

Banif - SGPS, SA

Banif - Grupo Financeiro

PRIVILEGED INFORMATION

**Advance information on the business and results of
Banif - Grupo Financeiro
in the 1st quarter of 2009**

(unaudited figures)

Banif - SGPS, SA

Company open to public investment
Registered office: Rua de João Tavira, 30 – 9004 509 Funchal
Registered at Funchal Company Registry Office
Single registration and collective person number 511 029 730
Share capital: 350,000,000 euros

HOW THE BUSINESS HAS PERFORMED: SIGNIFICANT DEVELOPMENTS AND RESULTS ACHIEVED BY BANIF - GRUPO FINANCEIRO IN THE 1ST QUARTER OF 2009

The consolidated net results of Banif – SGPS, SA, the holding company of Banif – Grupo Financeiro, came to 4.2 million euros in the 1st quarter of 2009. This result represents a decrease of 76.8% when compared with the profit earned in the 1st quarter of 2008, but it includes the negative impact of the impairment recorded in results in relation to the Group's stake in Finibanco – Holding SGPS, in the amount of 16.1 million euros.

Balance Sheet Analysis

Banif - Grupo Financeiro had total net assets of 12,858.7 billion euros, as at 31 March 2009, an increase of 13.9% compared with the end of the 1st quarter of 2008 and a decrease of 0.1% relative to the end of 2008.

For its part, credit granted to clients (gross), minus securities reclassified as loans granted and accounts receivable, amounted to 10,610.2 billion euros, 14.2% higher than the figure recorded on 31 March 2008 and 1.9% more than the corresponding figure as at 31 December 2008. In the same period, the credit impairment/total credit ratio rose from 2.21% to 2.56% (2.44% at the end of 2008).

Clients' deposits grew by 18.8% relative to 31 March 2008, reaching 6,738.4 billion euros, while total client funds on the balance sheet rose from 7,703.4 billion euros to 8,379.5 billion euros, an increase of 8.8%. The Group had "off-balance sheet" funds of 2,119 billion euros (7.8% more than the amount recorded at the end of the 1st quarter of 2008). Progress at the level of client funds was aided by growth in Banif – Grupo Financeiro's network of points of sale, which expanded from 427 to 526 between 31 March 2008 and 31 March 2009¹. The number of bank branches in Portugal rose from 273 to 329.

Relative to the end of 2008, total client funds on the balance sheet showed an increase of 2.6%, outstripping the 1.9% increase in lending already noted.

Banif – Grupo Financeiro's equity (after minority interests) increased by 6.2%. Thus equity rose from 543.0 million euros to 576.7 million euros between the ends of 1st quarter 2008 and 1st quarter 2009, essentially as a result of the following situations:

a) Positive variations:

- A 100 million euro increase in the share capital of Banif – SGPS, SA carried out in June 2008. This operation permitted a net increase in equity of the same amount.
- A profit of 4.2 million euros in the 1st quarter of 2009.
- A profit of 41.2 million euros in the last three quarters of 2008.

b) Negative variations:

- Distribution of dividends for 2008 in the amount of 22.8 million euros.
- An exchange rate variation of –37.6 million euros, deriving almost entirely from depreciation of the Brazilian real, which had a negative effect on the value of the equity of the Group's subsidiaries headquartered in Brazil.
- A decrease in revaluation reserves in relation to securities classified under the balance sheet item "financial assets available for sale" in the amount of –38.1 million euros, specifically as a result of the devaluation and sale of shareholdings in Brazil (-33.1 million euros) and devaluation of the share portfolio of Companhia de Seguros Açoreana (-4.7 million euros).

¹ Excluding Banca Pueyo (Spain), with 83 branches, and Bankpime (Spain), with 23 branches, in which Banif-SGPS, SA does not hold a majority shareholding.

Analysis of results

Banif - Grupo Financeiro had business income of 99.0 million euros at the end of the 1st quarter of 2009, a decrease of 11.9% in relation to the year-earlier period. The main components of this performance were as follows:

- Financial margin increased by 6.5% to 66.9 million euros. This item benefited from strong growth in lending activity but was affected by the narrowing of the financial intermediation margin, from an average of 2.89% in the 1st quarter of 2008 to an average of 2.45% in the 1st quarter of 2009. This was due to the fact that the increase in credit margins was outweighed by the decrease in margins on client funds.
- Profits on financial operations went from +18.9 million euros in the 1st quarter of 2008 to a net loss of -0.9 million euros in the 1st quarter of 2009. This development was due, on the one hand, to an impairment recorded in results in the 1st quarter of 2009 in the amount of 16.1 million euros, in relation to the shareholding in Finibanco - Holding, SGPS, against which financial gains were set in the same quarter in the amount of 10.1 million euros on the repurchase of liabilities issued by the Group, and, on the other hand, to the fact that in 2008 significant capital gains were recorded on the sale of shareholdings held by Banif Corretora de Valores e Câmbios (Brazil), in the amount of 25.9 million euros.
- Other income (net), which includes earnings from services and commissions, rose by 7.5%, to 33.0 million euros. Progress under this heading was also favoured by growth in the Group's commercial business, despite lower levels of activity in the areas of investment banking and asset management as a consequence of the continuing crisis in the main financial markets.

Operating costs, which consist of general administrative expenditure and staff costs, came to 63.8 million euros, 2.6% lower than over the same period in 2008, notwithstanding substantial expansion of distribution networks in Portugal, Brazil, Malta and Cape Verde. Costs were particularly high in the 1st quarter of 2008 because of the advertising campaign to publicise Banif – Grupo Financeiro's new image that ran in the first few months of 2008 and celebrations to mark the Group's 20th anniversary.

Net provisions and impairment for the year were up 32.7%, to 12.5 million euros, in the 1st quarter of 2009. This is a consequence of the deterioration of the macroeconomic picture both nationally and internationally, a situation that has moreover made it necessary to adopt a policy of greater prudence in the evaluation of credit impairment.

Banif – Grupo Financeiro had consolidated operating cash flow of 35.2 million euros (- 24.8% relative to the 1st quarter of 2008), while the *cost to income* ratio (operating costs + depreciation/ operating income) increased from 62.2%, in the 1st quarter of 2008, to 72.1%, in the 1st quarter of 2009.

Considering only recurrent results during the period in question, there was a decrease of 28.1% between the 1st quarters of 2009 and 2008: consolidated net results fell from 15.3 million euros, on 31 March 2008, to 11.0 million euros, on 31 March 2009. This decrease reflects lower earnings in the insurance and investment banking businesses in terms of commissions and trading operations, and, most significantly, at the level of commercial banking, the decrease in the financial intermediation margin and the increase in provisions for credit impairment.

As regards Banif – Grupo Financeiro's insurance business, conducted through Companhia de Seguros Açoreana, the volume of premiums issued came to 115.0 million euros in total (5.1% more than on 31 March 2008). Growth in life assurance, at 6.8%, was particularly strong.

On the basis of Banif – Grupo Financeiro's net result as at 31 March 2009 of 4.2 million euros, return on equity (ROE) was 2.9% (versus 16.4% in the year-earlier period), while return on assets (ROA) was 0.13% (versus 0.70% in the year-earlier period). Both ratios were calculated using average figures for the Group's equity and assets.

On the basis of recurrent results, these ratios are calculated to have evolved as follows:

- ROE from 14.0%, in the 1st quarter of 2008, to 7.5% in the 1st quarter of 2009.
- ROA from 0.59%, in the 1st quarter of 2008, to 0.34% in the 1st quarter of 2009.

The cost to income ratio, also calculated on the basis of recurrent results, rose from 63.8% in the 1st quarter of 2008 to 67.4% in the 1st quarter of 2009.

Lisbon, 15 May 2009

THE BOARD OF DIRECTORS

COMPARATIVE ANALYSIS

Banif - Grupo Financeiro

Expressed in thousands of euros

Balance sheet	31-03-2009	31-03-2008	Absolute variation	% variation
1 Net assets	12.858.715	11.284.687	1.574.028	13,9%
2 Credit granted (gross) (1)	10.610.170	9.286.977	1.323.193	14,2%
3 Clients' deposits	6.738.392	5.670.213	1.068.179	18,8%
4 Total client funds (balance sheet)	8.379.512	7.703.859	675.653	8,8%
5 Equity (2)	576.667	542.987	33.680	6,2%
Income statement	31-03-2009	31-03-2008	Absolute variation	% variation
6 Financial margin	66.899	62.799	4.100	6,5%
7 Profits on financial operations (net)	-874	18.869	-19.743	-104,6%
8 Other income (net)	32.952	30.653	2.299	7,5%
9 Business income	98.977	112.321	-13.344	-11,9%
10 Staff costs	38.357	37.525	832	2,2%
11 General administrative expenditure	25.395	27.931	-2.536	-9,1%
12 Cash flow	35.225	46.865	-11.640	-24,8%
13 Depreciation in the year	8.302	6.869	1.433	20,9%
14 Provisions and impairment (net)	12.461	9.392	3.069	32,7%
15 Equity method	-298	2.242	-2.540	-113,3%
16 Pre-tax result	14.164	32.846	-18.682	-56,9%
17 Tax (current and deferred)	7.214	9.832	-2.618	-26,6%
18 Minority interests	2.759	4.976	-2.217	-44,6%
19 Consolidated result in the 1st quarter	4.191	18.038	-13.847	-76,8%
Other indicators	31-03-2009	31-03-2008	Absolute variation	% variation
20 Insurance premiums (total)	115.045	109.511	5.534	5,1%
- Life premiums	65.974	61.747	4.227	6,8%
- Non-life premiums	49.071	47.764	1.307	2,7%
21 Assets under management (values in millions of euros)	2.119	1.966	153	7,8%
22 Credit impairment / Total credit	2,56%	2,21%	-	-
23 ROE	2,9%	16,4%	-	-
24 ROA	0,13%	0,70%	-	-
25 Earnings before tax and minority interests / Average net assets	0,44%	1,27%	-	-
26 Business income / Average net assets	3,08%	4,34%	-	-
27 Earnings before tax and minority interests / Average equity (including minority interests)	6,6%	19,5%	-	-
28 Operating costs + Depreciation / Business income (3)	72,1%	62,2%	-	-
29 Staff costs / Business income (3)	38,5%	33,1%	-	-

(1) Minus debt securities recorded as loans granted and accounts receivable

(2) Minus minority interests

(3) These ratios exclude non-financial and auxiliary activities. Business income includes the result of investment in associated companies excluded from the consolidation