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PRESENTATION

Operator

Good day and welcome to the Millennium bcp First Quarter 2010 Earnings Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Carlos Santos Ferreira, CEO, and Sofia Raposo, Head of Investor Relations. Please go ahead.

Carlos Santos Ferreira - *Millennium bcp - CEO*

Well, good afternoon ladies and gentlemen. Welcome and thank you for attending this conference call. Before commenting on the bank's financial performance, I would like to briefly note that despite an adverse environment and under pressure from several sources, we have been focused on pursuing our strategic priorities for this year, namely the focus of the portfolio, and the continuing recovery of net interest income and commission, as well as maintaining efforts on cost containment.

Consolidated net income for the first quarter of 2010 was EUR96.4 million, 9.6% down from 2009. Excluding the specific items occured in the first quarter of 2009, the profit grew 12.8% compared to the last year. This profit benefits from the important contribution of our international operation, in particular the Polish turnaround, which presented a net income of EUR17.1 million.

The bank's capital ratios were reinforced. According IRB methodology pro-forma, tier one ratio reached 9.7%, and core tier one ratio 7.3% as of the last day of March. And so far as profitability is concerned, I should highlight, net interest margin continues its growth trend since the second quarter of 2009, showing the strong recovery on international operations. Commissions also presented a positive performance both in Portugal and in international operations. The evolution of the bank's cost base, the operating cost fell 4.6% on a yearly basis, mainly in Portugal with 11% decrease. Efficient ratios improve with consolidated cost to income reaching 54.5% and 50.6% in Portugal in this first quarter.

Regarding business volumes, customer funds noted a strong growth and loans maintained stable.

In this quarter, we have also improved the total return for shareholders, reaching a 7.9% (Company corrected after the conference call) return on equity ratio.

I would like to emphasize the positive developments of the liquidity management plan. Indeed, almost half of 2010 refinancing needs of long-term debt are already refinanced, providing the bank with comfortable liquidity levels. The bank continued to reinforce its portfolio of highly liquid assets discountable in central banks, which now reached EUR11.3 billion, with coverage until 2012.

Following its strategy for 2010-2012, the group proceeded to a portfolio simplification with the announcement of the sale of 95% of Millennium bank in Turkey and the agreement on the sale of Millennium bank's entire network of branches and deposit portfolio, in the United States.

Regarding our international activity, I would like to underline the resumption of the good results in the Poland operations. Operations in Angola and Mozambique, which together returned a net profit of EUR20.2 million, up 13% from the first quarter of 2009, and this, despite the depreciation of their local currencies.

I now ask Mrs. Sofia Raposo to start the presentation, with details of the performance of the bank in the first quarter of 2010.

Sofia Raposo - *Millennium bcp - Head of IR*

Thank you, Mr. Chairman. Good afternoon to all and good morning to those in the US. I would like to start the First Quarter 2010 Results Presentation. Moving to slide three, the main highlights were already referred by the chairman, and I would just like to note that the net profit reached EUR96.4 million with a strong recovery of international operations.

We continue to see a positive trend in operating revenues on a quarterly basis. We highlight the recovery of the net interest income again in Q1 with a strong contribution from international operations, while commissions rose by a substantial 19.8% versus last year. Efficiency improved materially, both on a quarterly and an annual basis, with the cost to income ratio reaching 54.5% on a consolidated basis, and close to 50% in Portugal at 50.6%.

There was strong cost containment with costs falling by 4.6% on a consolidated basis, led by the decline in costs in Portugal by 11%. Volume wise, we would like to note the strong performance of customer's funds rising 6.7% with deposits up by 7.9% year-on-year, and credit rising 0.2%. The liquidity, as you will see, is comfortable. 2010 refinancing needs are on the overall completed by half, with the issuance of EUR1.3 billion, and the pre-funding conducted last year.

Additionally, the bank continued to increase the portfolio of assets discountable in central banks that now reaches EUR11.3 billion at the end of March. Also, the strengthening of the capital ratios, the tier one pro forma ratios calculated according to the IRB methods rose to 9.7% and the core tier one increased to 7.3%.

Net profits declined by 9.6% and EUR94.6 million, however as you saw and the president has already mentioned, excluding the capital gains in Angola last year, the net profit rose by 12.8% and more than doubled profits in the last quarter. The results benefit from a strong recovery in international operations, which posted a EUR6.8 million loss last year, versus EUR24.1 million profits in the first quarter of this year. And there is a consistent improvement in Portuguese quarterly profits.

Loans to customers rose by 0.2% to EUR77.1 billion (Company corrected after the conference call) of which we would highlight the 4.5% growth in mortgage loans. Customer funds rose by a notable 6.7% to EUR67.4 billion with deposits showing a 7.9% improvement versus last year. We also highlight the increase in our off-balance sheet funds, growing by 18.8%, namely capitalization insurance up by 19.3%, and assets in the management increasing by 17.8%.

We've also strengthened our capital ratios during the first quarter of 2010. The pro forma tier one ratio with the first phase of the usage of IRB methodologies stood at 9.7%, increasing 45 basis points when compared to December of 2009, and the pro forma core tier one rose to 7.3%, up by 21 basis points compared to December of 2009.

The improvement was led by the reduction of risk-weighted assets, and the completion of the rights issue in Poland. Under the standard method, the tier one and core tier one were flat at 9.3% and 6.4% respectively. As you can see, we have continued to have an increase in the highest capital ratios of the decade.

Liquidity situation, as you can see in slide eight, is comfortable. As for the total of EUR4.6 billion to be refinanced in 2010, and which is a much lower amount when compared to last year, around half of it is covered by the issuance of EUR1.3 billion in the first quarter of 2010, and the pre funding done in 2009.

We have also continued to reinforce the portfolio of assets discountable in central banks to EUR11.3 billion. This, together with the refinancing needs already completed, means that we have all of our long-term wholesale refinancing needs covered until 2012.

Moving to slide ten, the banking income in the first quarter of 2010 shows a material improvement of 12.4% when compared to the average quarterly banking income of 2009 reaching EUR701 million, while the cost base continued to decline by 0.7% also compared to the quarterly average of 2009, and reached EUR382 million.

The efficiency ratio of 54.5% shows a significant improvement versus the previous quarters, and is already below first quarter of '09. The improvement is very visible in its international operations with the efficiency ratio reducing from 69.9% to 62.7%. Also, in Portugal, we saw a considerable improvement versus 2009, and inclusively better than the first quarter of last year. The efficiency ratio is already close to 50% at 50.6%.

In the first quarter of 2010, we saw a substantial slowdown in the reduction of the net interest income decline compared to the previous year. As you know, first quarter 2009 was still difficult to comparable as interest rates were much higher at between 2% and 3%. And since then, deposit margins suffered throughout 2009.

However, the recovery on a quarterly basis is quite evident, and is again confirmed in the first quarter of this year, especially in the international operations, which were up by 43% year-on-year. The reversal of the net interest margin trends is quite visible in international operations, which showed the highest NIM since 2008. In Portugal, we have had a relative stabilization in the first quarter of the net interest margin at 1.3%.

Commissions recovered throughout 2009, and continue to show an increase in the first quarter of this year, both in international operations, rising by a robust 29.3%, and in Portugal, up by 15.9%. Total commissions rose on the overall 19.8%, led both by a significant 41% increase in market related commissions, and a robust 15% growth in banking commissions.

In the first quarter, we even managed to show an improvement versus the fourth quarter, which is unusual, and we find very positive. Therefore, despite the decline in interest rates, that strongly penalized the net interest income and cost of financing, namely in deposits during last year, the group has already managed to recover the full core income, that is net interest income and commissions, continues to increase quarterly, and is now above the level of last year.

Operating costs fell by 4.6% and reflecting in particular the 11% cost reduction in Portugal, and in spite of the ongoing expansion in Angola, in Mozambique. Personnel costs fell by 10%, led by the decline in pension costs in Portugal, and the containment of remunerations, while administrative costs rose by 3.6% as a result of the expansion in the African operations, while depreciation declined by 1.7%.

Staff costs, as you saw, declined by 10% and was mostly led by the 15.8% decline in Portugal, and you can see the cost containment in general in all our operations, in Poland as well, excluding the FX, all with the exception of Mozambique and Angola, which continue to expand their branch network.

Provisions were reinforced. The overdue loans ratio over 90 days increased to 2.5%, which is basically inline with our expectations at this point of the cycle, while coverage remains at a 108.9% level. Gross impairment charges as a percent of total loans remained at a fairly high level during the quarter, of 86 basis points of loans, but is inline with our expectations and we were able to do a significant reinforcement in the quarter as a result of having opportunities with high trading income.

The cost of risk is therefore aligned with the average of the past few quarters, especially data related to 2008 and the first quarter of '09, and is within the expectations we had for this period. We would like to note nonetheless that the current level of provisioning is almost double the amount of the average of the cycle.

Millennium bcp, at this point, still presents one of the highest balance sheet provision level amongst all Iberian banks.

With regards to Portugal, we would like to highlight the decline in loans to customers by 2.2%, mostly related to loans to companies, while mortgage loans increased by 3.2%. With regards to customer funds, they grew by 2.9%, with a 4.1% increase in deposits to EUR30.8 billion.

With regards to our off-balance sheets, they show a very strong growth of 15.6%, led by capitalization insurance at 18% up during the year, and assets under management, which grew by 9.2%.

The banking income in the first quarter, when compared to the quarterly average of 2009, rose by 11%, while costs on the same basis declined by 2.7% to EUR238 million when compared to the average of 2009 of EUR245 million.

With regards to the net interest income in Portugal, the decline on an annual basis, as you know, reflects the strong decrease of interest rates. The mild decline on a quarterly basis reflects both the traditional negative seasonal effects -- we had two trading days left in the first quarter when compared to the fourth, and the fourth quarter margin in general tends to be stronger - along with the base rate effect in mortgage loans, which had a slightly negative impact as interest rates continued to decline throughout the fourth quarter and the first quarter of this year, and had a reflex in this particular quarter.

However, excluding these effects, we actually saw an improvement in the clients spread in the first quarter. The commercial margin actually managed to improve by 4.6% quarter-on-quarter, reflecting higher net interest income in deposits, with a 20 basis points improvement on the entire deposit spreads, and a slight improvement in the credit margin despite of the negative base rate effect.

With regards to loans, and although the repricing speed in the corporate segment was still insufficient to fully offset the reduction of deposit margin during 2009, and the increase in wholesale funding costs year-on-year, its impact has continued to improve the net interest income. We continue to see the corporate segment repricing, which is 58% of the portfolio, and has a three-year repricing maturity. Its results are visible in the increase of the contractual spreads of the corporate segments, now up by 76 basis points versus the first quarter of 2009, when we had no repricing impact.

New production increase in spreads in the first quarter rose by an average of 1.1 percentage points when compared to the average of the past 12 months, and should continue to have a very positive effect throughout the next year. The mortgage portfolio, which represents 36% of the loan book in Portugal, cannot be repriced, as you know, but new production is being booked at adequate levels, around 2%.

Commissions increased by 15.9%. There was a significant improvement in market related commissions, but year-on-year, we also saw a 13% increase in banking commissions.

Operating costs in Portugal fell by 11%, basically led by a 15.8% decline in staff costs, mostly led by pension costs decline during the year, while admin costs fell by 1.9% and depreciation by 9.6%.

Again, the overdue loans ratio of 90 days increased to 2.5%, and coverage ratio stood at 107.6%. During the quarter we reinforced provisions quite substantially with impairment charges, as percent of total loans at82 basis points.

In international operations, we would like to highlight the strong recovery in terms of contribution to profits for the Millennium Group. The results in Poland rose by nearly six times, while Mozambique showed a significant increase in profits in local currency and Angola continues to show a very strong improvement despite the undergoing expansion.

In Poland, net profit stood at EUR17.1 million, rising by almost six times, with banking income growing by 5.8% on an annual basis, and a strong improvement on a quarterly basis as well. There was maintenance in the cost control, leading to the improvement of the cost to income ratio. The net interest income continued its recovery path started in the third quarter of '09, presenting a 29% annual growth, and a 13.5% growth quarter-on-quarter as a result of lower deposit costs and lower average cost of funding in foreign currencies.

The net interest margin increased to 2.2%, completing four consecutive quarters of recovery. With regards to commissions in Poland, they continued its growth trend that began in the third quarter of '09 rising by 17% on an annual basis, and 6% quarter-on-quarter. The increase was mainly driven both by capital markets, cards, current accounts related fees.

Operating costs fell by 1.2%, and efficiency managed to decline by 64.4% to 60.2%. The loans to customers showed a 9% decline that was mostly affected by the depreciation of the FX denominated portfolio, while at the same time customer deposits rose by 4%, and therefore the loan to deposit ratio is under a 100% at this point.

There was an increase in the impairment ratio in Poland that was very moderate when compared to December of '09, up from 5.9% to 6%, and nonetheless Poland continues to reinforce its coverage, and impairment charges as a percent of total loans stood at 1.02% of total loans.

In Greece, the results in Greece were positive, EUR0.8 million. We continue to see increases on a year-on-year comparison of the net interest income and the banking income. Nonetheless, we are beginning to see the impacts of the Greek fiscal crisis, with obviously a slight deterioration on a quarterly basis in terms of the deposit margins, and obviously with higher impairment levels that we believe are adequate at this point.

The funding conditions are somewhat more challenging and were somewhat more challenging during the first quarter, and we saw month-by-month some deterioration, even though much better than the first quarter of last year. The deposits spread has declined to -1.18% (Company corrected after the conference call); nonetheless we managed to improve the cost to income to 71.7% (Company corrected after the conference call) when compared to 78.8% last year.

In terms of volumes in Greece, we saw a 7% increase in the portfolio to EUR5.2 billion, whilst at the same time we see a 15.5% increase in customer deposits, and we actually saw a slight improvement quarter-on-quarter.

In Mozambique, results were quite positive in local currency, rising by 27.9%, nonetheless in euros they were affected by the depreciation of the local currency (Metical) by 22%. Nonetheless, ROE reaches 41% in the country, and the outlook of Mozambique remains fairly positive with a 5% growth in GDP for this year and the next few years.

The net income evolution was led by improving net interest income and FX results, and the ongoing expansion program is clearly showing positive results. In terms of volumes, if you look into the next slide, page 43, there was a 37.5% increase in loans, although 68% in local currency, while deposits grew by 28.5% in local currency, although only 5% in euros. We maintain a very positive commercial gap, and we expect that this operation should continue to grow in the next few years.

In Angola, we continued the expansion plan to 26 branches from 23 in December, and 16 last year. Nonetheless, the net income managed to more than double to EUR4.9 million with banking income showing growth of 137%, operating costs obviously going up by 86% (Company corrected after the conference call).

To conclude, I'd like to make some final references. The international operations are becoming increasingly important in our portfolio, already representing 24.5% of customers funds and half the employees, clients and branch network. They already weigh also very significantly in operating income, and we are happy to see its contribution increase from 5% in 2009, to 25% of profits in the first quarter of 2010.

So, as you can see at last, it's paramount that growth today and going forward comes and should continue to come from our international operations. The bank at the same time continues focused on increasing profitability. It has been able to reverse the core income growth trend, while sustainably and effectively cutting costs in a sizeable way, setting new benchmarks for the Portuguese banking industry. The evolution of the return on equity in the first quarter of 2010, standing at 7.9% is therefore aligned with our expectations to reach an ROE of 10% by 2011.

To sum up, we believe that the first quarter of 2010 was quite positive. The bank improved profits by 12.8% excluding specific items, reaching EUR96 million. International operations improved materially, and net interest income and commissions showed a clear recovery path since the second quarter of '09.

We continue to have strong cost containment, especially in Portugal, and without penalizing the expansion in Angola and Mozambique, we reinforced impairments and provisions. Overdue loans are inline with our expectations for this point of this economic cycle, and we believe that liquidity is adequate, that solvency is improving and capital ratios are at the highest of the decade, and we are now more focused, having closed the agreements to sell our small operations in Turkey and the US. And we are also aligned with our shareholders, having increased the count of voting limit from 10% to 20%.

Two final notes towards liquidity and leadership. The bank has, during the past year, reinforced its leadership position and improved its risk profile. Customer funds rose by 6.7%, deposits increased 7.9%. Credits are stable and the commercial gap is improving. The funding requirements in 2010 are lower than last year, and are covered.

The increased assets discountable in central banks to EUR11.3 billion, which is a very sizeable amount with a usage that is one of the lowest of the Portuguese market. Also to note that the BCP shares continue to lead the liquidity in the Portuguese stock market, and the last four days we traded more than 5% of our capital, which is a clear sign of the strength of the bank.

This concludes the presentation. I'm here with the Chairman, Mr. Santos Ferreira, the CFO, Mr. Paulo Macedo, our Risk Officer, Mr. Miguel Pessanha, our Chief Treasurer, Mr. Pedro Turras, and our Chief Economist, Mr. Gonzalo Pascoal, and we would be delighted to take your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. The question and answer session will be conducted electronically. (Operator Instructions). We are taking the first question from Andre Rodrigues from Caixa BI. Please go ahead.

Andre Rodrigues - *Caixa Banco de Investimento - Analyst*

Hi, hello, good afternoon, thank you for taking my questions. I want to hear your opinion in two items. The first one, your outlook on margins, namely in Poland, and the second one, your outlook on cost of risk, if you maintain your guideline around 70 to 80 basis points to the end of this year? You have 86 this quarter and we saw some increase in non-performing loans. I want to hear your forecast and or your expectations. Thank you.

Sofia Raposo - *Millennium bcp - Head of IR*

Hi Andre, thank you for your questions. With regards to the Polish margin and with regards to margins in general, in Poland we continue very positive. We believe that the evolution of the margin was very positive, and we continue to expect that it should grow sustainably throughout the year, both led by volumes growing and improvement in the net interest margin.

With regards to the overall margins in Portugal, we maintain our guidance of previous quarters, even though at this point we believe that we should -- we feel that the performance was broadly inline with what we were expecting, and everything in general should be going towards our goals.

Nonetheless, the current environment, as you know, is challenging in the market, and we believe we should be more careful when committing to numbers for this year, and we should use some caution in what may come in the net interest income during 2010, even though, obviously we have absolutely no intention to start a deposit war or anything similar, nonetheless believe that it is something that may come at some point in the future, and we definitely hope it's not, but if there is a deposit war, there will be a deposit war. Okay?

Andre Rodrigues - *Caixa Banco de Investimento - Analyst*

Okay.

Sofia Raposo - *Millennium bcp - Head of IR*

With regards to the cost of risk, this quarter was somewhat a bit higher than we were anticipating earlier. Also, we had a trading that was higher than anticipated. So, we feel that there is no need to change the cost of risk expectations for the whole of the year, which still stand, between 70 to 80 basis points of loans.

Paulo Macedo - *Millennium bcp - CFO*

Just to complement, last year as you know, we had 82 basis points cost of risk, we have this year 85 basis points, so inline. But we had last year a significant impairment in our foreign operations. We have diminished this year, on this quarter, what we hope is that going forward, this impairment in our foreign operations will go lower, and so we maintain our outlook for the impairment between the 75 to 80 basis points, so no changes in our expectations on this side.

Andre Rodrigues - *Caixa Banco de Investimento - Analyst*

Okay, okay, thank you.

Operator

We're now taking a question from Antonio Ramirez from KBW. Please go ahead.

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

Hello, good afternoon, Antonio Ramirez from Keefe, Bruyette, a couple of questions. One is, if you can provide the detail of your securities portfolio in terms of what's the size and what's the detail in terms of instruments and geographies as well. So, I guess everyone is asking you about the amount of Greek bonds you own, the amount of Portuguese bonds as well.

And then, I guess you have a significant portion of corporates, that I would assume are mostly Portuguese, so if you can give us some details on that portfolio, and how this portfolio has performed in the last few months considering all the sell-off we have had in the market. So, that would be one question.

Second question is regarding funding cost and impact in margins. As you said, there is no war for deposits in Portugal, but there is a risk. At some point, banks will try to gather more deposits, so that could be a risk, and we have seen that happening in other geographies. And then obviously there has been a very sharp increase in cost of funding for the Portuguese government in the markets, and at the end of the day that will have an impact as well on the banks. So, if you can just elaborate how you see funding cost performing. So, that would be second question.

And third and final question from me, if you can update on what's going on with the pension fund. I would assume that the decline in the market had an impact on the equities and also on the bonds, where the pension fund assets are invested. What could be the sensitivity and what could be the impact in capital at the end of the second quarter? I mean obviously we don't know where the market will finish, but we know where they are today, so if you can give us some sense of what's the risk of a negative impact from the pension fund? So, these are my three questions. Thanks.

Sofia Raposo - *Millennium bcp - Head of IR*

Thank you Antonio. With regards to the portfolio, in terms of public debt, the exposure to Greece is around EUR700 million, so it's mostly in the held to maturity portfolio. And therefore, we expect to have no impact on the P&L or in the capital ratios. The exposure to Portugal, in terms of public debt, is also very limited, and is EUR749 million. So, as you can see, it's a relatively small amount, and EUR341 million is in a held to maturity portfolio. There is another EUR366 million in the trading portfolio, but we expect the impact to be minimal. With regards to bonds, we have -- in the trading portfolios and available for sale, between national, we have -- in national bonds, we have EUR1 billion and we are not expecting to have significant losses in this portfolio at all. And that should broadly answer your question in this regard.

With regards to the cost of funding, we -- as I mentioned before, there is always a risk but things will get particularly worse in -- but the Greek's spillover effect to Portugal might be significant, but we believe that that is, at this point, a risk. It is not something that is happening, and it is not something that we are seeing.

First of all, we -- during the past quarter, and perhaps two quarters I would say, we saw an improvement in the deposit margin contrary to the trends that you are stating as a risk. And obviously that should -- on a normal scenario, should be the trend, that deposit margins should continue to increase throughout the year.

Having said that, we cannot say what the market how the markets will evolve. For the time being, and perhaps the Chief Treasurer might want to comment a bit further on that, we are seeing stability in the short term markets, and we are perhaps seeing some withdrawal from the market of investors in the medium and long-term. Obviously the cost of funding might increase there. So, it probably won't be worse than we saw last year, but around 200 basis points spread. We'll see what happens. It depends a lot on what the government ratings and ability to issue during the next few months, and we'll see what happens. Nonetheless, our plans for this year were already for the issuance of covered bonds, which obviously have lower spreads, so we believe that the situation is fairly manageable. We'll see what happens.

With regards to the pension funds, we're not providing any data on a quarterly basis. The performance for the first quarter, nonetheless, is not a theme for the -- not a particular impact or no theme for the expectations for the full year at this point, it's about 0% performance. We'll see what happens in June, and we'll talk then, if there is something to note.

Pedro Turras - *Millennium bcp - Chief Treasurer*

Good afternoon. Just to point out regarding the cost of the funding, that in fact we are seeing tightening of the credit spreads in the next few months, particularly if as we think, the Greek crisis will begin to get the decisions by next week. Of course, we are getting some rates above the ones initially estimated, but since as Sofia pointed out, most of our additional funding will be done through covered bond issuing. We don't expect a particularly significant impact, and on the contrary, in the short end of the funding, we are profiting from very low rates, which are impacting very positively in our funding costs for the time being. Thank you.

Operator

We are taking the next question from Carlos Peixoto from BPI. Please go ahead.

Carlos Joaquim Peixoto - *Banco BPI - Analyst*

Hi, good afternoon. I would just like to pose one question on capital. I was wondering if it's -- or if you have already a timeframe for the implementation of the IRB. And also, I was wondering whether there was a revaluation of the stake in Eureko this quarter, and what was its impact on capital? Thank you.

Sofia Raposo - *Millennium bcp - Head of IR*

Hi Carlos, very good to hear you. With regards to the IRB approval, the first phase, we are expecting it to happen any day now. With regards to the second phase, we would expect this to be completed perhaps more towards the end of the year, beginning of next year. The impact of Eureko was a bit below expectations, so it was 2 bps (Company corrected after the conference call) while we were expecting perhaps it could go to five, seven basis points. Actually, it was two basis points. Okay? Thank you.

Paulo Macedo - *Millennium bcp - CFO*

Just another comment on the capital. In terms of the IRB, as Sofia said, we think the formal authorization will be in the next months, but we are also, as we told before, preparing the second phase. So, we believe that the second phase for the portfolio in the assets relating to Poland, and also to the assets, corporate assets in Portugal are on its way, and the 70 basis points that we estimate for these will take place by the end of the year.

Relating to Eureko, we had a small valorization and a small impact in our core tier one, lower than we expected, but there are two major events, that is distribution of dividends that will take place, and it's a significant dividend. It's publicly announced, it will be EUR14.5 million, which is significant for our participation, and it is also what we expect to be the good result of the IPO of PZU that Eureko will benefit.

So, we have partially in our accounts, and in our core tier one, what was the revaluation of the Eureko for 2009, but we believe that these assets will keep its track in a stronger evaluation. This was just to complement the answer.

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Operator

(Operator Instructions). You're taking a question now from Alvaro Serrano from Santander. Please go ahead.

Alvaro Serrano - *Santander - Analyst*

Hi. Most of my questions have been answered, but just one question with a bit more detail. You've mentioned that you've refinanced half of your financing needs for this year. Could you detail if you've issued debt in the first quarter, what's the extra cost you think you've been paying in the current circumstances, given the market situation. And maybe given you said that you're going to refinance mostly through covered bonds, what levels could you issue -- do you think you'll be able to issue during this year? What would be the impact of the downgrade in terms of the spread?

Paulo Macedo - *Millennium bcp - CFO*

As you know, we have refinanced our long-term needs partially at the end of the last year. In this first quarter, we have issued EUR750 million in the beginning of the year with a spread of 70 basis points, and after that in March we issued 300 more at 140 basis points. Then, we went on a period of blackout, because our general assembly in beginning of April and our accounts results presentation that we have done yesterday. So, we didn't test the market since these two issues.

Of course, we expect, if we go to the market, to have a higher spread, but as also as was told, we are not very pressured, because if the market doesn't have a reasonable price, and we believe that the prices will have some decrease in the next weeks, we will always have our portfolio of eligible assets to go to the ECB. And we have much less than -- we have less around the quarter of our portfolio that is utilized. So, we have three quarters for utilizing. So, we are not in a pressure to issue at any price.

But also, half of what we expect to issue will be covered bonds, so we also expect not to have a very significant increase on this. But all in all, of course there will be a higher cost of funding than we expected. But when we compare that with our margin for the full year, which is around EUR1.4 billion, the effect of the excess of the cost of funding for this year will be around 1% or 1.5% of our margin.

So, we think there will be an increase. We think we are in a position that we can test the market after this week, where we presented our accounts. We think that the spreads will have some decrease, and we will present the markets. Our plan is to issue some senior debt and some covered bonds, and we will not be so much affected, because a part will be cover bonds.

Alvaro Serrano - *Santander - Analyst*

Yes, and in terms of the low growth in Portugal, what are your expectations at the moment? Obviously it's down year-on-year, especially on the corporate side. What would you expect for the end of the year, particularly in the total and in the corporate side?

Paulo Macedo - *Millennium bcp - CFO*

On the corporate side, we think the figures will be -- we see some stabilization. We don't see a big increase in terms of credit, because demand has decreased, and because we are cutting some of our large exposures, because as we have announced, we want to reduce some of our concentration on some large exposures.

We are growing on the mortgage, which with the actual pricing of, and with the actual spread of 200 basis points, we think it's more attractive, and this spread before all these effects. So, we are with a positive growth there. On the consumer side, we are not pushing very much, so we believe that it will stabilize also.

On the corporate side, we think we'll have a similar behavior to last year. Some increase or some moderate increase in SMEs, and some decrease in large corporate. But clearly, as we have told in the beginning and in other presentations, our goal is to grow in credit outside Portugal, and that is where is our growth and that is where we think the increase in terms of credit will come.

Alvaro Serrano - *Santander - Analyst*

Okay, thank you.

Operator

The next question comes from David Vaamonde from Fidentiis. Please go ahead.

David Vaamonde - *Fidentiis - Analyst*

Hi, good afternoon. I'd like to understand better the trading income coming from the reevaluation of instruments recorded at fair value option. I know that that was the case as well in Q1 last year. I'm wondering if -- well, first to understand better how this works and secondly how sustainable it is? I guess it depends on market conditions. But I mean we are looking at a pretty significant amount of EUR36.3 million of trading income in Q1. Thank you.

Sofia Raposo - *Millennium bcp - Head of IR*

Well, thank you David. With regards to -- well, the EUR36.3 million gain basically relates to our own credit risk. So, what happens is that when credit spreads go up for BCP or for the Portuguese market in general, all our liabilities that are booked under the fair value option, have to be valued, and if the credit spreads go up, we have a gain, if the credit spreads go down, we have a loss. And in this case, they went up. We had a bit of a gain, which partially recovered the losses we had last year.

David Vaamonde - *Fidentiis - Analyst*

And what's the amount of debt, with which you apply this method?

Sofia Raposo - *Millennium bcp - Head of IR*

It was -- we've been reducing the portfolio that we have, the liabilities that were under the fair value option. I believe that currently it stands between EUR5 billion to EUR6 billion. I will check the number correctly, and I'll just let you know after (inaudible), okay?

David Vaamonde - *Fidentiis - Analyst*

Okay, thank you.

Paulo Macedo - *Millennium bcp - CFO*

Yes, and going forward, we are using hedged account. So, that's --

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Operator

The next question comes from Nanakarina Kwofie from Creditsights.

Nanakarina Kwofie - *Creditsights - Analyst*

Hi, good afternoon. I just have one question. I want to find out about goodwill in Greece, well the goodwill associated with your subsidiary in Greece. I want to know the amount you have there, and if you've made any impairments. And then secondly, I want to know a little bit more about the corporate lending, because I've noticed they've come down just a little bit. I want to know whether this is more from the demand side, or whether it's a supply thing, like you've tightened up your lending standards there. Thanks.

Sofia Raposo - *Millennium bcp - Head of IR*

Hi Nana.

Nanakarina Kwofie - *Creditsights - Analyst*

Hi.

Sofia Raposo - *Millennium bcp - Head of IR*

Hi, good to hear you. With regards to goodwill, it's EUR294 million. Under Portuguese and IFRS accounting, we already deducted that goodwill, from solvency, so it will have no impact in solvency going forward, irrespectively of having to do any impairments or not. In the end of -- we generally evaluate the goodwill at the end of each year.

We evaluated it in last year, and we believed -- the independent evaluators believed that there was no need to do impairments in the Greek operation.

Nanakarina Kwofie - *Creditsights - Analyst*

Okay.

Sofia Raposo - *Millennium bcp - Head of IR*

We'll see what happens next year. But whether we have to depreciate it or not, or create any impairment for this, it will not affect solvency. And from that point of view, we are very comfortable.

Nanakarina Kwofie - *Creditsights - Analyst*

Okay.

Paulo Macedo - *Millennium bcp - CFO*

The point with the goodwill and the impairment is, of course, if we see the situation today, of course we believe that we should have a deduction to the goodwill that we have there, but when we consider the normalized situation, and we should evaluate this in the long-term, it is not so clear. So, we think we have to have a view for the long-term, but responding to your question, of course if the Greek situation will maintain, we'll do something to this goodwill, but we have to take out some of this -- all this volatility from what we have in the accounts. Okay?

Nanakarina Kwofie - *Creditsights - Analyst*

Okay.

Paulo Macedo - *Millennium bcp - CFO*

Thank you for your question.

Sofia Raposo - *Millennium bcp - Head of IR*

On another note, with regards to the corporate lending, we believe -- you asked if it's a demand thing or a supply thing, and we believe it's both. So, in terms of demand, demand in loans (Company corrected after the conference call) in Portugal, it's been fairly stable. There's been no enthusiasm in launching new products for the time being, especially in these months of turmoil.

Nanakarina Kwofie - *Creditsights - Analyst*

Yes.

Sofia Raposo - *Millennium bcp - Head of IR*

But also we've been, on the overall, trying to cut some of the large clients that can go directly to the market, and reducing the exposures of large corporate, and some large -- the largest risks that we have. So, in that respect, it's basically demand and supply.

Nanakarina Kwofie - *Creditsights - Analyst*

Okay, thank you.

Sofia Raposo - *Millennium bcp - Head of IR*

Thank you.

Operator

(Operator Instructions). We're taking a question from Benjie Creelan-Sandford from Macquarie. Please go ahead.

Benjie Creelan-Sandford - *Macquarie - Analyst*

Hi, good afternoon. I'm just wondering if you could comment a bit more on the trends in the Greek business, I mean first in terms of funding pressure, given the declining deposits you saw in the first quarter, and then secondly in terms of the outlook for asset quality, because there is quite a sharp increase in provisions in the first quarter. Thanks.

Sofia Raposo - *Millennium bcp - Head of IR*

Well, hi Benjie, good to hear you and thank you for your questions. In terms of the Greek business, what we have been seeing, let's say since January, we've been seeing some -- a bit of worsening. It hasn't been very evident. In the deposit margin, it hasn't been something like we saw, for instance, in the first quarter of '09, which is a sharp worsening of the situation.

We are seeing continual worsening in terms of the deposit margin month-by-month, six basis points here, six basis points there, and it is what it is. It's something that will -- on the overall, if the situation persists, we'll tend to continue to go to very negative spreads. They are already at 1.18% (Company corrected after the conference call) negative. If we look into the first quarter of '09 as an example, it could go perhaps to those levels.

With regards to the bad loans, to overdue loans, we saw a bit of an increase, but it wasn't -- we believe it has not been overly material. It's still at 2.8%. I believe the sector has a much higher amount, so our portfolio perhaps is more recent, and it's very focused on mortgage loans, and we have significant amounts of collaterals in our corporate portfolio. Basically we have the opportunity, because we are perhaps smaller in the market.

And we're seeing some increase in the overdue loans ratio, but it's nothing out of the ordinary still. Nonetheless, what we've decided to do is to probably provision as much as we can on this particular, so we are probably going to have something in the next few quarters, something towards a zeroish contribution to profits.

Benjie Creelan-Sandford - *Macquarie - Analyst*

Okay, thanks very much.

Sofia Raposo - *Millennium bcp - Head of IR*

Thank you.

Operator

(Operator Instructions). We are taking a question from Carlos Peixoto from BPI. Please go ahead.

Carlos Joaquim Peixoto - *Banco BPI - Analyst*

Good afternoon, just a follow up on provisioning charges at the group level. If I understood correctly, you are guiding us through to provisioning efforts between 70 to 80 basis points for the full year, and in the first quarter provisioning charges stood somewhat above that figure. Was there any provisioning effort made above requirements, like taking advantage of the good top line quarter that you have, or was this purely driven by impairment needs? Thank you.

Sofia Raposo - *Millennium bcp - Head of IR*

Well, Carlos, thank you for your question, but provisioning charges in general relate to the impairment requirements. Obviously there is some leeway in terms of what we can do over time, so obviously with a good top line in terms of trading this quarter, we were probably more conservative in the first quarter of 2010, then perhaps it will be required for the whole of 2010.

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Carlos Joaquim Peixoto - *Banco BPI - Analyst*

Okay.

Operator

As we have no further questions, I would like to turn the call back over to your host for any additional closing remarks.

Carlos Santos Ferreira - *Millennium bcp - CEO*

Okay, ladies and gentlemen, let me finish this conference call with one final comment related with our key challenges for 2010. Profitability -- we will keep focus on business profitability, taking full advantage of the initiatives already put in place, and which should benefit from higher contribution of our international operations.

Liquidity preservation; in an environment that is being increasingly difficult for Portugal and Portuguese companies, we believe we should be able to preserve our comfortable liquidity position and, like in the past, get through the current market disruption safely and soundly. Finally, innovation; we will invest in innovation as the main factor of differentiation and excellence to be a leader in customer service, which the launch of the ActivoBank project is a good example. Thank you all, and we will see each other in the next quarter. Thank you.

Operator

That will conclude today's conference call. Thank you for your participation ladies and gentlemen, you may now disconnect.
