

GENERAL MEETING OF BANCO COMERCIAL PORTUGUÊS, S.A.
(2012/06/25)

ITEM 2 OF THE AGENDA

**REPORT FORESEEN IN ARTICLE 460 (5)
OF THE COMPANIES CODE**

I

**JUSTIFICATION OF THE PROPOSAL TO SUPPRESS
THE PREFERENCE RIGHT**

1. The Board of Directors submitted a proposal, in the wake of item one of the Agenda of this General Meeting, regarding the Bank's recapitalisation process, for it to include access to public funding, in accordance with Law 63/A 2008, of 24 November and respective supplementary regulations, namely under the terms of the recapitalisation plan mentioned in article 9 of that Law and submitted to the General Meeting's appraisal;
2. Within this context, the Board of Directors also proposed to this General Meeting the suppression of the preference rights of the shareholders:
 - a) in the subscription of "Core Tier 1 capital instruments subscribed by the State" convertible into shares to be issued, one or more times, by resolution of the Board of Directors with the prior favourable opinion issued by the Audit Committee in accordance with the terms and conditions included in the recapitalisation plan submitted to this General Meeting under item one of the Agenda, or its eventual adjustments and updates, particularly in the term sheets and conditions for the recapitalisation attached to the plan.
 - b) in an eventual capital increase or increases to be resolved one or more times by the Board of Directors, after obtaining the favourable opinion of the Audit Committee, namely by the issue of shares, either ordinary or denominated special, pursuant to article 4 of Law 63/A 2008 of 24 November, included in the public investment made under the Law herein mentioned, in accordance with the terms and conditions established in the recapitalisation plan mentioned in item one of the Agenda of this General Meeting, or its eventual adjustments and updates, particularly in the term sheets and conditions for the recapitalisation attached to the plan, namely the shares that are expected to be eventually issued within the scope of the State's underwriting/guarantee of placement of the share capital increase for shareholders, if its final design makes it applicable, as well as the shares that are

eventually issued as eventual replacement remuneration of the “Core Tier 1 capital instruments subscribed by the State”, if applicable.

3. This report, drawn up pursuant to article 460 (5) of the Companies Code, will begin by describing the grounds for suppressing the preference right, which are mainly based on corporate interests that must be explained and unequivocally advise its adoption.
4. Regarding this subject, it is important to state that it is convenient that the recapitalization of the Bank, in accordance with the recapitalisation plan, to be made through a temporary and reimbursable instrument based on the subscription of financial instruments that are not diluted, namely securities that may only be converted into shares under certain circumstances;

It happens that, in accordance with the provisions of Banco de Portugal, Notice 3/2011 (as altered by Notice of Banco de Portugal 4/2012), the product of the issue of “Core Tier 1 capital instruments subscribed by the State” convertible into shares in accordance with the recapitalisation plan must be part of own funds, for the estimation of the Core Tier 1 ratio when such instruments are held by the State;

Thus, the issue of said financial instruments is only of corporate interest in terms of compliance with the Bank's prudential needs for capitalisation, in as much as it is exclusively carried out by the State, since it grants the Bank's own funds a higher and stronger qualification.

5. On the other hand, under the terms of the conditions set following the indications and conditions established by the State regarding the main terms for the public investment, in addition to public funding via the subscription of “Core Tier 1 capital instruments subscribed by the State” convertible into shares, the State may also participate in the reinforcement of the Bank's capitalization within the scope of the underwriting/guarantee of placement of the share capital increase for shareholders, with subscription of shares, namely of shares denominated special in article 4 of Law 63-A/2008, of 24 November;

This participation, which ensures the complete placement of the share capital increase foreseen in the plan, is clearly in the company's interest, as it significantly strengthens base own funds, and it may imply, in accordance with the final design adopted, the direct subscription of shares by the State.

6. Additionally, in accordance with Ordinance 150-A/2012, of 17 May, and with the term sheet, the remuneration of such instruments may, under certain circumstances and as an option of the Bank, involve the replacement delivery of Bank shares, namely new shares to be issued pursuant to a share capital increase resolved for that purpose, being therefore convenient, in order to achieve the goal of issuing convertible instruments under the terms of the terms and conditions attached to the plan, to assure, right away, that the new shares to be issued within that context may be directly delivered to the State as the holder of those convertible securities;

II

ATTRIBUTION AND RELEASE OF THE CONVERTIBLE INSTRUMENTS AND OF THE NEW SHARES

The “Core Tier 1 capital instruments subscribed by the State” convertible into shares and the shares that are eventually issued, mentioned in the proposal to suppress the preference right approved in item two of the Agenda, will be destined to be privately subscribed by the State.

The totality of the “Core Tier 1 capital instruments subscribed by the State” convertible into shares and of the shares will be fully released on the moment they are subscribed or until that moment; therefore, that release cannot be postponed.

III

ISSUE PRICE AND HOW IT IS DEFINED

The “Core Tier 1 capital instruments subscribed by the State” convertible into shares will be issued and subscribed at their nominal value and the conversion price will be defined under the terms of Law 63-A/2008, of 24 November, in Ordinance 150-A/2012, of 17 May, and other applicable regulations, namely the decision of the member of the Government in charge of finances, the conditions for issuing the instruments, namely the provisions in the term sheets and conditions for the recapitalisation attached to the recapitalisation plan, and based on the prevailing market conditions at the time of the conversion.

The issue price of the new shares will be defined under the terms of Law 63-A/2008, of 24 November, in Ordinance 150-A/2012, of 17 May, and other applicable regulations, namely the decision of the member of the Government in charge of finances, the conditions for issuing the instruments, namely the provisions in the term sheets and conditions for the recapitalisation attached to the recapitalisation plan, and based on the prevailing market conditions at the time of the issue.

Lisbon, 8 June 2012

THE BOARD OF DIRECTORS