16:45 (approx.)	1st quarter 2009 earnings release
22 April	16:45 (approx.)	Media conference regarding 1st quarter 2009 results and activity
23 April	15:00	Conference Call for Analysts & Institutional Investors regarding 1st quarter 2009 results
May 09, to be defined	-	First day the shares are traded on the stock exchange ex-dividend (ex-dividend date)
May 09, to be defined[3]	-	Payment of dividend relating to the 2008 financial year
23 July	16:45 (approx.)	1st half 2009 earnings release
23 July	16:45 (approx.)	Media conference regarding 1st half 2009 activity and results
24 July	11:00	Conference Call for Analysts & Institutional Investors regarding 1st half 2009 results
Until 30 August	-	Publication date of 2009 Interim Report
22 October	16:45 (approx.)	3rd quarter 2009 earnings release
22 October	16:45 (approx.)	Media conference regarding 3rd quarter 2009 activity and results
23 October	11:00	Conference Call for Analysts & Institutional Investors regarding 3rd quarter 2009 results

1) The forthcoming events dates are indicative and subject to change.
2) Assuming that the shareholders approve the Board of Directors' proposal relating to the 2006 Report and Accounts.
3) Date on which Banco BPI pays to the shareholders who have their shares deposited at a BPI group bank and to the other (remaining) financial brokers.

INFORMATION ON BANCO BPI SHARES

At 31 December 2008, Banco BPI, S.A. share capital is represented by 900 000 000 ordinary nominative shares with a nominal value of EUR 1 each. Banco BPI shares are listed in the Euronext Lisbon.

Codes and tickers
ISIN and Euronext code: PTBPI0AM004
Reuters: BBPI.LS
Bloomberg: BPI PL

BANCO BPI, S.A.

Public held company

Registered in Oporto C.R.C. and tax identification under the sole number 501 214 534

Headquarters: Rua Tenente Valadim, n.º 284, 4100-476 Porto, PORTUGAL

Share capital: EUR 900 000 000

This page was intentionally left blank.